

**ITEM NUMBER: C 14/01/08****RECOMMENDATION FROM THE EXECUTIVE MAYOR: 23 JANUARY 2008****SMC 03/01/08 ANNUAL REPORT 2006/07**

Councillor Walker pointed out that a number of editing changes were required to the Annual Report before it is submitted to Council. She proposed that the Annual report be noted and that it be dealt with substantively at Council once the necessary editing changes were made thereto.

The proposal was duly supported.

*(The editing changes referred to above have been incorporated into the Annual Report attached to the report on the agenda.)*

**RESOLVED** that the City of Cape Town's Annual report for 2006/07 be noted.

**RECOMMENDED** that:

- (a) the City's Annual Report for 2006/07 (Annexures A – L) be considered as required by Section 127 of the MFMA and the steps below be follows:
  - (i) the annual report for 2006/07 now be made public
  - (ii) representations be invited from the local community
  - (iii) copies of the annual report be distributed to the institutions referred to in Section 127.(5) of the MFMA
- (b) Council deal with the annual report in accordance with the steps contained in Sections 129 and 130 of the MFMA and that an oversight report be adopted by Council by 31 March 2008.

**REPORT TO  
COUNCIL**

1 **ITEM NUMBER :** *To be inserted by Executive Support*

2 **SUBJECT**

**ANNUAL REPORT 2006/07**

**INGXELO YOMNYAKA WAMA-2006/07**

**2006/07-JAARVERSLAG**

3 **PURPOSE**

To submit the City's 2006/07 annual report and to allow Council to consider the processes in terms of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) (MFMA).

4 **STRATEGIC INTENT**

This report supports the Strategic Intent to achieve *Good Governance*, as well as facilitating the accomplishment of Council's other 6 strategic focus areas.

5 **FOR DECISION BY**

Council.

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6 **EXECUTIVE SUMMARY**

6.1 In terms of the MFMA the following action is necessary:

6.1.1 the mayor of a municipality must, within seven months after the end of a financial year (i.e. by 31 January), table in the municipal council the annual report of the municipality and of any municipal entity under the municipality's sole or shared control [Section 127. (2)];

6.1.2 immediately after the annual report is tabled, the report must, *inter alia*, be made public and representations invited from the local community [Section 127. (5)]; and

6.1.3 Council must consider the annual report of the municipality / municipal entity and

by no later than two months from the date on which the annual report was tabled in Council (i.e. by 31 March), adopt an oversight report containing the Council's comments [Section 129. (1)].

- 6.2 Accordingly, as provided for by Section 127 of the MFMA, the City's 2006/07 annual report **attached as Annexure A - L** is now submitted for consideration by Council.

## 7 RECOMMENDATIONS

- 7.1 That the City's annual report for 2006/07 (**Annexure A - L**) be considered as required by Section 127 of the MFMA and the steps below be followed:
- 7.1.1 The annual report for 2006/07 now be made public;
- 7.1.2 Representations be invited from the local community; and
- 7.1.3 Copies of the annual report be distributed to the institutions referred to in Section 127. (5) of the MFMA;
- 7.2 That Council deal with the annual report in accordance with the steps contained in Sections 129 and 130 of the MFMA and that an oversight report be adopted by Council by 31 March 2008.

## 7 IZINDULULO

- 7.1 Ukuba makuqwalaselwe amasolotya akhoyo kwingxelo yonyaka yeSixeko yonyaka-mali ka-2005/06 (**iSongezelelo A - L**) yaye makulandelwe la manyathelo angezantsi alandelayo:
- 7.1.1 Ukuba ngeli xesha kuthathelwa ingqalelo ulwazi lokuba ingxelo yonyaka yeSixeko yonyaka-mali ka-2005/06 ayisayi kuba yezeleyo ngenxa yesizathu esichazwe kumhlathi 8.4.4 kulo mbandela, makulandelwe ezi nkqubo zilandelayo njengoko kumiselweyo kwiCandelo 127. (5) no-(6) loMthetho oLawula iZimali zikaMasipala:
- 7.1.1.1 Amasolotya akhoyo kwingxelo yonyaka yonyaka-mali ka-2005/06 makabhengezwe kungoku nje;
- 7.1.1.2 Makucelwe unikezelo-nkcaza kuluntu lwengingqi; kunye nokuba
- 7.1.1.3 Makusasazwe iikopi ezikhoyo zamasolotya engxelo yonyaka kumaziko akhankanywe kwiCandelo 127. (5) loMthetho oLawula iZimali zikaMasipala;

- 7.1.2 Nokuba iBhunga malijongane nengxelo yonyaka ngokuthobela imiqathango emiselwe kumanyathelo aqulethwe kwiCandelo 129 neCandelo 130 oMthetho oLawula iZimali zikaMasipala kunye nokuba makwamkelwe ingxelo elawulayo ngokuphathelele koku liBhunga ngomhla wama-31 Matshi 2008.

## 7 AANBEVELINGS

- 7.1 Dat daar oorweging aan die Stad se 2006/2007-jaarverslag (**Bylae A - L**) geskenk word en dat ondergenoemde stappe gevolg word:
- 7.1.1 Die 2006/2007-jaarverslag nou openbaar gemaak word;
- 7.1.2 'n Uitnodiging vir verhoë van die plaaslike gemeenskap gerig word; en
- 7.1.3 Afskrifte van die beskikbare komponente na die instellings versprei word waarna in artikel 127. (5) van die Wet op die Bestuur van Munisipale Finansies (MFMA) verwys word;
- 7.2 Die raad die jaarverslag hanteer ooreenkomstig die stappe vervat in artikels 129 en 130 van die Wet op die Bestuur van Munisipale Finansies (MFMA) en dat 'n oorsigverslag ten opsigte daarvan voor of op 31 Maart 2007 deur die raad aanvaar word.

## 8 DISCUSSION/CONTENTS

### 8.1 Constitutional and Policy Implications

- 8.1.1 The process is driven by legislation.

### 8.2 Legal Implications

- 8.2.1 Local Government : Municipal Finance Management Act, (Act 56 of 2003) (Chapter 12) (MFMA).
- 8.2.2 Local Government : Municipal Systems Act, (Act 32 of 2000) (Chapter 6), as read with the Local Government : Municipal Systems Amendment Act, (Act 44 of 2003) (hereinafter referred to as the Systems Act).

### 8.3 Other Services Consulted

- 8.3.1 The remaining components of the report have been considered by the Executive Management Team.

### 8.4 Background

- 8.4.1 In terms of the MFMA the following action is necessary:

- 8.4.1.1 the mayor of a municipality must, within seven months after the end of a



financial year (i.e. by 31 January), table in the municipal council the annual report of the municipality and of any municipal entity under the municipality's sole or shared control [Section 127. (2)];

8.4.1.2 Immediately after the annual report is tabled, the report must, *inter alia*, be made public and representations invited from the local community [Section 127. (5)]; and

8.4.1.3 Council must consider the annual report of the municipality / municipal entity by no later than two months from the date on which the annual report was tabled in Council (i.e. by 31 March), adopt an oversight report containing the Council's comments [Section 129. (1)].

8.4.2 It is proposed that Council deal with the annual report in accordance with the steps contained in Sections 129 and 130 of the MFMA and that an oversight report is adopted by Council by 31 March 2007.

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**ANNEXURES**

- Annexure A: City's Annual Report for 2006/07 (Chapter 1-3)
- Annexure B: City's Consolidated Annual Financial Statements 2006/07
- Annexure C: Auditor-General's audit report on City's Consolidated Annual Financial Statements for 2006/07
- Annexure D: Management comments and corrective action on matters raised in the report of the Auditor-General on City's Consolidated Annual Financial Statements for 2006/07
- Annexure E: City's Annual Financial Statements 2006/07
- Annexure F: Auditor-General's audit report on City's Annual Financial Statements for 2006/07
- Annexure G: Management comments and corrective action on matters raised in the report of the Auditor-General on City's Consolidated Annual Financial Statements for 2006/07
- Annexure H: National, Provincial and other donor funding
- Annexure I: Assessment of performance against the measurable performance objectives – revenue collection
- Annexure J: Report of the audit committee for 2006/07
- Annexure K: City's Annual Report for 2006/07 (Chapter 5)
- Annexure L: Executive summary of the City's Annual Report for 2006/07

**FOR FURTHER DETAILS CONTACT :**


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<b>DIRECTORATE</b>	<i>Service Delivery Integration</i>

  
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**DIRECTOR : LEGAL COMPLIANCE**

- LEGALLY COMPLIANT
- NON-COMPLIANT

DATE 25/01/2008

COMMENT :  
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**EXECUTIVE DIRECTOR**  
 [Mike Marsdon]

Comment:  
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DATE 2008-01-25

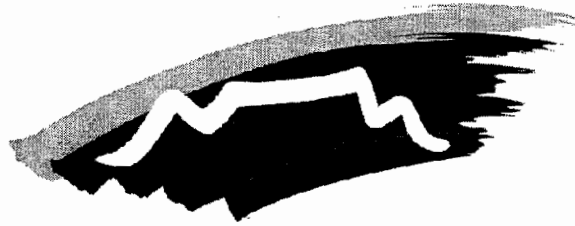
# City's Annual Report for 2006/07 (Chapters 1-3)

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City of Cape Town

# Annual Report

## 2006/2007



CITY OF CAPE TOWN | ISIXEKO SASEKAPA | STAD KAAPSTAD

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THIS CITY WORKS FOR YOU

# Final Draft

## FOREWORD BY THE EXECUTIVE MAYOR

This report covers the first full year that the Multi-Party Government of Cape Town has been in office.

Our priority during this year has been to establish an organisation that is capable of delivering on our service delivery objectives.

Our key objective, as set out in our Five-Year Integrated Development Plan (IDP), is to promote economic growth in Cape Town by investing in infrastructure and a cleaner, safer city. By making Cape Town more attractive to investors, and by providing services that facilitate rapid economic growth, we aim to create more opportunities for all of our citizens, especially job opportunities.

However, to drive development in this manner requires an efficient and financially stable administration.

Our new government came into existence at a time of major organisational change. At the beginning of 2006, the amalgamation of seven municipalities into one Unicity, which started in 2000, had not yet resulted in a unified organisational structure for the municipality's 21 297 staff.

Staff reporting lines were not properly established, the performance management system was dysfunctional and unequal conditions of service and salaries from the old administrations remained in place.

A number of critical service delivery areas were also hampered by staff vacancies. In terms of finances, the City had accrued substantial debts that needed to be addressed, including R4 billion in unpaid rates and service charges.

To address these issues, a realignment process was initiated and a unified organisational structure for the City administration is now in place, with clear reporting lines and a single pay scale.

In addition, 1 800 new staff appointments have been made, with a further 1200 to follow within the year ahead.

A sustained debt management campaign was also instituted, and the City's finances have improved significantly as a result. Outstanding debt owed to the City has been reduced by R417 million.

The general stability in the City's finances has enabled us to write off R1.5 bn in debt mostly owed by the poor residents of Cape Town.

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The work of the past year, together with the development of the new IDP focus on infrastructure led economic growth, has helped to gear the City up for delivery, and enable it to address the unique development challenges of Cape Town.

The positive results are already evident in this report. This year's capital expenditure, at 77%, has been the highest so far in the Unicity. The rate of housing delivery has also increased by more than 100% in the past two years. The time the City takes to procure contractors to deliver services and projects has been reduced from 12 weeks to seven weeks.

We have also seen the rapid rollout of major infrastructure projects like the new Green Point Stadium in preparation for 2010, which is currently ahead of schedule, and new sewerage works and electricity distribution infrastructure.

In terms of law enforcement, we have cracked down on cable thieves and have developed a strategy to combat drug and alcohol related crime.

We have introduced the City's first comprehensive Informal Settlement Upgrade Master Plan, which will see the introduction of essential services to all of Cape Town's 226 informal settlements over the next two years.

In spite of the progress, there remain a number of key developmental challenges in Cape Town that the municipality is not yet able to tackle adequately. Our housing backlog remains around 350 000 units, and the unemployment rate is around 15%.

Crime levels are also on the increase, largely fuelled by substance abuse. In addition, Cape Town has the highest nett migration rate in the country, and many of the people coming to Cape Town do not have jobs or houses.

Over the next three years the City will continue to improve its organisational capacity and its operations in an effort to strengthen its ability to address these and other challenges.

Helen Zille

Executive Mayor of Cape Town

## INTRODUCTION BY THE CITY MANAGER

The 2006/07 financial year was characterised by:

- A process of organisational re-alignment. This involved placing of staff, producing an Organisational Design, and the finalisation of the Executive Management Team.
- The drafting of a new five-year Integrated Development Plan (IDP), which will be implemented from 1 July 2007 to ensure continued and sustainable growth; and
- Re-alignment of the budget toward economic growth, while maintaining a focus on social spending and our core business of effective and efficient service delivery.

The work of the past year, together with the development of the new IDP focus on infrastructure led economic growth, has helped to gear the City up for delivery, and enable it to address the unique development challenges of Cape Town.

A number of challenges remain, and tackling these requires an integrated, aligned and strategic approach that involves continuous dialogue and co-operation between all stakeholders in the city.

Some of the challenges are:

- to focus on core business and to clear backlogs
- to strive to create the right conditions for economic growth, and ensure that the benefits are shared as broadly as possible
- to establish a strategy/output driven organisation and train employees in core output skills/competencies.

Achmat Ebrahim

City Manager

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# CHAPTER 1

# Introduction and Overview of the Cape Town Metropolitan Area

Although a new Council was elected in March 2006, its original corporate strategy i.e. its Vision, Mission and Strategic Themes remained as is for the 2006/07 financial year. Areas in which change was effected included the layout and emphasis on certain service areas, which was reviewed to take cognizance of the city's changed socio-economic circumstances and current realities.

During this review process a strong shift was made towards seamless working and planning arrangements with the other spheres of government and stakeholders in order to maximise social and economic development based on the principles of democratisation, empowerment and redistribution.

Over the past five years the City of Cape Town has gone through a dramatic phase of restructuring, transformation and organisational change. Despite changes in political control the City managed to achieve a CA credit rating of AA-long term/A1+ short term and was rated among some of the country's leading companies in respect of service delivery and client service.

There has been a strong drive towards upliftment and the development of poor communities by means of a focused programme on the improvement of informal settlements, upgrading of basic services and the provision of free water and electricity to this indigent sector of the population.

After the election of the new Council (in March 2006), the City opted to adopt an Executive Mayoral system including Section 79 Portfolio Committees and an 11 person Mayoral Committee. Provision was also made for Sub-councils (of which 23 were formed) and Ward Participatory Mechanisms. The City's new Integrated Development Plan (IDP) was structured into strategic themes, each with identified objectives and interventions to action the themes and output targets (*For more information - see 06/07 IDP document – [www.capetown.gov.za](http://www.capetown.gov.za)*). These themes were used as a framework to direct budget, human and other resources. The themes are: economic development and job creation; meeting integrated access and mobility; building integrated human settlements; building strong communities; equitable and effective service delivery; creating an enabling institutional framework.

The City's vision is to establish:

- A sustainable City that offers a future to our children and their children
- A dignified City that is tolerant, non-racist and non-sexist
- An accessible City that extends the benefits of urban society to all and builds the capacity of its people
- A credible City that is well governed and trusted by its people
- A competent City with skills, capabilities and a competitive edge
- A safe and caring City that cares for its citizens and values the safety and security of all who live, work and play in it
- A prosperous City known for its ability to compete globally in the 21<sup>st</sup> century and its commitment to tackling the challenges facing South Africa, the Southern African Development Community and the African continent
- A City known for its leadership in Africa and the developing world.

### *Strategic focus*

In order to measure and report on its actual performance against its predetermined output targets, the City uses the Service Delivery and Budget Implementation Plans (SDBIP) and the Balanced Scorecard methodology to cascade strategy downwards into the lower levels of the organisation (*See Chapter 2- Corporate Scorecard*). The City has also aligned itself with national financial objectives by incorporating the national performance indicators into said Corporate Scorecard which is monitored and reported on regularly.

The organisational realignment process was finalised and to this end, all employees have been successfully placed, an organisational design has been produced, and the Executive Management Team (Section 57 employees) has been appointed. By June 2007 there were 21,297 staff in the City.

The City has reorientated its budget towards economic growth, while maintaining its focus on social spending and its core business of effective and efficient service delivery. The replacing of the city's neglected infrastructure, as well as the provision of new facilities and infrastructure has also been a high priority during the year under review. One of the biggest infrastructure investments made by the City during the year was the R1,6 billion Berg River Dam, which will ensure sufficient water for the region until 2014, based on current demand patterns.

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## Financial health of the City

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In 2006, an assessment of the City's financial health and budget showed that its financial indicators are generally sound. The City's relatively strong financial viability was reaffirmed more recently by a CA rating upgrade from A+ long term/A1 short term to AA-long term/A1+ short term. This positive measure indicates the City's strong ability to repay long-term liabilities and fulfil short-term obligations. Two areas of concern were capital budget expenditure and revenue management.

The City has made significant progress with the two issues that were identified as concerns in the 2006 Provincial Treasury assessment, namely revenue management and capital budget expenditure.

Over the last two years the City has spent all of its National Municipal Infrastructure Grant (MIG) allocations as follows:

- 2005/06 – The full allocation of R167,802,499 was spent within the time frame of the Municipal Infrastructure Grant (MIG) financial year, 1 April 2005 to 31 March 2006
- 2006/07 – The full allocation of R196,656,897 was spent within the time frame of the MIG financial year, 1 April 2006 to 31 March 2007. The City of Cape Town was among the best performing metros during this period.

A number of initiatives to address the unacceptably low rate of capital expenditure have been undertaken. These include:

- The amendment of the Supply Chain Management Policy to speed up delivery
- Increasing project management capacity and decisive driving of projects
- Opening up of tender processes to the public and the media
- Filling of critical posts

These initiatives have resulted in improved capital expenditure in the current financial year compared to previous financial years, as reflected in the table below:

Table 1.1 Capital Expenditure

	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07*
	R'm	R'm	R'm	R'm	R'm	R'm
Budget	2,321	1,967	1,360	1,506	2,130	2,545
Actual	1,418	1,334	904	951	1,521	1,954
Percentage Expenditure	61,1%	67,8%	66,5%	63,2%	71,4%	76,79%

\* 2001/02-2005/06 figures are per the Annual Report; 2006/07 provisional figure as at 9 July 2007

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The City's actual debt collections have exceeded its end of year target. The City continued its extensive campaign to improve revenue management by reducing outstanding debt. Over a period of nine months, its Debt Management Campaign brought its unpaid bills for rates and services down from an amount of R4,5 billion to R3,5 billion. The Debt Management Campaign also included:

- A communications campaign encouraging customers to come forward and pay or make an arrangement to pay off their outstanding debt. A total of 450,101 final demands were sent out to defaulters
- Specialised sections have been established to deal with its top 1,000 debtors, government department and staff and councillor arrears. The following results in these categories were obtained:
  1. A reduced outstanding debt of R260 million for the City's top 1,000 debtors
  2. A reduced R150 million debts from government departments
  3. A reduced R7 million debt in Councillor and staff arrears
- The Credit Control and Debt Collection By-Law was published in the Provincial Gazette on 15 June 2006, which empowers the City to carry out debt management actions in terms of its policies.

The City remains mindful of the need to assist those who genuinely cannot afford to pay for basic services. An extensive communication campaign to assist such households to register on the City's Indigent Register was initiated. To date, approximately 8,000 applications have been received and 4,300 residents have been registered. All that remains is the initiation of a verification process. At its Council meeting on 27 June 2007, the City took a decision to write off R1,5 billion of the R4 billion debt still owed by residents for rates, services and housing rentals so as to help people who are struggling financially. The decision was made possible by the increase in people who have paid their municipal accounts, which is the direct result of the City's re-establishment of a culture of payment. The written off debt dates back to the time when different rates and tariff systems were used by previous municipalities.

### *Procurement*

The rigid requirements of procurement legislation continue to hamper more effective implementation of the capital budget. The City's performance in this area was severely limited by compliance with legislation requiring competitive tendering by professional service providers, the right of appeal against decisions on contract awards as well as the requirement to resolve appeals prior to the confirmation of tender awards. The City has implemented a number of initiatives internally to expedite and improve procurement processes, including more frequent meetings of the Bid Adjudication Committees, the opening up of the committee to the public, additional resourcing of the procurement office, and the amendment of black economic empowerment (BEE) requirements from 30 to 10 percent (in line with national policy and legislation). The last of these interventions has increased the proportion of City contracts held by BEE concerns from 42 to 52 percent in less than a year.

*Unfunded mandates*

The issue of unfunded mandates remains unresolved. Between 2000 and 2004 the City spent over R2 billion (approximately R500 million per year) on unfunded services and initiatives that do not fall under its responsibilities. Although the issue has been raised with Province, it remains unresolved.

**Demographic Overview**

The City of Cape Town, a Category A municipality, is one of South Africa's six metropolitan municipalities. Situated in the southern peninsula of South Africa's Western Cape Province, the municipality spans 2, 461 square kilometres in area and is home to an estimated 3,2 million people. The city accounts for 11 percent of South Africa's economy and is its second largest economic centre and third most populous city. Although the annual population growth rate has slowed due to reducing fertility, increasing HIV/Aids- related deaths and reduced net in-migration, the city's population is characterised by a large contingent of youth (38 percent) as a result of the ongoing influx of young people from the Eastern Cape and Gauteng (53 percent of who are between 15 and 34 years of age).

Table 1.3 Demographic information- 2006:

Total Population	African	Coloured	Indian	White
3,239,768	1,117,063	1,495,445	47,361	579,900

Source: City of Cape Town

The above demographic data will be updated with the Oct 2007 Household review.

**Economic growth and job creation**

Cape Town generates approximately 76,5 percent of the Western Cape's GGP (gross geographic product). From 1994 to 2004 the city contributed 15,9 percent of South Africa's gross domestic product (GDP). Growth has accelerated from an annual average of 4 percent over the 10-year period 1995 to 2005 to 5,9 percent between 2004 and 2005.

The City's economy is diverse, and is dominated by finance and business services, which together account for 32.3 percent of the city's total economic activity. Other key sectors include trade, catering, accommodation, tourism, transport and communications. Although 93 percent of the city's businesses are small, contributing 50 percent of total output and 40 percent of formal employment, the economy has proved itself robust, with the City achieving an average annual GDP (gross domestic product) growth rate of 5,9 percent in 2005. The same year, the construction sector expanded by 13,5 percent to become the fastest growing sector in the City, followed by transport and communication (6,7 percent), wholesale and retail trade (6,3 percent) and the finance and business services (5,9 percent). Manufacturing is an important source of employment. In 2005 it accounted for 17,9 percent of the City's total economic activity and 77 percent of provincial manufacturing activity. This sector grew by 5,2%.<sup>1</sup>

<sup>1</sup> (Socio- Economic Profile for Cape Town 2007 (Provincial Treasury, 2007)

A healthy and growing economy that benefits all the people of the City is a prerequisite for attaining and achieving the objectives of a more sustainable Cape Town. In 2006, unemployment reduced from 23% in 2004 to 15%, but the mismatch between available skills and those that are needed continues to grow, posing an ongoing challenge to the economy. Further challenges include the relatively strong Rand, which impacted negatively on the City's traditionally major economic sectors, such as clothing and textiles.

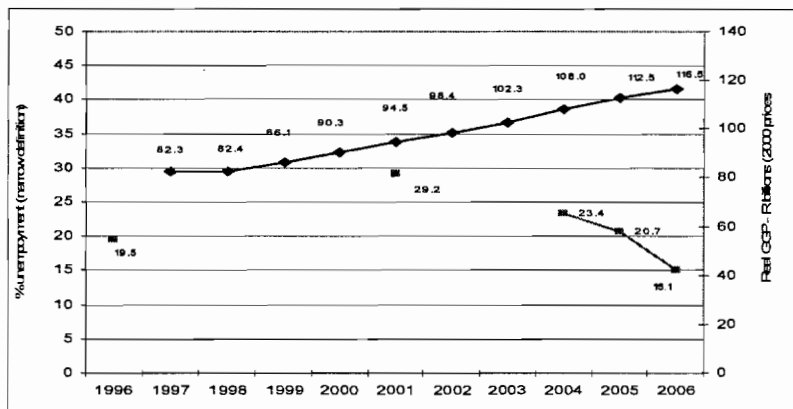
Table 1.4 Socio-Economic Information:

Housing Backlog (2006)	Unemployment Rate (%) 2006	Number of Indigent Households 2006	HIV/AIDS Prevalence 2006 (%)	People Older than 15 years who are illiterate %	Crime - Total No of Cases Reported (2006/ 07)	Urban/Rural Household Split (%)
±350,000	15%	184,032	10%	1.6%. Functional illiterate is 8.1% (Gr 6 or lower).	303,724	N/A

The City faces further challenges in the socio-economic realm, including widening gaps between richer and poorer areas. Some industrial and residential suburbs are rich in both nature and opportunities, while others battle increasingly inadequate shelter, overcrowding and indiscriminate development.

Cape Town's local government, the City of Cape Town, aims to preserve the city's character by conserving its unique and globally important biodiversity and its cultural, historical and heritage diversity. This includes a significant commitment to sustainable resource use to effect financial savings in service provision and to focus attention on poverty.

Graph 1.1 Comparison of level of unemployment and GGP growth in Cape Town



Source: Strategic Development Information & GIS using Quantec and STATSSA Labour Force Survey data

Allied to this is the City's recognition of the pressing need to create productive employment opportunities. To achieve growth, Cape Town must become globally competitive. The City has therefore embarked on a venture to gather information with local businesses, reduce the cost of doing business and enhance safety and security, especially in areas that want to attract development. This effort extends to include spatial planning, which now takes account of economic forces and trends in the City and provides an appropriate basis for future infrastructure investment, extension of services and land availability.



## *Economic challenges still facing the city*

Cape Town faces increasing development challenges. During the last decade, the level of poverty has increased, the housing backlog has more than doubled, drug-related crime has tripled, HIV prevalence has increased tenfold and public transport has deteriorated. This is despite significant economic growth (of a 4 percent annual increase in GGP during the past decade), improvements in the provision of basic services (such as water, waste, electricity) and increasing tourism.

Cape Town's geographic footprint has almost doubled in size over the past 20 years, which has in turn changed its population's movement patterns dramatically. The transport infrastructure network has become outdated and the major road and rail routes still focus primarily on historic destinations such as the central city. The City's current structure and form generates enormous movement at great economic, social and environmental cost to the public purse. Traffic congestion is increasing, public transport is inefficient and not available to all parts of the City and it is difficult to change between the various modes of transport. The location of the urban poor on marginal land situated far away from areas where there is economic opportunity and essential facilities (such as clinics and hospitals) adds to their burden by increasing their cost of transport.

## ***Equitable and effective service delivery***

In response to this situation, the City initiated a major drive towards the elimination of backlogs and infrastructure investment. The first phase in its restoration of the City's infrastructure network has been to ensure that the relevant institutional capabilities are in place to support and effectively manage an accelerated drive towards infrastructure investment. Positive results are already evident with 77.31 percent of capital budget having been spent during the 2006/07 financial year. The City has increased its capital budget by more than R4 billion to fund 2010 and a broader infrastructure base. It is expected that this positive expenditure trend will continue during the course of the next financial year.

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The City still boasts the best service delivery figures relative to the country's other cities. The table below shows the services it operates:

*Table 1.5. Services Data*

City of Cape Town	1996	2001	July 2006
<b>Demography</b>			
Number of households	653 173	777 393	909 391
Population	2 565 018	2 893 251	3 239 768
<b>Refuse removal</b>			
Percentage of households without weekly refuse removal	11,4%	5,9%	4,3%
Number of households without weekly refuse removal	74 467	45 217	39 072
<b>Water supply</b>			
Percentage of households without piped water on site	10,5%	15,96%	6,6%
Number of households without piped water on site	68 530	121 177	59 625
<b>Toilet facilities</b>			
Percentage of households without flush toilet	10,7%	12,74%	6,2%
Number of households without flush toilet	70 080	96 961	56 599
<b>Electricity supply</b>			
Percentage of households without electricity supply	13,2%	11,45%	4,3%
Number of electrifiable households without electricity supply	86 226	87 294	38 791

*Source: Strategic Development Information & GIS using STATSSA Census and General Household Survey data*

### *Infrastructure challenges still facing the City*

Over the past 20 years, Cape Town's urban growth has been undertaken on a spatially *ad hoc* basis, which has in turn created reactive and uncoordinated public investment in infrastructure. The result has been ineffective and unsustainable urban development. The resulting urban sprawl, caused by the location of informal settlements along the city's periphery has placed immense strain on the City's finances as it has necessitated new bulk and link infrastructure extensions. This settlement pattern has also impacted negatively on the city's famed biodiversity.

Investment in public infrastructure has lagged behind advances made in the extension of basic services and housing. The replacement, rehabilitation and preventative maintenance of existing infrastructure has suffered as a result of the persistent focus on the (often reactive) extension of infrastructure.

There is an urgent need to raise investment levels into City infrastructure for remedial work, upgrading and replacement of ageing municipal services infrastructure. Current healthcare and social facilities, particularly for the aged and the youth, are insufficient to meet needs. Funding problems emanating from unresolved intergovernmental arrangements compound this problem.

## Environmental challenges facing the City **470**

The City's environment is one of its strongest assets and is the driving force behind tourism and the attraction of skilled workers. However, growing consumption and pollution are threatening the rich, highly vulnerable biodiversity of the region. Water use per capita decreased sharply in 2001 due to water restrictions, illustrating a useful demand management system for a water-scarce city such as Cape Town. However, the daily per capita usage of 200 litres is still unsustainably high. Coastal water quality samples across the city reflected a significant decline between 2003, (where 16 percent of the sample points exceeded the 80th percentile water quality guideline) and 2004/2005, where 24 percent of sites exceeded the guideline.

Quantities of waste being disposed per capita are increasing at an alarming rate, demonstrating a 60 percent increase since 1999. This may be indicative of excessively high consumption patterns as well as the impact of increased tourism and increased waste loads from outside the city. There is a great deal to do to implement alternatives to locating new and ever larger landfill sites, including retention of waste at source.

Cape Town's unique and vulnerable environment faces a number of threats, some of which can be addressed more directly by the City and its residents. Growing consumption and its resulting waste disposal mean that the City requires more services and sites for disposal. Increasing pollution is affecting the quality of air and water in the city with a direct impact on residents' health and well-being.

Urban sprawl is another threat to Cape Town's unique biodiversity. This is especially true in the low income, high-density areas of the Cape Flats, which are home to the city's most threatened ecosystems. Global warming appears to be impacting on the region's ecology, resulting in a reduction of water resources, agricultural land and increasing storm and flood damage. Bold and far-reaching measures are needed to mitigate the impact of environmental resource scarcity and to position the economy and society on a more sustainable footing.

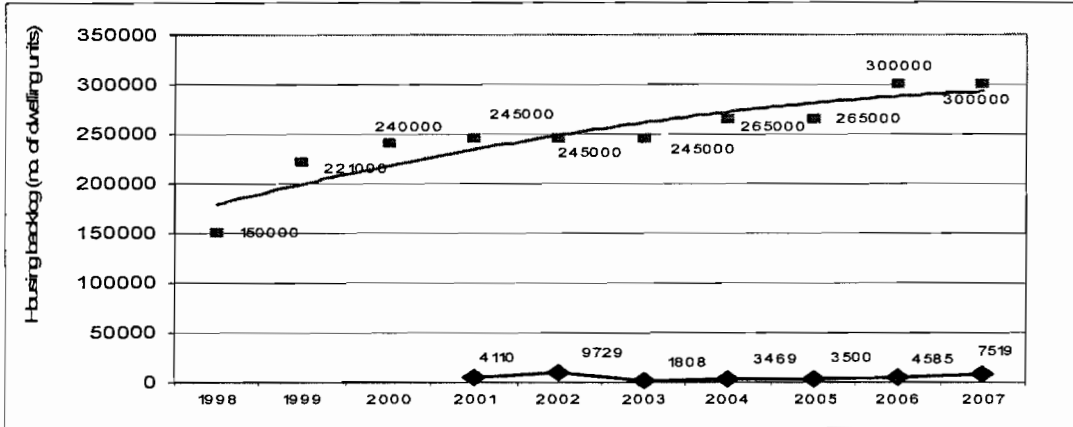
### ***Housing and shelter conditions***

Although the City has made positive strides towards resolving its housing challenges, continued net immigration into the city exacerbates its current housing and associated infrastructure backlogs (an increase from 150 000 in 1998 to approximately 350 000 in 2006). The rapid growth in the urban centre has created tremendous strain on the current infrastructure (most acutely felt in services such as water, waste water, electricity, roads and stormwater), and new infrastructure is urgently needed.

Key indicators show that fundamental changes to the City's development path are being constrained by a number of trends that are reinforcing social spatial segregation and inequalities. The number of people

living in informal settlements is growing (23 000 families in 1993 to 115 000 families in 2005), overcrowding is increasing and household size is declining.

Graph 1.2 Housing backlog compared to housing delivery



Source: Strategic Development Information & GIS using Housing Department data

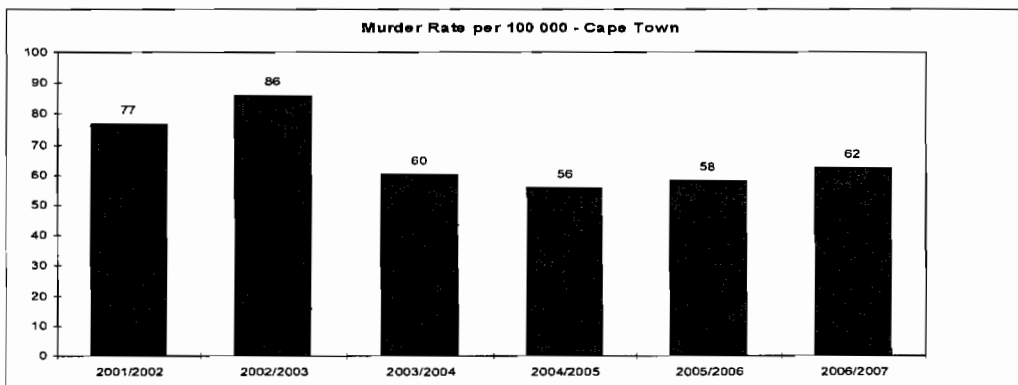
The financial implications of addressing these and future housing and infrastructure demands are high and will require significant additional capital investment. It is imperative that the City explores new and innovative funding mechanisms to meet its infrastructure investment challenges.

**Building strong communities**

*Safety and security conditions*

To become globally competitive and attract private sector investment, the City needs to provide a safe business and living environment, which in turn necessitates an improvement in the socio-economic conditions of the city's poor and unemployed. Levels of violent crime in some categories, such as murder and reported rapes, have stabilised over the past few years but remain far from normalised. The incidence of murders is still extremely high, with 2 016 murders in 2006/7, representing an annual murder rate of 62 per 100 000 population - an average of five murders every day.

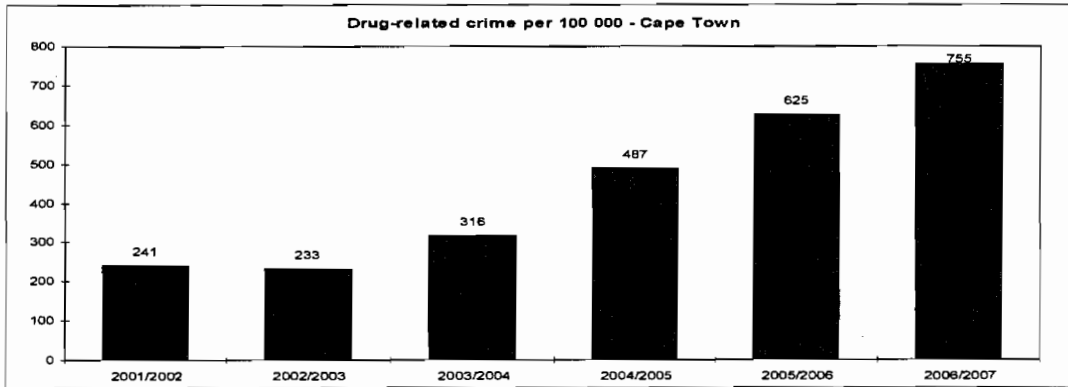
Graph 1.3 Incidence of reported crime in Cape Town (murder, drug-related crime rate and reported rape)



Source: Strategic Development Information & GIS using SAPS data

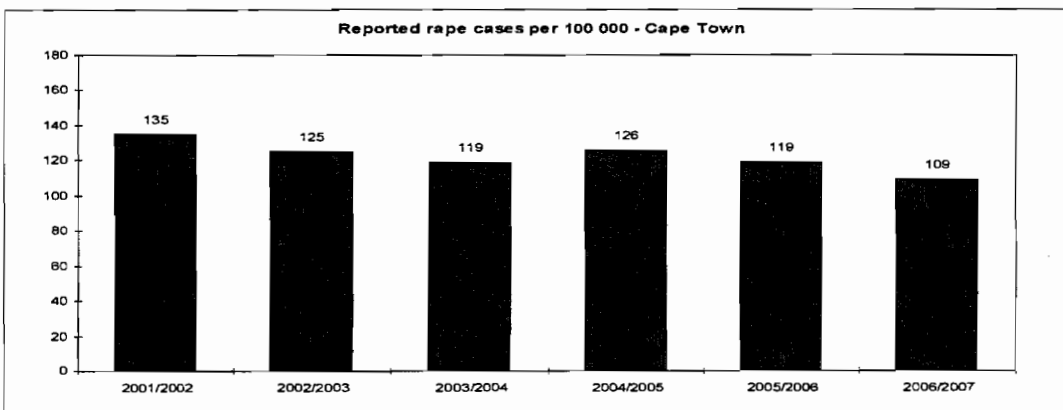
Of special concern is the fact that reported drug-related crime has more than tripled in the past five years. Property-related crime (especially residential burglaries) has also increased throughout the same period, possibly reflecting a connection between these two crimes.

Graph 1.4 Drug related Crime



Source: Strategic Development Information & GIS using SAPS data

Graph 1.5 Rape Data

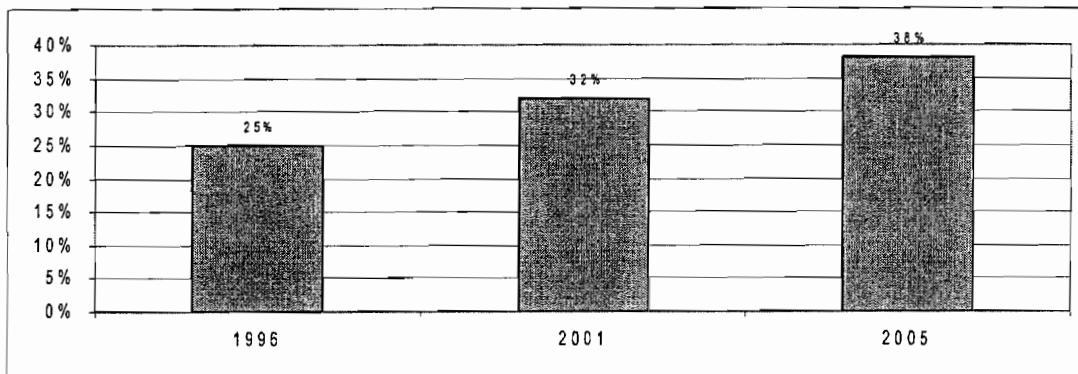


Source: Strategic Development Information & GIS using SAPS data

**Health, social and human conditions**

Cape Town's history of distorted development has manifested in a highly skewed distribution of income and wealth. The trend towards rising poverty (from 25 percent in 1996 to 38 percent of households living below or marginally above the household poverty line in 2005) is an especial concern.

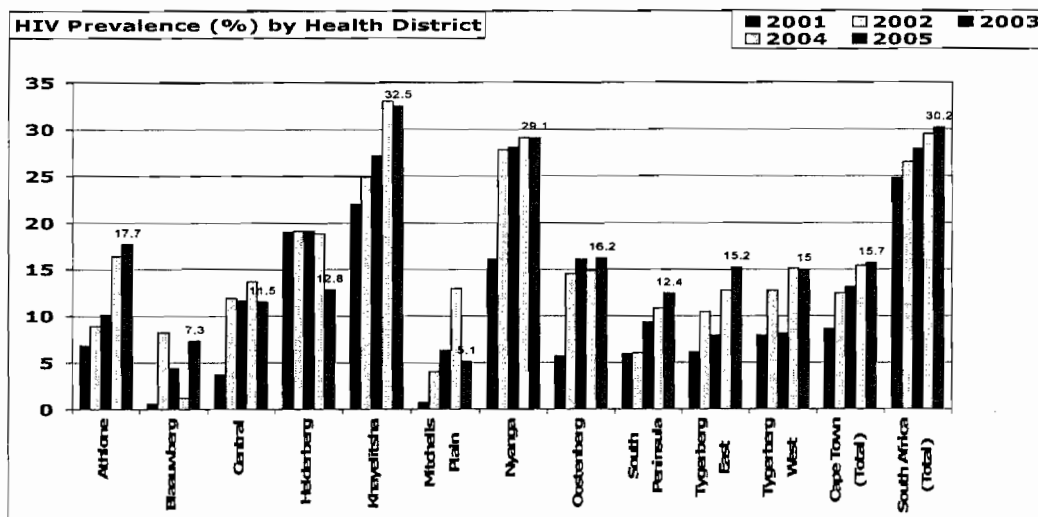
Graph 1.6 Poverty Trend



Source: Strategic Development Information & GIS using STATSSA Census and General Household Survey data

The socio-economic and physical conditions that the city's poor and unemployed live in have created an increase in HIV prevalence amongst this sector, as is evidenced by the fact that in 2006, 17 percent of women visited public health clinics seeking medical care for this affliction compared to 1,2 percent in 1994.

Graph 1.7 HIV Prevalence by Health District



Source:- City Health

**Enabling institutional framework - governance and management**

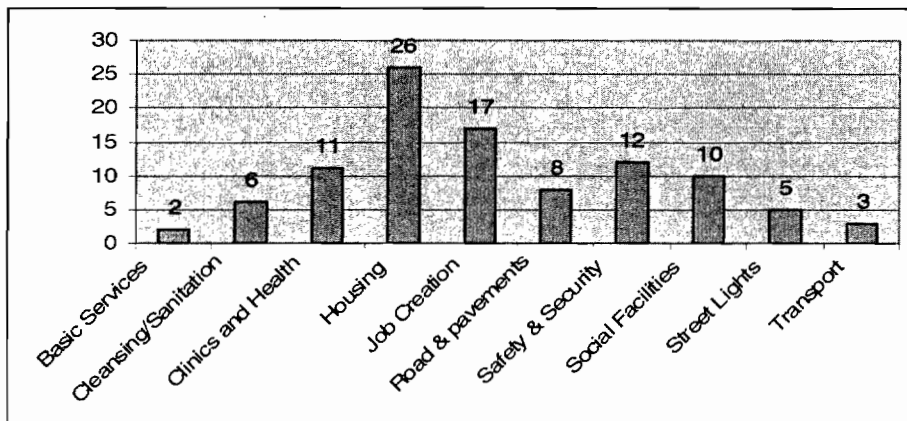
The challenges facing Cape Town cut across the responsibilities of all spheres of government and civil society. By adopting the Intergovernmental Relations Policy and approving the intergovernmental 12-point plan, the City of Cape Town acknowledges the need for closer intergovernmental co-operation and alignment. During the financial year under review, the City improved its own governance by effecting effective zoning systems, efficient EIA processes and reducing the amount of red tape for businesses and city residents.

The international trend towards increased importance on cities as centres of economic, social and governance activity calls for new, innovative and decentralised types of governance. Accordingly,

modern forms of governance are characterised by better intra-municipal co-ordination, improved intergovernmental co-operation, the creation of additional levels of governance where necessary (i.e. a sub-council system) more meaningful civil society participation and greater autonomy for various parts of the metropolitan city.

**Public needs**

In October and November 2006, the City implemented a public engagement process as part of the development of the IDP and Budget. Eight public workshops were held as part of a national *imbizo* and 67 ward and sub-council workshops were arranged where members of the public were invited to vote for priorities in their communities. At these meetings, participants were also given the opportunity to submit project proposals to be considered for funding from local (ward) budgets or as part of the City-wide corporate capital budget. The initiative was successful: six thousand nine hundred and eighty six people (6 986) attended these meetings, and where they could not come in person, e-based and written inputs were accepted in their stead. The output of the process showed that housing and job creation were seen the most important priorities facing communities in the greater Cape Town area.



Source: IDP Office Summary. January 2007

# CHAPTER 2



# Performance Management Report

Performance reporting in the City is undertaken with required performance legislation i.e. MFMA, MSA and performance regulations. The City's status with regard to the nine phases in performance management during the 2006/07 financial year was undertaken in terms of the Municipal Systems Act's requirements. The City's status with regard to these phases during the 06/07 financial year is indicated below:

Table 2.1 Phases of Performance Management

PHASE	STATUS
1	<p><b>Development of Integrated Development Plan (IDP)</b></p> <p>The City's IDP for the 2006/07 financial year, as required in terms of section 35 of the Municipal Systems Act was adopted on 28 May 2006.</p>
2	<p><b>Development and implementation of the Performance Management System (PMS)</b></p> <p>The Balanced Scorecard methodology was adopted on 26 March 2003 as the City's organisational Performance Management System (PMS) as required by legislation. The process plan for delivery on the PMS was developed during June to August 2005 through an internal and external stakeholder process and adopted by Council on 30 August 2005. The City performed a review of the PMS during the 05/06 financial year, as required in terms of section 40 of the Municipal Systems Act, 2000.</p>
3	<p><b>Development and implementation of key performance indicators (KPI)</b></p> <p>The draft IDP was developed during September and October 2005, and contained outcome, input and output objectives. Input into the strategic objectives of the IDP was developed through iterative internal processes. Inputs developed for the directorate and departmental business plans were used as input into the IDP. The strategic goals of the IDP were used to develop the Service Delivery and Budget Implementation Plans (SDBIP), which contained the City's key performance indicators and output targets (See Annexure 2a). The Mayor approved the high-level SDBIP on 29 September 2006. This plan is aligned with the IDP, budget and section 57 employees' performance agreements and forms the basis for the performance reporting in the City.</p>
4	<p><b>Setting of targets for key performance indicators</b></p> <p>During September and October 2005 workshops were run with the Integrated Intergovernmental Development Task Team to align local, provincial and national strategies. Community and sector organisations participated in the prioritisation of Council initiatives at ward, sub-council and citywide levels. During these interventions and with the approach stated in Phase 3, targets were set which ultimately formed the basis for the SDBIP 2006/07.</p>
5	<p><b>Actual service delivery process</b></p> <p>The City's actual performance is monitored, measured and reviewed on a quarterly basis with regard to each of its development priorities and objectives and against the key performance indicators (KPIs) and targets as required in the MSA, section 41 and regulation 13. This is performed via the quarterly performance reporting cycle (See Annexure A). Reporting includes reasons for variance and remedial steps where performance is below target. Performance agreements are used to track the municipal</p>

PHASE	STATUS
	<p>manager and all senior managers' performance [Sec. 57(1)(b)]. The framework to monitor performance of service providers will be implemented during the 07/08 financial year. Monitoring of the City's entities forms part of its quarterly reporting cycle as from December 2006 (see Annexure 2b and 2c).</p>
6	<p><b>Internal monitoring</b></p> <p><b>Community involvement:-</b> During this financial year the community was engaged in monitoring the City's performance during the annual report oversight process as required in terms of section 42 of the Municipal Systems Act, 2000 and its performance regulations 15 (2) (a) (v). A public hearing process was advertised in the newspapers to engage the public and the annual report was tabled at sub-council meetings during the 06/07 financial year. The community must monitor the City's performance in relation to the set key performance indicators and performance targets via appropriate mechanisms, which have been established in terms of Chapter 4 of the Act.</p> <p><b>Municipal Entities:-</b> The entities with which the City does business are monitored in terms of their performance in conjunction with the City's quarterly performance monitoring cycle (see Annexure 2a, 2b).</p> <p><b>Service providers:-</b> A project team was appointed to establish a framework during the 07/08 financial year to track the performance of service providers as required by the City's performance management legislation. This includes setting of key performance indicators, targets, measuring and reporting of performance as well as the revision of strategies and objectives.</p>
7	<p><b>Internal control of the Performance Management System</b></p> <p>Internal audits on the progress with the implementation of the City's performance system were performed as required by section 45 (a) of the Municipal Systems Act 2000, and performance regulations 14(1)(C)(i). The 2006/07 KPIs and City Manager's targets were aligned to those of the IDP but were not fully cascaded down to all directorates at the start of the financial year. This was due to the organisational realignment and the executive appointment process that was still underway during the first quarter. The Performance Management System was only rolled-out to staff (level 1) during the 2006/07 financial year in terms of the Performance Management (PM) Policy and Procedure.</p>
8	<p><b>Performance measurement and reporting</b></p> <p><b>City administration and Municipal Entities:-</b> The City measured its own performance in terms of a reporting framework against the IDP and SDBIP indicators and targets as required in terms of section 41 (01) of the MSA and performance regulations 13 for the financial year 06/07. The Annual Report 2005/06 included a report on its performance against its targets.</p> <p><b>Service providers:</b> Monitoring of service providers' performance were not done during 2006/07 but is on track for the 2007/08 financial year.</p> <p><b>Staff:-</b> The City is in the process of reviewing its framework to track its staffs' performance. Only section 57 employees' (City Manager and senior officials reporting to the City Manager) performance were reviewed during the 06/07 financial year).</p>
9	<p><b>Revision of City's performance</b></p> <p>The strengths, weaknesses, opportunities and threats experienced by the City in meeting its KPIs and performance targets were identified during the review of its performance, as required in terms of performance regulation 13 (40) (a). The City's strategies and objectives were also reviewed and an IDP for the 2007/08 financial year was compiled and approved by the Council.</p>

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The performance management process that was applied in terms of current legislation included the following:

*Table 2.2 Performance Management Linkages*

Policy and Framework	Performance Management Committee	Performance Management System		Annual Performance Report			
		S57 Appointees	All Staff	Performance	Comparisons	Service Delivery Priorities	Performance Targets
Approved and implemented	Established	All (13)	All non-S57 contract directors and managers	As per SDBIP annual review	As per SDBIP annual review	As per SDBIP annual review	As per SDBIP

### **Corporate Scorecard and Service Delivery and Budget Implementation Plan (SDBIP)**

The SDBIP, budget, IDP and section 57 employees' performance agreements outlined above were linked to the City's strategic themes mentioned earlier. Service delivery targets as stipulated in the IDP and SDBIP and the actual performance against these targets for this financial year (06/07) are reported on in Annexure 2a of this document.

### **IDP Link to Capital Budgets**

The Capital Budget of the City is directly linked to its Integrated Development Plan and is illustrated in the following table:

*Table 2.3 The City's capital expenditure at the end of the 06/07 financial year*

Reconciliation of IDP and budget - CAPEX		Preceding Year 2005/06	Current Year 2006/07			
		Pre-audited Actual R'000	Approved Budget R'000	Adjusted Budget R'000	Full-year Forecast R'000	Actual Capital Expenditure R'000
IDP 2006/07	Creating integrated human settlements (check spacing)	282,353	614,954	350,147	350,147	274,093,771
	Economic growth and job creation	109,689	91,100	521,599	521,599	399,757,785
	Building strong communities	95,446	38,220	145,697	145,697	111,338,639
	Access and mobility	161,561	581,058	373,661	373,661	187,402,275
	Equitable services	509,121	1,089,010	785,094	785,094	651,415,480
	Enabling institutional framework	141,262	245,414	222,091	222,091	201,313,991
	Financial sustainability	221,210	363,732	146,525	146,525	128,926,864
	<b>TOTAL CAPITAL EXPENDITURE</b>	<b>1,520,642</b>	<b>3,023,488</b>	<b>2,544,818</b>	<b>2,544,818</b>	<b>1,954,248,804</b>

## Performance Highlights During 2006/07

### ***Theme 1:- Economic Development and Job Creation***

The City's main economic strategy is continued and accelerated growth of the local economy through focussed infrastructure development. To this end, in August 2006 Council approved the Economic and Human Development Strategy and Implementation Plan. The strategy aligns City planning with the Provincial Growth and Development Strategy and the Accelerated Growth and Investment Plan of South Africa (ASGISA). The focus of this plan is on key priority sectors such as business process outsourcing, Sharing of Information and Communication Technology (ICT), crafts, film, oil and gas, boat-building and tourism. It also identifies a number of areas in which business development and economic growth can be supported.

#### *Supporting Small and Medium-sized Businesses*

During the year under review, the City contributed directly towards the establishment and growth of small and medium sized (especially BEE) businesses by awarding contracts to the value of R1,778,534,495 to this sector. The City was thus able to create 13,229 direct and 48,881 indirect jobs, specifically by driving initiatives linked to its 2006/07 programme and project funding. In addition, it facilitated R1,15 billion in sector specific direct investment.

The plan united various agencies and programmes under one strategic umbrella in order to provide a co-ordinated service, which includes training, information and networking. The City provided support for existing small businesses and those wanting to enter the market, as well as to the Business Place eKapa, various Red Door and other offices in Khayelitsha, Mitchell's Plain, Atlantis, Bellville, Guguletu, Grassy Park, the Central Business District and Philippi. The City's Business Support Voucher Programme also provided support to entrepreneurs. Other initiatives that were implemented included Small Business Week, the Youth Economic Networking Forum, the Raymond Ackerman Entrepreneurship programme and the City Tender Advisory Centre.

*Skills development*

During 2006/7, the City initiated a Skills Development Strategy to support job creation and address the skills mismatch in the local economy. The following skills development initiatives were also implemented:

*Table 2.4 Skills Initiatives*

SECTOR	INITIATIVE
Artisans	Artisan training in the ship repair and marine engineering sectors
Women in ICT	A comprehensive business support and training programme, tailor-made to meet the needs of female-owned ICT companies
SMME and ICT mentorship (check spacing)	Investing in a five-part entrepreneurship model that offers tailored training for start-up ICT companies
Export Development	Exporter development programme via Wesgro
Film Industry	Investing in training of film unit liaison officers to improve the service delivered to the film industry
Call Centres	A Call Centre Skills Development and Training Centre - investing in the renovation of the CRIC and providing a building for youth with training in call centre skills

*Broadbanding*

As the City recognises the increasing importance of the information telecommunications technology infrastructure for the economy, an investigation towards the establishment of a Broadband Municipal Network for the City was initiated.

*Improved Investment Facilitation*

As the City aims to facilitate investment for investors and businesses, it initiated the implementation of a 'one-stop-shop' during the 2006/7 financial year. Key to this was the undertaking of a Red Tape Review to improve the processes and procedures that currently inhibit economic growth. The City also initiated plans for the strategic release of City-owned land for the purpose of industrial and commercial development. Its ongoing partnership with business (City Partnership) yielded excellent results with investments of more than R 30 billion in building and other infrastructure in the inner city. The City also continued its financial support to Wesgro and Cape Town Routes Unlimited to promote investment and tourism. Most encouragingly, the Cape Town International Airport continues to report increased visitor figures.

*Economic Challenges still Facing the City*

The local economy has shown growth in its GDP and there are encouraging signs of decreasing unemployment figures. Despite increasing growth, the challenges of high unemployment and the aforementioned mismatch between available skills and required skills continue to pose an ongoing challenge. The City has not achieved the estimated GDP growth rate of 7 percent that is needed to generate enough jobs to reduce unemployment. The City will require hard work during the forthcoming

financial year to provide a business environment that is conducive to economic growth. There is a clear need to create cheaper and easier methods of doing business, and the City will need to facilitate easy and regular interaction between itself and local and international business; promote new partnerships with the private sector (especially in tourism), and assist small and medium enterprises. A vital part of improving the business environment will be upgrading the transport (particularly public transport) network.

### ***Theme 2: Integrated Access and Mobility***

Two statutory plans, the Public Transport Plan (PTP) 2006-2011 and the Integrated Transport Plan (ITP) 2006-2011, were approved during the year. A Cape Town Public Transport Implementation Action Plan was developed in terms of the requirements of the National Public Transport Strategy and the City's IDP. This plan outlines a list of projects with time frames, budgets and responsibilities in three phases towards 2020. Most encouragingly, the national Department of Transport has allocated R766 million from the Public Transport Infrastructure and Systems Fund (PTISF) to the City for the next three years. These funds will be used to invest in improving public transport, non-motorised transport, and transport supporting infrastructure, systems and services ahead of the 2010 World Cup.

A Transport Capital Investment Management System has been developed to co-ordinate and manage all transport projects being implemented by key stakeholders, including, airport, rail and road upgrades. Current projects under construction include the Metropolitan Transport Information Centre (MTIC) upgrade, the Symphony Way Corridor, Airport-City link projects (which includes the N2 freeway upgrade), the Klipfontein Corridor, and the 2010 Stadium and CDB link projects. Current secured funding for all transport infrastructure, including rail, airport, and strategic road upgrades, amounts to approximately R5 billion, of which the City will contribute R169,8 million.

#### *Continued Access and Mobility Challenges*

Improving public transport for the 2010 FIFA World Cup™ is a major priority for the City. The ultimate aim is also to create a transport legacy that will serve Cape Town well into the future. To improve and promote public transport, the City has planned a large-scale investment in public transport infrastructure and an implementation action plan is being finalised.

An Intergovernmental Transport Committee has been established to overcome the fragmentation of roles and functions between the different spheres of government and other agencies. In January 2007, Council approved a Draft Intergovernmental Transport Agreement was approved. Intergovernmental Transport Technical and Steering Committee meetings with the Western Cape Provincial Government were instituted.

***Theme 3:- Building Integrated Human Settlements***

The City delivered 7,519 housing opportunities (top structures and fully serviced erven). In addition, 337 land restitution claimants were assisted. Ownership of 196 rental units was transferred to tenants. In terms of its constitutional responsibility, the City will provide access to essential services to all its 226 informal settlements over the next two years.

An Informal Settlements Master Plan, detailing the City's programme for the provision of services and the upgrading of all informal settlements, was finalised together with the revision of the Integrated Human Settlement Framework Plan, which outlines housing delivery over the next five years. In terms of the Informal Settlements Master Plan, the City will opt for *in situ* upgrading, where possible, to minimise community disruption.

The City entered into agreements with banks and developers to deliver 'gap/affordable housing' to low-income families. The focus is on households with an income of between R3,500 to R7,000 per month. Criteria were introduced to ensure that sustainable delivery is effected at the lower end of this income range. Social housing delivery partnerships were also formed with three social housing institutions (CTCHC, SOHCO and Communicare) to improve housing delivery in the City.

Positive progress was made with respect to the Manenberg Tornado Backyarders' Housing Project (Phoenix), which passed through various stages of approval. The Provincial Government of the Western Cape (PGWC) facilitated different funding approvals in order to address the funding shortage, and the City made additional funding available since the project was not financially feasible. The official site handover and site establishment was completed and the construction of top structures commenced on 12 July 2007.

***Housing Challenges Still Facing the City***

Cape Town's current integrated housing waiting list comprises some 350,000 applicants. The scale of the demand is enormous and government cannot meet this challenge alone. Banks and developers will therefore play a major role in delivering affordable housing in appropriate partnerships with the State. It is estimated that 8,750 hectares of land will be required to address the housing backlog. The City's greatest constraint, by far, is access to well-located land suitable for incremental housing development. The high cost of well-located land in Cape Town has profoundly negative implications for the affordability and sustainability of housing for the poor. Delays due to legislative requirements relating to environmental assessments and planning approvals have extended the lead time for projects by more than 18 months, which further limits the available land for housing.

Delays in granting authorisation for Phase 1 Housing Accreditation, which would formally recognise the City's role in the delivery of housing, are limiting the City's capacity to gear up its housing programmes.

The National Ministry of Housing has already made funds available to the City for capacity for accreditation. The City has been waiting since November 2006 for final authorisation in terms of the relevant legislation.

#### ***Theme 4:- Building Strong Communities***

##### *Parks and Cemeteries*

During the 2006/07 year, a monitoring system to measure maintenance standards for the City's 3580 parks was introduced. By year-end it was possible to maintain 70 percent of our parks according to predetermined standards.

Performance highlights for the year included the creation of twenty new parks in developing areas and an additional forty eight parks were upgraded. Other activities included the establishment of thirty eight water demand management initiatives in recognition of global climate change, and the implementation of fifty six alien vegetation clearing initiatives. A total of 3 337 trees, chosen because of their suitability in terms of species and watering requirements were planted throughout the City.

City Parks hosted five very successful departmental events, including a Women's Day celebration in partnership with Iziko Museums, an Arbor Day event in Khayelitsha, World HIV/AIDS day and World Environment day.

Development work proceeded in new cemeteries in Grassy Park, Delft, Khayelitsha, Wallacedene and the Helderberg. These projects are vital given that increasing numbers of cemeteries area reaching capacity, in particular at Khayelitsha and Gugulethu. During the year various short –term projects were also undertaken to upgrade and extend existing cemeteries and in so doing, lengthen their lifespan.

##### *Sport and Recreation*

The provision of Sport and Recreation programmes and facilities continue to support the development of Cape Town as a world-class city that offers quality facilities and services to its visitors and citizens. Coordinating our services to support the biggest timed cycling event in the world on an annual basis is an indication of the ability of the city to respond professionally and competently in supporting major events. During the period under review the Tri-Nations International Cycling Championships took place at the Bellville Velodrome, the Special Olympics Provincial Games were hosted at the Belhar Indoor Centre and the annual u/19 Bayview tournament in soccer had participants from Europe for the first time. About 107 728 youth participated in holiday youth programmes presented by the Sport and Recreation Department. The construction of the East Stand of Athlone Stadium has enhanced the capacity of this facility to now host world class football matches as well as other events. Our partnership with Western



Province Lifesaving has greatly reduced the number of drownings especially along the False Bay coast thus contributing considerably to the quality of the experience of the public at our beaches.

#### *Health and Social Development*

The City collaborates with other spheres of government to promote health and social development. During this financial year focus was shifted towards action-orientated programmes, particularly substance abuse, early childhood development and homelessness. The TB cure rate for new smear positive TB cases for this year was 75 percent, which is above the target of 71 percent. As a result of the City's effective communication campaign the TB incidence rate was lower (831 per 100,000 of population) than the targeted 980 per 100,000 of population which amounts to approximately 27,000 TB patients per year. The number of pregnant women that are HIV positive (15.2 percent) is also lower than projected (18.5 percent). The City continued its *Get tested* Campaign for HIV. This included interventions in shopping malls, and more than 4,700 people were tested in this manner. To date just over 10 percent of the adult population have been tested for HIV. A total of 58 million condoms were distributed as part of the City's HIV awareness campaign. Immunisation coverage of 99 percent of the population was also achieved in this year.

#### *Continued Health Challenges*

Due to the poor socio-economic and physical environment that the poor reside in, large parts of Cape Town still face chronic social problems, ranging from drug abuse and gangsterism to a high incidence of HIV/Aids, sexually transmitted diseases (STDs) and tuberculosis (TB).

#### *Environmental health*

The City progressed well with its implementation of the Air Quality Management Plan (approved in 2005). A community survey was undertaken in Khayelitsha, followed by the identification of methods to improve air quality in informal settlements. The initiative was funded through the Department of Environmental Affairs and Tourism (DEAT) Poverty Alleviation Programme, which also funded 60 community field workers.

#### *Substance abuse*

The City contributed a total amount of R1,3 million as grants-in-aid to organisations dealing with the rehabilitation of street people abusing alcohol and other substances. An Operational Alcohol and Drug Rehabilitation Strategy was initiated. The City set up an organisational structure in terms of the National Drug Master Plan 2006-2011 (NDMP), to combat drug and alcohol abuse. It also initiated the establishment up of Local Drug Action Committees (LDACs) comprising people from all sectors who are involved in substance abuse and suffer related problems. The City will establish eight LDACs, one in each health district, and employ one Metro Police, one Social Development and one City Health official to each of them.

### *Safety and Security*

The 2006/07 financial year saw a number of significant achievements for the Municipal Police department. The number of drivers licence tests conducted increased to 66,474, an improvement to the 51,024 undertaken the previous year. Waiting periods for driving test appointments have reduced significantly at most testing centres in the City. Two new drivers' testing facilities were opened in Philippi and Khayelitsha.

In terms of the City's by-laws, 11,057 notices were issued. Social crime prevention programmes focussed on domestic violence, gangsterism, drug abuse and youth empowerment. The City also contributed significantly to the National Arrive Alive Campaign and increased its prosecution of drunk drivers.

Further successes include the increase in the anti-crime CCTV camera network from 27 to 232. Other significant initiatives included the clearing of the 'bush of evil' in Delft and other overgrown areas to reduce crime, and the establishment of a Non-Ferrous Metal Theft Task Team to combat the increasing incidence of copper cable theft.

### *Emergency Services*

During this financial year significant financial resources were committed to the acquisition of fire-fighting vehicles. Two bush fire-fighting vehicles were allocated for Mitchell's Plain and Milnerton Fire Stations, and four rescue vehicles were given for Milnerton, Bellville, Strand and Lakeside Fire Stations. Five fire engines were deployed at Khayelitsha, Guguletu, Epping, Lansdowne Road and Durbanville Fire Stations, and four fire engines were allocated to Roeland Street, Sea Point, Kuilsriver and Brooklyn Fire Stations respectively.

The City is currently in its second year of a three-year R9 million capital project to effect major alterations and additions to the existing Disaster Risk Management Centre. This capital expenditure forms part of the process by which Emergency Services is gearing itself for 2010 and beyond. The Municipal Disaster Risk Management Plans were accordingly reviewed and approved by Council. A Municipal Disaster Risk Management Forum providing for strategic oversight of all disaster risk management activities was established.

A Disaster Risk Management Volunteer Policy was approved by Council to ensure the standardisation of the recruitment and deployment processes and the utilisation of disaster risk management volunteers within the City. A Memorandum of Agreement between the City, the Provincial Government of the Western Cape and Eskom was also concluded regarding the implementation of the Integrated Koeberg Nuclear Emergency Plan (KNEP) to deal with any nuclear emergency that may arise. A Memorandum of

Agreement was concluded between the City and various neighbouring local authorities to provide for assistance with nuclear emergency evacuation. A Macro Disaster Risk Assessment of the City has been initiated to inform disaster risk management planning and disaster risk reduction.

#### *Continuing Safety and Security Challenges*

The prevalence of crime continues to threaten the well-being of Cape Town's citizens and the City's ability to attract and retain investment. The City aims to improve its performance in traffic policing, by-law and general law enforcement and to further expand its closed-circuit television (CCTV) network covering key shopping, business and transport locations as well as crime hot spots in the forthcoming year. It will also improve its emergency responses to disasters such as floods and fires.

There is a need to re-establish ground-level linkages between the Metro Police and the South African Police Services. There is a possibility that the Metro Police crime prevention arm may be incorporated with the South African Police Services.

#### ***Theme 5:- Equitable and Effective Service Delivery***

During the review year, the City embarked on a focussed process of establishing the institutional framework to ensure the effective investment in infrastructure maintenance, reduction of backlogs and new investment that is required to facilitate further economic growth. A campaign to attract technical skills (especially engineers and projects managers) to the City was initiated and will be continued during the next financial year. Infrastructure and backlog elimination plans were developed that will produce a budget increase of more than R 4 billion for the 2007/08 financial year. Infrastructure planning for the 2010 Soccer World Cup was also completed, resulting in planned infrastructure investment in and around the City bowl of more than R10 billion over the next three years.

#### *Water and Sanitation*

The Berg River Water System has been completed and is currently being commissioned. The City also successfully implemented and monitored a Water Demand Management and Conservation Strategy. To ensure adequate water supply to the northern areas of the City, the City will implement a new programme, the Northern Areas Augmentation Scheme This will call for expenditure of R1,5 billion over the next seven years, and will include a large (500 MI/day) water treatment plant and two large reservoirs (300 MI each). As a smaller (100 MI) reservoir is also required for the reticulation supply to the Parklands region. The Table Mountain Group Aquifer and desalination amongst others are being investigated as potential water supply sources for the future. The City is also investing about R150 million per annum towards the upgrade of waste water treatment plants to improve the quality of effluent discharging to the environment. The City has also eliminated the backlog in water provision in informal settlements by

achieving a density of 12.6 households per tap, which is dramatically less than the national target of 25 households per tap. All formal households in the City remained serviced with water.

#### *Bucket system*

Further successes included the eradication of the bucket system in formal households and Water Services is currently converting bucket systems in informal households into modern sanitation systems such as dry sanitation, anaerobic toilets and the Enviro-loo.

#### *Waste Management*

During the financial year, the City implemented 2,662 new solid waste collection points generating 780,904 cubic metres of waste. As this service faces continued environmental and other challenges in disposing of the ever-increasing waste load, planning for a new landfill site with transfer stations and associated resource recovery infrastructure was initiated, including the initiation of an extensive public engagement process. The City Budget provides R150 million over the next three years for new solid waste landfill sites and associated infrastructure, and R7 million for new specialised area cleaning vehicles. All formal dwellings receive a door-to-door refuse collection service. Informal dwellings receive an integrated refuse collection service, inclusive of a small portion serviced by skips. Significant progress has, however, been made in the roll-out of a door-to-door refuse collection service to all households.

All households receive a once-weekly refuse collection service. Currently, 784,667 formal households receive a once-weekly door-to-door 240 litre containerised service; 89.5 percent of 119,333 informal households receive a once-weekly door-to-door bagged service integrated with area cleaning; 6.6 percent receive a once-weekly door-to-door bagged service and the remaining 3.9 have a once-weekly skipped service.

#### *Electricity*

During this financial year 13,568 subsidized electricity connections were made by the City Of Cape Town Electricity Services increasing overall access to electricity to poor households in the City. In total 1,027,776,102 kWh of electricity was purchased from Eskom for distribution and sale to customers in the Cape Town Supply Area. Unfortunately, continued electricity supply was erratic as a result of load shedding by Eskom. The City launched an ongoing communication campaign to prepare the local population for such load shedding to assist in minimizing disruptions. Excluding load shedding, the quality of supply of the City Of Cape Town Electricity Service's distribution network delivered an outstanding 1.38 SAIFI (system average interruption frequency index). The City Of Cape Town Electricity Service spent R328million (representing 95.4% of budget) on capital items, which included R104m for infrastructure refurbishment and R157m for infrastructure growth. Expenditure on repairs and maintenance exceeded budget with a total of R192m spent during the financial year.

*Free Basic Services*

The City used a broad-based approach to provide free basic services to the indigent population. A package of free basic services for all was provided in the billing system. Further support was provided for residents on the City's indigent register who received a 100 percent rebate on rates.

*Continued service Delivery Challenges*

The financial cost of addressing growing infrastructure demands is very high. To minimise this, it will be essential for the City to manage waste management, water and electricity demand. In this regard, the City has developed water demand and waste minimisation plans such as exploring various opportunities for recycling initiatives and is currently formulating an energy strategy, including the use of alternative energy options such as wind and solar power.

In terms of South Africa's Constitution, the City is responsible for the provision of services to residents, including water, sewerage, waste disposal and electricity. As the City has almost doubled in geographic size over the past 20 years, a small percentage of the population does not have access to basic services. This ever-increasing expansion has also impacted on the City's infrastructure, which is ageing and thus in need of urgent replacement. Infrastructure plans indicate that significant funding will be required to address bulk infrastructure needs. Increased emphasis on maintenance is also regarded as a priority.

Infrastructure development projects are highly dependent on Records of Decision (ROD) for Environmental Impact Assessments (EIAs) applications. Reducing red tape in respect of these applications will contribute to wards more rapid development and investment in the city. EIA delays are currently impacting on the development of the Vissershok North landfill, the regional landfill site, and the extension of the Oostenberg Refuse Transfer Station.

Negotiations with provincial officials have not produced an outcome for the purchase of a portion of a site for an electricity substation in Roggebaai. Potential delays to the completion of the power supply could put the 2010 FIFA World Cup™ stadium at risk.

***Creating an Enabling Institutional Framework****Governance*

The aim of the City's internal restructuring and transformation programme embarked on after the local government elections was to improve the efficiency of its administration and thereby improve service delivery. This necessitated procurement of the right people – particularly engineers and project managers – to the right place in the organisation and an improvement of the organisation's service culture and work ethic.

This process delivered:

- A City Manager and Executive Management Team aligned with the Mayoral Committee (MAYCO) Portfolio structure
- Placement of 21,297 employees into the organisational structure with generic, comparable designations and job descriptions
- The foundation and framework for implementation of the TASK job evaluation system and full parity over the two years that follow; and
- Stabilisation of the City's skills base through:
  - Putting in place a process to fill more than 200 critical vacancies in the fields of engineering, project management and technical services
  - Employment into permanent positions of more than 2,000 previously fixed-term contract employees
  - Conversion of labour-broker staff to permanent positions
  - Filling of acting positions
  - Basic parity based on common benchmark grades, salary scale and conditions of service.

During this financial year, the City also achieved closer alignment of staff and skills to business strategies by increasing the skills and resources required to deliver on Capital expenditure projects and relocating employees to high priority areas. Business improvement projects in key areas, including Supply Chain Management and Fleet Management were initiated.

The City established an Audit Committee in terms of Statutory requirements. This Committee is also responsible for overseeing the City's Performance Audits. A highly effective internal audit department has been established, which has conducted all the necessary audits required in terms of Legislation. The City also established a forensic audit team and successfully implemented its anti-corruption policy.

Seven Council and eighteen Mayoral Committee meetings were held during this financial year. Nine meetings were held by each of the Portfolio Committees, and the 23 Sub-councils held meetings on a monthly basis. All such meetings were open to the public. The City has a code of conduct for Councillors and staff, which is communicated by Councillor Support and Human Resources respectively. The Speaker is responsible for ensuring good governance and is furthermore charged with oversight within the Council in terms of the Code of Conduct for Councillors and the Rules of Order.

#### *IDP Public Participation Process*

As part of the 2007/08 IDP process, the City embarked on an extensive public participation campaign drawing in a full range of stakeholders including the public, business and state-owned enterprises. The IDP process plan was advertised in corporate and local newspapers and via radio and was submitted to

sub-councils for comment, thereby affording the public, organised structures, interest groups and civil society ample opportunity to comment.

Communities assisted the City in preparing for its budget by identifying priority issues within their specific wards. The City structured formal workshops throughout the city, and advertised these widely in newspapers, posters in libraries and other public spaces. In certain areas people were informed by means of loud-hailers. In total, 67 workshops were held during November and early December 2006. Almost 7,000 people attended these workshops. The broader community was also able to provide comment through the Internet, e-mail and the City's City News newspaper.

#### *State-owned enterprises*

As part of the City's spatial planning and infrastructure development process, several meetings were held with Transnet, Portnet, ACSA and Eskom. These were held with the City's municipal entities (Khayelitsha Community Trust, Cape Town International Convention Centre and the Regional Electricity Distributor). Other City partners, including Wesgro, Cape Town Routes Unlimited and Cape Town Partnership were also consulted.

#### *Business and interest groups*

During the year, various meetings were held with a variety of stakeholders. More than 200 representatives from stakeholder organisations in, *inter alia*, labour, business, and religious sectors attended these forums.

#### *Ward Participatory Mechanisms*

To facilitate ongoing participation with local communities in civic matters, the City initiated the establishment of ward forums. These comprise either sector- or geographically-based representation or a combination of the two in one ward. It is envisaged that ward forums will have their first meetings in November 2007.

#### *Intergovernmental relations*

The City of Cape Town and the Provincial Government held various meetings throughout the year to share information about the needs, projects and plans of the different spheres of government. The City participated in a number of Intergovernmental Forums, including The Premiers' Advisory Forum (PAF), PAFTECH (Premiers Advisory Forum Technical Committees), the IDP Forum, the Municipal Managers' Forum, the Chief Financial Officer (CFO) Forum and the Speakers' Forum.

The City and the Provincial Government also jointly undertook a process of public engagement during October 2006 as part of the national *imbizo*. Seven public workshops were held and inputs received from communities on public needs and priorities. Approximately 12,000 people attended these workshops.

The City is currently working with the Provincial Government in a number of areas at a policy and implementation level. Many of these areas of co-operation between the City and Province are working well, such as the working relationship between the City Health and the Provincial Health Departments, which involve regular monthly joint senior management meetings to implement the District Health Plan. The City also has an excellent relationship with many national departments, including the Department of Transport and the Department of Water Affairs and Forestry. At a project level, there has been encouraging intergovernmental engagement around the Urban Renewal Programme and the 2010 FIFA Soccer World Cup™.

#### *Continued Intergovernmental Challenges*

Specific areas in which the City experience constraints and where the intergovernmental process could achieve improved delivery include the facilitation of the delivery of housing. This can be achieved by increasing the supply of land available for housing and would in effect involve the transfer of State land for affordable housing available from Province to the City as provided for under the Housing Act of 1997. Crucial areas for action include speeding up the processing and approval of subsidy applications, approving the City's Business Plan for housing accreditation, obtaining Environmental Impact Assessment (EIA) approvals and timeous annual subsidy confirmations.

Roles and responsibilities between the different spheres of government with regard to certain functions, such as transport, crime prevention and the National Drug Master Plan are not always clear. In particular, the issue of unfunded mandates requires urgent resolution by Provincial and National Government.

#### **Information Systems**

The City of Cape Town implemented the full scale SAP-ERP system in 2002 thus becoming the first local authority in the country to do so. This system enabled the City to facilitate the merger and transformation of the seven previously autonomous local authorities that governed the City prior to 2000 into a single unicity. It did so by streamlining and standardising more than 300 end-to-end business processes on a single integrated transactional system. The City also successfully trained 6,500 staff members to transact on the new system.

All human resources, accounting, treasury, budgeting, inventory management, procurement and account payables, assets, infrastructure maintenance and project management, utility consumption, billing, real estate and property management, customer care and debt management functions are now performed by a single system. During 2006/07 the City made its first major IT-infrastructure re-investment in the system when the backend equipment was upgraded:



	2006/07 Budget	2006/07 Actual
ERP annual disaster recovery systems	2,000,000	1,787,607.66
ERP annual capacity growth	2,000,000	1,802,424.70
ERP hardware upgrade	35,470,485	34,336,415.66

This IT platform has enabled the City to manage its resources more efficiently and has assisted in the creation of a citizen-focused environment. Access to the corporate system is available from more than 500 sites across the City, where all citizens have access to a consistent level of services. The upgrade of the back-end computer has ensured that the system is able to cope with the increasing organisational demand and that it will continue to render a reliable system which complies with both service delivery and statutory obligations as confirmed in the annual systems control audit performed by the Auditor General's Office.

**Municipal Entities**

*Table 2.5 Skills Initiatives*

ENTITY	PURPOSE	CITY FINANCIAL CONTRIBUTIONS
Convenco	Established to provide a stimulus to the local tourism and business sector by providing a convention facility of international standard in the city	Receivables - R 1,715,000 Service Charges - R 1,601,000
Khayelitsha Community Trust	Established to facilitate economic growth and development by stimulating investment and development in the Khayelitsha CBD	Receivables R 1,420,000 City Grants Paid R10,023,208
RED1	Established in terms of national legislation to manage electricity distribution in the region	Inter-company advance R 362,000 Fees and rentals R9,058,000

*Note: The performance of municipal entities is monitored in terms of Performance Scorecards (See Chapter 2 Annexures)*

*Cape Town International Convention Centre*

This entity was established to develop and operate an international standard convention centre in Cape Town. In this financial year it succeeded in doing a turnover of more than R100 million. It's operational results were up by 52.0% and the total number of events was 509. International conference delegate days were 248,163 and international delegates increased by seventy six comma five percent. Average Hall Occupancy was 47.5% and a 2850 KVA of emergency power generator, sufficient to run the CTICC in its entirety, was installed. 194,223 lunches and dinners were served. Delegate and visitor days was 1,242,655 and 303,890 congress delegates visited the centre. The Convention centre's contribution to GDP was R6.86 billion and sustained 3 796 direct jobs. Net foreign exchange earnings was R690.1 million and 79 % of temporary staff found permanent employment. The entity had unqualified financial statements.

*Khayelitsha Community Trust*

This entity was established to facilitate the development of the Khayelitsha Business District and to hold equity for the local community. The City invested R10,023,208 in the organisation in the 2006/7 financial year. The entity succeeded in facilitating public investment of more than R50 million of public sector funding in the Khayelitsha Business District. A show village residential development consisting of 14 units was established and planning for municipal offices was concluded. Unfortunately this entity received a qualified audit report.

*Phillipi East Trading Company*

The Phillipi East Trading Company (Pty) Ltd was established in 2000 to conduct the business of a market at Phillipi East on behalf of the City. As a result of changes to legislation the company has been dormant since 2004. The City resolved on 31 May 2006 to wind up the company.

**Significant Municipal Partnerships****WESGRO**

Wesgro was established to attract and facilitate investment into the Western Cape; to grow exports of products and services of the Western Cape through development of export capability, demand and market access and to market the Western Cape as a competitive business destination within the national and international arenas. The City invested R6,960,000 in the organisation in the 2006/7 financial year.

Wesgro succeeded in attracting R70,762,995 worth of investment to the Western Cape, creating 234 jobs. The Investment Promotion Unit (IPU) led 4 outward missions to key foreign markets to generate investment. The IPU hosted 38 inward delegations to make international visitors aware of the economy and business opportunities in Cape Town.

The Trade Promotion Unit (TPU) held six Export Development Programmes (EDP) and 1 training course in Cape Town. It also hosted 2 EDP networking courses for new exporters to learn from each other's experiences and grow their professional networks. The TPU also led 3 outward selling missions to promote Western Cape products in key markets, generating R35 million in orders, 40 leads and led to participation in 3 national pavilions at trade fairs, generating 83 leads. It also hosted 43 inward missions of foreign business people interested in Western Cape products.

Wesgro IQ identified and investigated 8 business opportunities for the PLEK Plan project and updated the economic intelligence on Wesgro's website. The unit is currently updating the Destination Intelligence Series to assist investors in their decision making process. The unit also developed a Tour Guide Ambassadorial project to educate tourism professionals on the Western Cape Economy and business opportunities. Logistical support was provided to 22 Wesgro events and a successful inaugural

Wesgro Open Day was hosted to celebrate the Agency's 25<sup>th</sup> Anniversary. The organisation managed to achieve unqualified financial statements.

#### *Cape Town Routes Unlimited (CTRU)*

This partnership was established to grow and maximise a winning destination brand to ensure an exclusive and equitable industry, to maximise marketing impact and resources, to maximise business/leisure tourism conversion and to ensure good corporate governance. The City invested R22,000,000 in the organisation in the 2006/7 financial year.

CTRU partnered with Thompsons Tours and the University of Cape Town to bring travel agents and suppliers together and to revolutionise the way Travel Agent Educational Workshops are conducted. Kulula.com was the airline partner.

SAA Dubai commenced with code share flights from Egypt to South Africa and top Egyptian agents and an Arabian Travel News Journalists were brought to Cape Town to develop and grow this market. It was a first time visit of Egyptian agents. Media and tourism agents from China (18 pax), Indonesia( 208 pax), China(10 pax), Kenya(6 pax) were also hosted .

CTRU supported 8 events, and created a platform for the destination and exposed the brand to an audience of more than 180,000. 2 Events addressing seasonality generated domestic media impact of R9 million. CTRU engaged with 19 event organisers to identify CTRU's strategic involvement and domestic and international media exposure through four media placements in key domestic markets (Western Cape and national) and international (Africa) with a circulation of 350 000 copies were achieved. Business Tourism was stimulated through submission of 11 international association bids with an estimated economic impact of R210 million and securing three international association bids with combined estimated economic impact of R22 million.

Emerging Entrepreneur Support was done by hosting a Business Tourism networking session between Small, Micro and Medium-size Enterprises (SMME's) and established businesses.

The accreditation of Saldanha Bay Tourism Organisation's 6 offices was achieved. The first ever AC Nielson Brand tracking study was done and the Cape Town International Jazz Festival Impact Study was completed. A Tourism reference panel of 152 national experts was established as well. CTRU initiated discussions with Cape Nature on joint marketing projects and a partnership with the Cape Film Commission to promote the destination at the Lions Advertising Festival held in Cannes, France was agreed to. The Finance Committee adopted the board of CTRU's corporate governance and finance turnaround strategy and all previous negative findings from Auditor General Report were consolidated. CTRU received unqualified financial statements.

*Cape Town Tourism (CTT)*

Cape Town Tourism was established to support and strengthen destination marketing in Cape Town by linking and promoting local areas and products to marketing platforms, to develop and manage visitor and membership services for Cape Town and link visitors to products and places. The City invested R10,000,000 into the organisation in the 2006/7 financial year.

Cape Town Tourism succeeded in improving the Centre Network, which was established with a strong Cape Town identity to ensure exceptional visitor and membership services throughout Cape Town. 4 Local Areas were established to ensure community based tourism service delivery. More than 150,000 visitors per month visited the 20 Visitor Information Centres across Cape Town. Cape Town Tourism deals with approximately 3 million enquiries per year, which is more than 15% increase on the previous year. Cape Town Tourism received unqualified financial statements.

Membership grew by 35% from the previous year to 2,400 businesses, resulting in increased membership income of R2,1 million. More than 100 emerging businesses were supported per month. A Membership Development Fund was established and 125+ black emerging tourism businesses' membership fees were funded in the past year. Black and SMME members grew by more than 200% over the past two years. A winter educational programme was introduced to improve staff product knowledge. Staff were exposed to 400+ members during winter 2007.

In terms of Destination Marketing Support, CTT members were exposed to 500,000+ delegates and visitors. More than 50 events and conferences were supported and the estimated value of support and coverage received for Cape Town exceeded R15 million. Local Area Marketing Forums were established and a Digital Media Platform was launched. 250,000 Official Cape Town maps and 50,000 local area wine and food maps were distributed.

*Cape Town Partnership*

The Cape Town Partnership was established to mobilise the public and private sectors and other stakeholders around common development objectives, to consolidate the Central City as the economic, social and cultural heart of the Cape Town metropolitan region, to broaden access to benefits, services and opportunities in the Central City for all people of Cape Town, to Coordinate and facilitate urban regeneration programmes, to guide decision-making and direct resources into solving the economic and social challenges facing the Central City and to contribute to the overall economic and social development of the City of Cape Town.

Key trends in the past year included the improvement in the commercial property market, with A-grade vacancies down to under 4%, the emergence of the Foreshore Precinct as a major financial, media, convention and business services centre and continued growth of creative and cultural industries. There

was a shift from residential conversions to office-space development (although a large number of mixed-use developments continue) and many new private sector developments in Lower Gardens, Green Point and Woodstock/Salt River precincts were established. New retail, in particular, restaurants, coffee shops, homeware, health, health shops, fashion and design was developed.

Important investment and development highlights included the launch of Mandela Rhodes Place in November 2006, the launch of the Icon Building in March 2007, the sale of the Victoria and Alfred Waterfront to an international consortium based in the UK and Dubai and the commencement of the R2,2bn Strand-on-Adderley mixed use development planning process. This organisation received unqualified financial statements.

### ***Performance of Municipal Service providers***

During the year, the City appointed a project team to establish a framework to track its service providers' performance (as required in terms of the performance management legislation i.e. MFMA, MSA and Performance Regulations). This included the setting of KPIs and targets, measuring and reporting of performance as well as revision of strategies and objectives.

## **KEY PROGRAMMES AND PROJECTS**

### ***Environment***

The City's Environmental Strategy aims to ensure that its decision-making and developmental undertakings incorporate environmental issues. It also strives to ensure that poverty alleviation projects/programmes are environmentally friendly. Its main objectives are to develop and manage policies, strategies and guidelines/tools/plans for the City's strategic sustainable planning, and to develop and manage strategic projects/programmes and partnerships that provide for quality public spaces and facilities. These enhance quality of life, create the conditions for a sustainable lifestyle, produce jobs and protect Cape Town's natural capital.

As part of its strategy, biodiversity network planning has been completed and adopted by Council. The ground-truthing (verifying the information on the ground) of the biodiversity network has also been initiated in consultation with CapeNature.

All of the City's nature reserves were subjected to an external audit that resulted in the groundbreaking development of an auditing system, which will be accepted by the Cape Action for People and the Environment (CAPE) Programme as the basis to review protected areas in the Cape Floristic Region.

Detailed mapping and classification of the City's wetlands was also initiated, with nearly one third of the area having been completed thus far and data stored in a Geographic Information System (GIS) database. On-the-ground management of the Kenilworth Race Course was secured via an arrangement with the owners, Gold Circle and CapeNature. A partnership with the Table Mountain Fund the Friends of Rietvlei, resulted in the appointment of a manager for the Diep River Floodplain and the Parklands Fynbos Corridor. As this is the first implemented and managed ecological corridor within the City, it is a flagship project. (More information can be obtained at [www.capetown.gov.za/environment](http://www.capetown.gov.za/environment)).

The City supported sustainable development in the region and promoted compliance with relevant environmental legislation, policies and guidelines. The City also provided environmental information and input into strategic planning processes, ensured that the environment is considered in planning and decision-making and established operational Environmental Management Systems (EMS). The Environmental Strategy also assisted the 2010 Soccer World Cup™ technical team in planning and designing the Green Point Stadium, Urban Park, and associated infrastructure (including roads and electrical upgrades). It completed a detailed business plan for the Khayelitsha Air Pollution Strategy (KAPS) in partnership with City Health. This secured R1,8 million in funding from the National Department of Environmental Affairs and Tourism for the implementation of the KAPS project during the winter of 2007.

An update of the Environmental Management Specifications for Civil and Engineering Construction activities was undertaken, which incorporated the extensive experience of the City's environmental control officers. (More information can be obtained at [www.capetown.gov.za/environment](http://www.capetown.gov.za/environment)).

A review of the Integrated Municipal Environmental Plan (IMEP) and its implementation strategies was completed and a report entitled the City of Cape Town Sustainability Report 2006 as well as a summary pamphlet were produced. Applications for 21 projects were submitted to DEAT for the DEAT Social Responsibility Programme Applications for the 2007/2008-2009/2010 funding cycle. It is estimated that the projects presented will attract R597 million to the City and create 6,740 jobs.

Other highlights included the proclamation of 953 ha of the Blaauwberg Conservation Area (BCA) as a formal nature reserve by the MEC and the False Bay Ecology Park (FBEP). The Environmental Centre was officially opened and the first picnic area on the Zeekoevlei eastern shore precinct of the FBEP was created. A new map poster and the 2006 State of Coast Report and Summary Report was published in accordance with the City's Coastal Zone Management Strategy. Council also gave its support for the

five-year business plan for the shark spotting programme and the establishment of a Cape Town Shark Unit.

During 06/07, the Integrated Environmental Education and Communications Branch continued to strengthen with an extensive capacity building programme for the 13 new employees who joined the City from the Athlone Power Station early in 2006. The Youth Environmental School (YES) Programme grew from a one-week programme during World Environment Week in June to a comprehensive year-long programme. The City's Environmental Careers Centre stand, at the SABC Education Careers Fair, aimed at secondary school learners was also more successful than ever as over 20 000 learners and their educators attended the three day event.

The City of Cape Town/Aachen Partnership, which is a sustainable development programme between Cape Town and the German city of Aachen, was revitalised by a newly drafted Memorandum of Understanding (MOU) (<http://www.aachen-kapstadt.de/>). A bi-annual environmental newsletter, entitled enviroWORKS, which highlights environmental and sustainable development news and key initiatives across the City, was also published. To polish its public interface, the ERM Department's website was revamped and expanded.

To ensure that the planning and implementation of the 2010 FIFA World Cup™ is based on an environmentally-sustainable footing, a business plan was drawn up for the environmental work stream which is on track and a workshop was held between City and Provincial authorities wherein it was agreed to establish a Green Goal programme for the event. Nine sectoral working groups now meet on a regular basis to ensure synergy of purpose in respect of the management of the interface zone between the Table Mountain National Park and the City.

In March 2006, the City won a competitive bid to host the Regional Secretariat of Local Governments for Sustainability (ICLEI Africa), following its hosting of the ICLEI World Congress. An office has therefore been opened to house the Local Action for Biodiversity (LAB) project. This dynamic and far-reaching programme enjoins 20 cities from all over the world around the need to increase and enhance biodiversity in the urban context. The City currently leads this initiative, together with the City of eThekweni, and it chairs the Steering Committee to oversee the project's general direction.

Council adopted the City's Energy and Climate Change Strategy in August 2006, and is currently considering the various regulations and by-laws necessary to meet the Strategy's targets, which include a 10 percent renewable energy supply by 2020. To support this, the Executive Mayor initiated an energy efficiency drive within the Cape Town business sector. In response to the potential short- to medium-term impact of climate change in the City, a report entitled Framework for Adaptation to Climate Change

in the City of Cape Town was commissioned and produced. (For more information [www.capetown.gov.za/environment](http://www.capetown.gov.za/environment) ).

### **2010 FIFA World Cup™**

The investment in transport, infrastructure and the boost to socio-economic growth engendered by the 2010 FIFA World Cup™ will leave a lasting positive legacy for future generations for both Cape Town and the rest of the country. As previously mentioned, the city's public transport system requires urgent attention, and the event has provided a timely impetus to address this need. An estimated R5 billion will be spent in the city on transport infrastructure in the period leading up to 2010, including large investments in rail and rail facilities such as stations, and the promotion of 18-hour a day transport services.

The 2010 FIFA World Cup™ preparations were identified as one of the Mayor's key flagship projects in 2006/07 with a particular focus on transport and the identification and preparation of Cape Town's new stadium. An estimated R2,857 billion will be spent on building and preparing said stadium, which will host a semi-final and nine other World Cup matches in 2010.

#### *Green Point Soccer Stadium*

After a detailed site study analysis, the City agreed to locate the planned 68,000 seater stadium on the Green Point Common, in the proximity of the Cape Town International Convention Centre, the CBD and the Victoria and Alfred Waterfront.

Due to environmental considerations and legislation a string of statutory processes were completed before construction could commence. These included a Record of Decision (ROD) by the Provincial Minister for Environment, Planning and Economic Development, a rezoning process and approval of the building plans. A draft site development plan for the Green Point Common was submitted to the Provincial Minister at the end of the financial year for approval to facilitate the commencement of the final design and work leading up to the event.

An interdisciplinary team comprising architects, quantity surveyors, engineers, urban designers and others was appointed to design and cost the stadium. The stadium's design has been refined to ensure that it is affordable and that it complies with FIFA requirements and the ROD. A major milestone was the approval of the stadium budget in March 2007.



All governmental spheres contributed to the stadium budget of R2,857 billion, namely:

*Table 2.6 Contributions to the 2010 FIFA World Cup™ Project*

<b>PARTNER</b>	<b>BUDGET CONTRIBUTION</b>
Department of Sport and Recreation	R 1,930, 000, 000
City of Cape Town	R 685,000,000
Province of the Western Cape	R 212,000,000
Development Bank of Southern Africa	R 30,000,000

The approval of the project paved the way for the tender and adjudication process, and a principal contractor was duly appointed. Time constraints were a major risk and construction therefore commenced in the month of appointment. The focus has therefore shifted toward the finer points of the implementation and design of the stadium. The City also invited the public to discuss the long-term use of the stadium and urban park following the World Cup event.

*2010 Transport*

In 2006/07 the City identified transport and infrastructure projects necessary for the World Cup Soccer Tournament. Together with the Provincial Government of the Western Cape and other stakeholders, it also participated in the development of the 2010 High Level Transport Operations Plan, which was completed in May 2007. Other plans completed to date include an Intergovernmental 2010 Host City Transport Plan Coordination Framework, a 2010 Transport Infrastructure Plan, a 2010 Financial Plan with the current secured funding for all transport infrastructure, including rail, airport and strategic road upgrades standing at approximately R 5,5 billion and a 2010 Transport Infrastructure Plan.

The National Department of Transport has approved the City and Province’s submissions to fund these projects and improvements, and some have already been implemented, such as the widening of the N2 freeway and the introduction of dedicated public transport lanes.

Other key proposals that have been developed include major improvements to the existing commuter safety and security system, a single ticket public transport system, better commuter information, park and ride facilities, improved cycle and pedestrian environments, and a R1,2 billion upgrade for the Cape Town International Airport.

The operational activities around the event itself will contribute significantly to its success. In recognition of this, the City has submitted an initial business plan to National Treasury in October 2006, which detailed the objectives, initiatives and budgets of the 20 work streams that are currently associated with the event. These include safety and security issues, fan parks, health, economic development and tourism. The plan will now be refined and integrated with the City’s line department’s Service Delivery and Budget Implementation Plans (SDBIP’s).

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

A total of 10,817 local, unemployed people have benefited from the EPWP programme since its inception. Achievements for beneficiaries against the national targets include:

- Women - 21 percent (against a national target of 40 percent).
- Youth - 38 percent (against a national target of 30 percent).
- People with disabilities - 0,43 percent (against a national target of 2 percent ).

To accelerate the implementation of the EPWP, a number of steps were taken during 2006/7, including the establishment of partnerships with National and Provincial Government and other key stakeholders and role players. The EPWP Project Team, which consists of three working groups is also now fully operational, and will drive the programme in the City's infrastructure, environment and culture, and social and economic sectors. To assist them, two senior professional officers (an EPWP programme co-ordinator and social services co-ordinator) have been appointed to the EPWP Corporate Unit; 120 City officials have received training in labour-intensive construction methods to strengthen the design, planning and implementation of the programme and 26 Contractor Development (Vu'kuphile) Learnerships have been created.

One of the EPWP's highlights is Project Vuk'uhambe, which has been responsible for the construction of footways and roads since 2003. The programme has been so successful that it has been extended to other parts of the Cape Flats such as Guguletu, Hanover Park, Lotus River, Parkwood and Grassy Park.

The EPWP task team, working together with the City's corporate HR division, has also developed a draft policy to guide contractors in their employment of people from the community. This assists companies in countering irregularities arising from favouritism and nepotism in their selection of workers.

**The Presidential Urban Renewal Programme (URP)**

The Urban Renewal Programme in Khayelitsha's anchor projects i.e. The Khayelitsha CBD, Khayelitsha Rail Extension, Khayelitsha Housing Programme and the HIV/Aids programme was implemented during this financial year. A site of 73 ha, located in the centre of Khayelitsha, adjacent to the station, has been earmarked and reserved for housing. The total development cost for the first phase amounts to R451,6 million. The status of the various projects is detailed below:

*Table 2.7 Status of Projects*

<b>CBD project components</b>	<b>Project status</b>
Establish institutional framework	100 percent completed
Bulk infrastructure	75 percent completed – upgrading of electricity at R2,7 million to be initiated soon
Statutory requirements	Application for residential development 100 percent completed
Sport facilities (cricket oval)	Phase Two – completed
Transport interchange	TwoPhase – tender was awarded to the contractor
Multi-purpose centre	Construction 70 percent completed
Khayelitsha District Hospital	Planning and the design of the district hospital (230-300 beds) is being finalised
Retail centre	Additional 2,000 m <sup>2</sup> of retail space completed in July 2006
Residential units	Planning of 500 residential units completed. Constructor on site for building of show houses (a private sector initiative)
Service station	Negotiations with oil companies in progress
Municipal offices to house City of Cape Town staff	Consultants to be appointed for needs assessment
Remembrance Square	Phase One (paving and construction of square) completed Phase Two (paving and mosaic work) under construction

The South African Railway Commuter Corporation has undertaken responsibility for the Khayelitsha rail extension project which will extend the present railway line by 4,2 kilometres. The project includes the construction of two railway stations (station 4 and 4A), which are currently 30 percent complete. The construction of four pedestrian bridges has also been completed. The construction of four road-over-rail bridges has commenced and the Steve Biko road-over-rail bridge is completed. The Walter Sisulu road-over-rail bridge is 10 percent completed, the Lindela road-over-rail bridge 70 percent completed, the Oscar Mpeta road-over-rail bridge tender is under adjudication and two public transport interchange designs and tender documents have been completed and are ready for approval.

The Khayelitsha housing programme aims to provide houses for the areas indigent and upgrade the existing informal settlement areas. The status of the various housing projects is as follows:

*Table 2.8 Status of Housing Projects*

<b>PROJECT</b>	<b>PROGRESS</b>
Kuyasa Phase Two	2,000 houses was completed and a further 399 are still to be constructed.
Silvertown Upgrading (SST)	The construction of roads though the centre of Silvertown is in progress, and will be completed in October 2007.
Site C	Town planning has been completed and civil engineering work is in progress. The first 1 100 families have been relocated to houses in Kuyasa Phase Two.
Nonkqubela Upgrading	The Nonkqubela project is aimed at upgrading the area and providing 1,250 housing units. 800 families were relocated on a decantment site in Makhaza to allow for the upgrading of the Nonkqubela area. The upgrading of Nonkqubela will commence in August 2007.
Enkanini Upgrading	This project is aimed at upgrading the Enkanini area through the provision of infrastructure and basic services. The project will commence in July 2007. The relocation of the Enkanini households is well underway (90 percent completed) and the earthwork construction for the rail track has been completed.
Makhaza Erf 2633	This project is aimed at upgrading and providing infrastructure and services to Erf 2633 decantment site. The project will commence in July 2007.
Site B and Harare (PHP) Projects	This project is aimed at implementing the People's Housing Project (PHP) for the beneficiaries of Site B and Harare, and will commence in July 2007.

The Provincial and City Health Departments currently work in partnership to implement a multi-sectoral HIV/Aids plan. Antiretroviral (ARV) treatment is available at five health facilities, and there are currently 6,017 patients on ARV treatment. Two new youth health clinics were built at Site B (in partnership with a Christian organisation) and Site C.

The Infant Mortality Rate (IMR) in Khayelitsha improved from 45.75 deaths per 1 000 live births in 2000 (the year before the start of the URP) to 31.33 deaths per 1,000 live births in 2006. This indicates a 32 percent improvement over six years. Since the IMR is also a very good indicator of overall development (as the quality of water, sanitation, refuse, housing, health, etc all impact on the IMR), this trend is a positive indicator of the success of the URP Programme.

### ***Mitchell's Plain***

The Mitchell's Plain CBD upgrading and public transport interchange project entails further development and regeneration through public investment from all three spheres of government, and the creation of an enabling environment for private sector development. A direct spin-off of the public investment is the

leveraging of private investments that generate job opportunities and the reinvestment of disposable income. The budget for the project is as follows:

- R170 million Mitchell's Plain transport interchange
- R400 million promenade retail developments
- R79 million construction of fish processing plant
- R1,8 million vehicle testing station.

The new Promenade Retail Centre has been completed and the Mitchell's Plain public transport interchange, which includes the provision of a new bus terminus, the construction of a taxi terminal, an administration building with public space improvements and landscaping, and new road and pedestrian infrastructure is an encouraging 85 percent complete.

The Lentegeur and Mandalay public transport upgrade project entails remodelling to make it universally accessible and to create attractive station forecourts. The project also includes the construction of the Western Cape Rehabilitation Centre, which was previously the facility used to house the relocation of the Conradie and Karl Bremer Hospitals' disabled patients. Transport facilities to and around the hospital, the Mandalay and Lentegeur stations' upgrade, special pedestrian access routes and CCTV cameras installation at the stations were completed during the financial year.

The Mitchell's Plain Housing Project initiative aims to promote housing development and provide mixed-use housing units to the surrounding communities. The programme plans to deliver 4 500 units by 2009. The status of the various projects is as follows:

- **Tafelsig Housing Project:** The project is aimed at providing 1 845 housing units. The infrastructural civil works have been completed and the construction of top structures commenced in June 2007.
- **Cape Town Community Housing Company (CTCHC):** The CTCHC partners with the Housing Company, the National Finance Corporation and the City of Cape Town to construct 2 500 housing units before June 2009. To date, 92 units have been completed in Morgen Village Phase 1. A further 1,000 erven were provided with civil infrastructural services, and a local contractor has commenced construction of 238 units in Morgen Village Phase 2.

*Private Sector Housing Projects such as the Vanguard Village Phase 1 - 350 units and civil works R63 million (private sector) is 90 percent complete and the Westridge Villas Phase1 - 319 units and civil works R55 million (private sector) is 30 percent complete.*

One of the year's highlights has undoubtedly been construction of The Youth and Family Development Centre, and the Tafelsig Public Space Upgrade, both of which aim to provide landscaped public spaces in the housing projects mentioned above. The erection of both buildings is the result of a public-private partnership with the Nelson Mandela Foundation, BP SA, Mitsubishi and the Provincial Government, and

the project is now 70 percent complete, which is most encouraging given that the project began in August 2006. Funding was secured for the operational management of the facility for a period of three years and anchor tenants have been secured.

The Swartklip regional sports facility is currently under construction on the corner of Swartklip and Spine Roads in Tafelsig. The first three phases of the project were completed. Phase 4 – the construction of a 5,000-seat soccer stadium was scheduled to commence in July 2007. The Colorado multi-purpose centre entails the construction of community facilities within the area including a multi-purpose hall, a minor hall, multi-purpose hard courts, basketball courts, a clinic and a library. Phase 1 (construction of a multi-purpose community facility) and Phase 2 (construction of multi-purpose hard courts and landscaping) have been completed. A further R20 million is needed for Phase 3 (for the construction of a minor hall, clinic and library).

### **Project Consolidate**

The City has actively participated in monthly Project Consolidate meetings co-ordinated by Province and has taken a strategic decision to align its own Project Consolidate with the Urban Renewal Programme. It sourced R5,5 million from the Provincial Department of Local Government and Housing for two Project Consolidate projects, namely the Kuyasa Housing Project at a cost of R4 million and the Remembrance Square Project at a cost of R1,5 million.

*Table 2.8:- Projects currently being co-ordinated:*

<b>PROJECT</b>	<b>DESCRIPTION</b>
The Kuyasa Low-Income Housing Energy Project	Retrofitting of approximately 2,300 houses in Kuyasa with renewable energy and energy efficient interventions.
Remembrance Square (R3,2 million)	Planning and design has been completed.
Enkanini Relocation Project (R14 million)	Relocation of approximately 1 600 households currently residing on the rail reserve. To date, about 70 percent of households have been relocated.
Ntlazane and Spine Roads Traffic Calming Project (R2 million)	This involves implementing traffic calming measures at the Ntlazane and Spine Roads intersection. Planning and designs have been completed and implementation will commence in the 2007/08 financial year.
Swartklip Sports Complex (R18 million)	The construction of this multi-purpose sports facility has been completed.
Eastridge and Tafelsig Housing Programme (R8,9 million)	1,845 housing units are currently under construction.
The Lentegour Public Interchange and Station Forecourt Upgrade (R14,9 m)	This has been completed.

## BACKLOGS

### *Stormwater*

The primary functions of stormwater services are the management of flood risks and the protection of receiving waters from the detrimental impact of stormwater runoffs. In managing the former, different levels of service are appropriate for informal and formal areas. Backlogs, which are where the appropriate minimum level of service is either non-existent or does not function adequately, were defined in terms of households and revised as indicated in the table below:

*Table 2.9 Levels of Service*

Area	Minimum level of service	Description
Informal	Basic	Utilitarian drainage system constructed in the absence of any rational hydrological design.
Formal	Intermediate	Principally underground systems catering for storms up to the 10-year return period. No coherent major system along roadways and POS. (Primarily older areas constructed prior to 1980).
	Full	Interlinked minor underground and major overland/storage systems catering for storms in excess of the 50-year return period.

A further level of service (enhanced) includes water quality management features such as treatment wetlands, infiltration trenches and the like to protect receiving waters such as rivers, vleis and coastal waters from degradation due to urban stormwater runoff. Since almost all stormwater systems currently contribute to degradation of receiving waters as mentioned above, only those where the upgrading required to reduce impact has been identified and costed, are defined as backlogs. The true backlog for enhanced levels of service could be considerably higher.

Stormwater infrastructure comprises a variety of elements such as underground pipes, open channels, detention ponds, litter grids, constructed wetlands, swales, infiltration trenches, and suchlike. It is therefore not possible to state the City's current backlogs in terms of any particular unit of measure. Stormwater backlogs are therefore given only in financial terms.

### ***Municipal Infrastructure Grant (MIG) 3 year capital plan for addressing infrastructure backlogs***

MIG is a conditional grant to municipalities to supplement their capital budgets for the provision of basic services to the poor. The City receives a formula based annual allocation (based on infrastructure backlogs) from the Department of Local Government and Housing. It is managed by:

- Facilitating the identification of projects and the inclusion thereof in the IDP and capital budgets
- Co-ordinating and registering projects on the MIG Managed Information System (MIS)
- Managing the programme with respect to compliance and ongoing monitoring and evaluation.

The full MIG allocation of R196,656,897 was spent within the prescribed national financial year ending 31 March 2007. It also complied with all legislative requirements with respect to the conditions and the prescribed reporting requirements. The funding was distributed according to the MIG guidelines, with Water Services receiving 49 percent, Roads and Stormwater 27 percent and Community Facilities 24 percent of the total allocation. Many of these projects were high priority such as Khayelitsha Rail Extension, Delft Sewer and Zandvliet Waste Water treatment Works (WWTW). Ten percent of the funding was spent in the urban renewal node.





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	30 June 2005 (2004/05)		30 June 2006 (2005/06)		30 June 2007 (2006/07)	
	Required	Budgeted	Actual	Required	Budgeted	Actual
<b>Service Delivery Backlogs</b>	R 000	R 000	R 000	R 000	R 000	R 000
<b>Electricity Backlogs</b>						
Backlogs to be eliminated (No. of households NOT receiving minimum standard of service)	Not available	Not available	Not available	1700	2500	3013
Backlogs to be eliminated (percentage-HH identified as backlogs/total HH in City)						13568
Spending on new infrastructure to eliminate backlogs	Not available	146462	128118	Not available	216116	166629
Spending on renewal of existing infrastructure to eliminate backlogs	Not available	30684	29743	Not available	47467	110014
Total spending to eliminate backlogs	Not available	177146	157861	Not available	263583	276643
Spending on maintenance to ensure no new backlogs created	Not available	66785	106155	Not available	111452	154875
<b>Roads Backlogs</b>						
Backlogs to be eliminated (Kilometres of road)	Not available	Not available	Not available	1,100km of road (2)	Not available	Not available
Backlogs to be eliminated (as a percentage of the total km of roads)	Not available	Not available	Not available	11.80%	Not available	Not available
Spending on new infrastructure to eliminate backlogs over 10 years	Not available	Not available	Not available	R300 000	R3.1m allowing for R8.5m that has been rolled over in line with the MFMA into the 2006/07 financial year.	R215 m
Spending on renewal of existing infrastructure to eliminate backlogs over 10 years	Not available	Not available	Not available	R500 000	R27.8m allowing for R5.3m that has been rolled over in line with the MFMA into the 2006/07 financial year.	R89 m
Total spending to eliminate backlogs over 10 years	Not available	Not available	Not available	R800 000	R58.8 m	R229m
Spending on maintenance to ensure no new backlogs created	Not available	Not available	Not available	R1.1 bn	R113 m	R166m
<b>Storm water Backlogs</b>						
Backlogs to be eliminated - Estimated cost	Not available	Not available	Not available		Not available	Not available
Backlogs to be eliminated (percentage of Value of Total Storm water Infrastructure)	Not available	Not available	Not available	32%	Not available	Not available

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Service Delivery Backlogs	30 June 2005 (2004/05)		30 June 2006 (2005/06)		30 June 2007 (2006/07)				
	Required	Budgeted	Actual	Required	Budgeted	Actual	Required	Budgeted	Actual
Spending on new infrastructure and on renewal of existing infrastructure to eliminate backlogs	R 000	R 000	R 000	R 000	R 000	R 000	R 000	R 000	R 000
	Not available	Not available	Not available	660 m	42.4 m allowing for R7.6 m that has been rolled-over in line with the MFMA to the 06/07 financial year.	38 m	940000	33100	18200
Total spending to eliminate backlogs	Not available	Not available	Not available	660 m	42.4 m allowing for R7.6m that has been rolled-over in line with the MFMA to the 06/07 financial year.	38 m	940000	33100	18200
Spending on maintenance to ensure no new backlogs created (1)	Not available	Not available	Not available	30 m	12 m (1)	12 m	32000	13250	10580

1. This amount was maintaining the asset condition, but a further 58 million was spent cleaning the system to ensure functionality

2. This length of road is based on 400 000 households requiring road access, backlogs in road requirements for formal housing and gaps in the existing metro road network

## Building and Zoning Plan Backlogs

Applications outstanding 1 July 2006	Category	Number of new applications received 2006/2007	Total value of applications received (Rand)	Applications outstanding 30 June 2007
823	Residential	9013	R4,977,729,788	390
520	Residential additions	16970	R3,280,294,158	474
38	Commercial	97	R1,330,322,151	10
69	Industrial	257	R1,315,771,862	35
656	Other	9699	R319,887,773	251
<b>2106</b>		<b>36036</b>	<b>1,905,005,732</b>	<b>1160</b>








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## Long-term contracts

Company name	Qtr Submitted	LTC no.	Amount	No of years	Start Date	End Date	Purpose	Contract no.
BP Southern Africa (Pty) Ltd	06/07 3rd	153	28,830,240	3	1/17/2007	2/28/2010	Supply & delivery aviation fuel	125E/2006/07
EPI-USE Africa (Pty) Ltd/ Accenture JV	06/07 3rd	239	6,915,888	3	3/14/2007	3/1/2009	SAP environment, Health & Safety project	193S/2006/07
Vredenburg Marketing & Services	06/07 4th	247	2,000,000	3	6/6/2007	6/6/2010	S&D and offloading pipework	308G/2006/07
Arcus Gibb (Pty) Ltd (Increase)	06/07 4th	248	11,000,000	3	6/13/2007	6/13/2010	2010 World Cup Stadium Precincts	?
Vredenburg Marketing & Services	06/07 4th	249	2,000,000	3	6/6/2007	6/6/2010	Supply - Motor driven pumps	309G/2006/07
BKS (Pty) Ltd	06/07 4th	250	2,901,300	3	6/13/2007	6/13/2010	Upgrading of Bellville WTW	316C/2006/07
Bergstan SA Consulting	06/07 4th	251	2,901,300	3	6/13/2007	6/13/2010	Upgrading of Bellville WTW	316C/2006/07
Balamanzi (PTY) Ltd	06/07 4th	252	1,000,000	3	6/21/2007	6/21/2010	Replacement of bulk water meters	288S/2006/07
Marthinus Waste Removals	06/07 4th	253	46,635,312	3	5/4/2007	5/4/2010	Removal, composting, disposal wastewater	261S/2006/07
Marthinus Waste Removals	06/07 4th	254	22,066,000	3	5/4/2007	5/4/2010	Removal, composting, disposal wastewater	281S/2006/07
Tau Pride Projects (Pty) Ltd	06/07 4th	255	5,145,504	3	5/4/2007	5/4/2010	Consultancy fees-2010 Soccer WC	294C/2006/07
Messrs HHO Africa	06/07 4th	256	14,800,000	3	5/4/2007	5/4/2010	Ext of appointment of consultants 2010	?
Baraka IT Solutions (Pty) Ltd	06/07 4th	257	67,000,000	3	5/9/2007	5/9/2010	ERP Hardware Upgrade	269S/2006/07

# Chapter 2 Annexures

## Annexure 2a - Corporate Performance Assessment Report for financial year 06/07

 - Meets or exceeds target ;  - Currently does not meet target ;  - Information not available or work on hold					
Key Performance Indicator	Annual Target	Actual Performance	Rating	Reason for variance	Remedial action
<b>Creating Integrated Human Settlements</b>					
Number of houses delivered based on government subsidy	4225	4290		Not Applicable.	Not Applicable.
Number of serviced sites provided Check positioning	4110	2892		1. Nonkqubela Phase 2: 1000 sites - 10 months delay Environmental Impact Assessment (E.I.A) and project approval. 2. Silvertown: 1400 units - 6 months delay due to political interference and community unrest.	1. Intervention from stakeholder engagement unit and community facilitation. 2. Streamlining internal E.I.A processes with Planning Department. 3. Have applied for accreditation as a housing authority.
<b>Economic Development and Job Creation</b>					
2010 Soccer World Cup: Timeous delivery of the City's obligations in respect of bulk and link infrastructure services in support of the stadium	1. 100% Public Transport Infrastructure Fund application No 3 (PTIF) approved by NDOT. 2. 100% Counter funding approved by Council and Province.	1. 100% PTIF 3 funding approved by National Dept of Transport (NDOT). 2. Draft memorandum of agreement in place between City, PGWC and NDOT for PTIF 3 funding and counter funding.		Final 2010 projects to be agreed upon between City and PGWC.	Agreement required between, ED:SDI, ED: Transport and Head of Transport - PGWC.
	100% Funding in place for Green Point (GP) Electricity reinforcement.	100% Stadium and GP Electricity reinforcement funding secured.		100% of the required funding was secured by 30 June. Of the total budget of R308 453 600 for electricity infrastructure reinforcement, approximately 64% by value had either been awarded or was under tender adjudication as at 30 June.	Not Applicable.














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- Meets or exceeds target ;		- Currently does not meet target ;		- Information not available or work on hold	
Key Performance Indicator	Annual Target	Actual Performance	Rating	Reason for variance	Remedial action
2010 Soccer World Cup: Timeous securing of the land required for stadium and related facilities	100% of statutory processes completed.	95% of statutory processes completed.		Cape Town Environmental Protection Association (Cepa) court case postponed to October.	Not Applicable.
	Zoning and consent use of GP stadium approved.	Zoning and consent use of GP stadium approved.		Not Applicable.	Not Applicable.
	Provisional authority of stadium building plans approved by Council.	Provisional authority of stadium building plans approved by Council.		Special Council meeting required after recess.	Special Council meeting arranged to consider building plans - 30 July.
	Draft Green Point Common site Development Plan submitted to WCPG Minister (MEC) on 6 July 07 before deadline.	Draft Green Point Common site Development Plan submitted to WCPG Minister (MEC) on 6 July 07 before deadline.		Awaiting MEC's ruling	Not Applicable.
2010 Soccer World Cup: Delivering on all pre-event requirements	10% of stadium completed.	1. 13% of stadium completed. 2. 14% budget spent. 3. Indicative programme shows Feb 2010 completion date.		Not Applicable.	Not Applicable.
2010 Soccer World Cup: Delivering on all services required during the hosting of the event	No target at this stage.				To be managed via the detailed action plans and updated Business Plan.
2010 Soccer World Cup: Ensuring deriving of optimum benefit from the hosting of the event	1. 100% detailed actions plans completed by all work streams. 2. Integration of line Departmental SDBJPs with 2010 Business Plan with focus on non-stadium related projects.	1. 20% High level scoping of total of 17x 2010 work streams completed. 2. Critical path determined for 2010 stadium.		1. Final Construction Programme and Cash flow outstanding by the Contractor. 2. Detailed implementation plan re-configuration of the GP Common can only commence after directive is received from WCPG Minister. 3. Director 2010: Operations only appointed during June 07. 4. Final FIFA requirements wrt Fan Parks, Communication etc outstanding.	Updated 2010 Business Plan required by National Government by 10 Aug. This to be used to improve detail action plans of 17x work streams.

- Meets or exceeds target ;		- Currently does not meet target ;		- Information not available or work on hold	
Key Performance Indicator	Annual Target	Actual Performance	Rating	Reason for variance	Remedial action
2010 Soccer World Cup: Ensuring post-event sustainable (use of), and optimum return on infrastructure investment	100% Appointment of Operator for GP Stadium and Urban Park completed.	80% Call for proposals advertised wrt the operating of the new GP Stadium and adjacent Urban Park.		Extended response date granted upon request by bidders. Closing date: 10 July 07.	Bid evaluation process underway, targeting bid adjudication committee in August.
Percentage of total procurement value dedicated to BEEs and SMMEs	40%	49%		Not Applicable.	Not Applicable.
Direct investment in Cape Town	> or = R 2 billion	1.172 Billion		1. Note EHD programmes only. 2. Initial target for EHD was R1,1b. City target set at R2bn plus.	Process needs to be initiated to record and collate direct investment from all City programmes (not only for EHD)
Number of direct sustainable jobs created through Municipality's Local Economic Development (LED) initiatives (NKPI)	> 7000	13 229		1. Note EHD programmes only. 2. Better than expected performance in the 4th quarter, both in the LAED projects and Sectors and City Agency programmes.	Not Applicable.
<b>Building Strong Communities</b>					
Ensure that the minimum area based targets, species targets and freshwater targets as set for each of the City's unique vegetation types in the City's Biodiversity Network are protected and managed for biodiversity	58% of total (combined for all vegetation types) area biodiversity targets under biodiversity management	26. %		Target not realistic - Needs reviewing in new financial year.	Target to be reviewed in 07/08
Percentage reduction in CO <sub>2</sub> emissions <b>**Note: Long-term target to achieve 10% reduction in levels by 2010.</b>	2.5%	The 2003 SoE has CO <sub>2</sub> as: 16 502 801 ton. The 2006 figure from the Cities Energy Data is: 19 736 885 ton.		Apart from emission resulting from energy use in the transport sector (54%), emissions from the built environment (44%) contribute significantly to CO <sub>2</sub> emissions. Regulation in both of these sectors are therefore crucial	Support the implementation of the Air Quality Management Plan and establish regulation to ensure greater energy efficiency in the built environment
Percentage decrease in number of preventable disasters	50%	Inactive - No systems in place to measure this indicator.			
Improvement in ratio of environmental health practitioners to citizens	> 1:15 000	113 staff thus per 28,145 population		This indicator is subject to sufficient budget allocation. This is a 5 year target. Presently filling 79 posts (113 to 192 thus 1 per 16,600 population).	Not Applicable.

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









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 - Meets or exceeds target ;	 - Currently does not meet target ;	 - Information not available or work on hold		
Key Performance Indicator	Annual Target	Actual Performance	Rating	Reason for variance
Percentage cure rate of new smear positive TB cases	> 71%	75%		Not Applicable.
TB incidence (Rate per 100 000 population)	980	831		Not Applicable.
Percentage of pregnant women HIV positive	< 18.5%	15.2%		Not Applicable.
Monitoring and developing plans for reducing infant mortality rate over the next 5 years	Plan completed by June 2007. Annual target: 21.28 (2006 calendar year)	21.40 under 1,000 Live Births (2006)		Still reduced from 22.28 (2005). This is an outcome indicator and has many dependencies.
Percentage calls responded to within 14 minutes from receipt of emergency call up to arrival at scene	78%	75.3%		Discontinuance of overtime.
Public perception on the efficiency, effectiveness and relevance of traffic policing <u>**Note: This survey is part of the customer satisfaction survey</u>	3	Work on hold		The survey will not be completed in this financial year—Meetings re the proposed survey were set up/co-ordinated from the CRM office around end of last year/beginning of this year – included CRM, Knowledge Management dept and IDP ; a separate tender for the customer survey was not initiated because of this. It was later established that the tender that was advertised did not clearly cover a customer survey - project therefore could not proceed due to it being unfunded.
Public perception of cleanliness and orderliness of the City <u>**Note: This survey part of the customer satisfaction survey</u>	3	Work on hold		The survey will not be completed in this financial year—Meetings re the proposed survey were set up/co-ordinated from the CRM office around end of last year/beginning of this year – included CRM, Knowledge Management dept and IDP ; a separate tender for the customer survey was not initiated because of this. It was later established that the tender that was advertised did not clearly cover a customer survey - project therefore could not proceed due to it being unfunded.
Expansion of the City's CCTV network by increasing the number of working cameras	27	27 new cameras fully operational.		Not Applicable.



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 - Meets or exceeds target ;	 - Currently does not meet target ;	 - Information not available or work on hold			
Key Performance Indicator	Annual Target	Actual Performance	Rating	Reason for variance	Remedial action
Community satisfaction measured in terms of the Likert scale	3				
Percentage of facilities (sports and recreation, cemeteries, beaches, open spaces) adhering to standards of maintenance	50%	1. Sport fields 68%. 2. Beaches 94%. 3. Cemeteries 71%. 4. Parks 70%.		Initial target of 50% was set in the absence of having a baseline in place.	Not Applicable.
Percentage utilisation of community facilities	50%	83%		Initial target of 50% was set in the absence of having a baseline in place.	Not Applicable.
Implement minimum standard of service to libraries **Note: Minimum standards vary depending on the category of library. Details available in Departmental SDBIP.	Develop minimum service standards	Developed standards and implemented at 49% of library facilities.		Not Applicable.	Not Applicable.
Environmental education and training services to citizens	1. 30 000 Students. 2. 200 Schools. 3. 1000 Educators	1. 54 906 Students. 2. 344 Schools. 3. 1114 Educators		Not Applicable.	Not Applicable.
Public perception on state of safety and security in the City in terms of the Likert scale **Note: This survey is part of the customer satisfaction survey	3	Work on hold		The survey will not be completed in this financial year—Meetings re the proposed survey were set up/co-ordinated from the CRM office around end of last year/beginning of this year – included CRM, Knowledge Management dept and IDP ; a separate tender for the customer survey was not initiated because of this. It was later established that the tender that was advertised did not clearly cover a customer survey - project therefore could not proceed due to it being unfunded.	The department Strategic Development Information and GIS is responsible for the survey as reflected in the 07/08 Corporate Scorecard and in this regard a presentation and report has been submitted to EMT; the bid specification document has been compiled and the tender for appointing a service provider will be advertised on 29 June 2007.
Percentage reduction in unconstrained water demand **Note: Percentage reduction in water use below what was predicted in 2001 with no water saving measures in place	29%	5.5%		<ol style="list-style-type: none"> <li>The population and economic growth; as well as weather and consumer's changing water usage patterns after the lifting of 20% restrictions have impacted on the achievement of this indicator.</li> <li>Jan - Feb 2007 was the hottest months over the last few years.</li> <li>There were Water Demand Management interventions to try to suppress the demand (includes water losses and non-revenue water) with varying success.</li> <li>Inadequate funding received in 06/07 to roll-out WDM Programmes.</li> </ol>	W&S have secured capital of R21 million in 2007/2008 to implement hard programmes eg. PRV's, installation of flow limiters and re-use of treated effluent, and to address soft issues through eg. awareness campaigns.












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- Meets or exceeds target ; - Currently does not meet target ; - Information not available or work on hold		Annual Target	Actual Performance	Rating	Reason for variance	Remedial action
Key Performance Indicator	Annual Target	Actual Performance	Rating	Reason for variance	Remedial action	
Percentage compliance with 4 critical DWAF effluent standards (E-coli count, Ammonia content, Oxygen demanding substances, Total suspended solids) **Note: average percentage effluent samples passing the DWAF standard in each of the tested parameters	76%	81.2%		Not Applicable.		
Percentage of airspace saved in relation to volume of waste disposed of. **Note: Percentage reduction of collected solid waste versus what is finally land-filled	14%	14.73%		Not Applicable.	Not Applicable.	
Ensure recreational waters (bathing beaches, vleis, lagoons, etc) are not polluted by storm water discharges and comply with applicable water quality standards to safeguard public health ** Note: Water Quality Standards as prescribed by DWAF for full and intermediate contact recreation apply.	75% of points sampled comply status quo until programs show results)	Data for the required period ending June 2007 not yet available as at end of June 2007. Latest processed and validated data - 87% compliance as at end March 2007.				
Reduction in number of dwellings (incl. informal) flooded annually ** Note: Only applicable for rainfall events with a greater than 50% probability of occurrence in a year. These represent storms for which the storm water reticulation system is designed, they are not unusually big storms.	1400 dwellings flooded	9167		Figure includes all dwellings affected by heavy rain (e.g. includes leaking dwellings) - only some dwellings were actually flooded. Current monitoring system is not able to isolate those dwellings affected by excess surface and groundwater specifically.	A new monitoring system to determine specifically flooded dwellings is required. However, this is proving problematic for the informal areas.	
<b>Equitable and Effective Service Delivery</b>						
Percentage of households earning less than R1100 with access to basic levels of water (National Key Performance Indicator - NKPI) **Note: Number of households earning less than R1100 based on the indigent list plus the informal settlement estimate (proxy measure)	100%	100%		Not Applicable.	Not Applicable.	
Percentage of households earning less than R1100 with access to basic levels of sanitation(NKPI)	86%	93.3%		Not Applicable.	Not Applicable.	















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 - Meets or exceeds target ;  - Currently does not meet target ;  - Information not available or work on hold					
Key Performance Indicator	Annual Target	Actual Performance	Rating	Reason for variance	Remedial action
Percentage of households earning less than R1100 with access to basic levels of solid Waste Removal (NKPI)	99%	99%		Not Applicable.	Not Applicable.
Percentage of households earning less than R1100 with access to basic levels of Electricity (NKPI)	63%	66.64%		Not Applicable.	Not Applicable.
Percentage of households with access to basic level of water (NKPI)	100%	100%		Not Applicable.	Not Applicable.
Percentage of households with access to basic levels of sanitation (NKPI)	96.9%	97.9%		Not Applicable.	Not Applicable.
Percentage of households with access to basic levels of Electricity (NKPI)	90%	91.12%		Not Applicable.	Not Applicable.
Percentage of households with access to basic levels of solid waste removal (NKPI)	99%	99%		Not Applicable.	Not Applicable.
Ratio of informal households per tap <b>**Note: Ratio based on a total of 115 000 informal households in relation to number of working taps (No. of targeted service points to be added in 2006/07 = 938)</b>	17.4 : 1	12.6:1		Not Applicable.	Not Applicable.
Ratio of informal households per toilet <b>**Note: Ratio based on a total of 115 000 informal households in relation to number of working toilets (No. of targeted service points to be added in 2006/07 = 3490)</b>	7.5 : 1	7.9:1		1. Increased density in most informal settlements. 2. Political tensions in certain areas where toilets were going to be installed prevented installation 3. Vandalization of toilets and problems with contractors resulted in increased maintenance expenditure.	1. Measures have been put in place to improve contract management. 2. Additional human and financial resources have been made available. 5-year budget plan for servicing all informal settlements must be sustained.
<b>Integrated Access and Mobility</b>					
Percentage completion of Integrated Public Transport Plan (ITP)	Final Draft completed	Final draft submitted to Mayco after completion of Public participation process.		Not Applicable.	Not Applicable.
A single transport operational entity established	Completion of service delivery agreement for the Public Transport Operating Entity (PTOE)	Agreement drafted. Not yet approved. Legal opinion obtained for the establishment of the PTOE.		Agreement not yet approved as the impact of the legal opinion is being assessed.	Advice to be given to the City Manager, Mayco Member and Executive Mayor on the process to now be followed.

# Annual Report

 - Meets or exceeds target ;		 - Currently does not meet target ;		 - Information not available or work on hold	
Key Performance Indicator	Annual Target	Actual Performance	Rating	Reason for variance	Remedial action
Km's of road rehabilitated and resealed	Additional 70 kms resealed and 8 kms rehabilitated.	24.8km's resealed. 9.2km's rehabilitated.		Delays in awarding of tender and dealing with the appeals. Lack of staff capacity. Early rainfall.	Staff to be appointed.
<b>Enabling Institutional Framework</b>					
Completion of re-alignment project Phase 1 (Staffing Structure, Mapping process and standardized conditions of service)	Completion of Phase 1 by March 2007	Placement of staff substantially completed. Finalization of objection process rolled over to next financial year due to the volume of upscalings and objections.		The total number of upscalings (>6000) and objections (>5500) has resulted in phase 2 of the project being rolled over to the next financial year. The objections will be finalized in the first 6 months of the next year 07/08. Delays in finalizing the structure for Safety & Security resulted in the placement of this section being delayed. This delay was beyond the control of this project.	Phase 2 of the project will roll out in the next financial year.
Number of community/ward participatory mechanisms	105	Nil		Ward Forums only to be elected in October 2007. Advertisements for registration placed.	
Review and assessment of ERP/SAP with recommendations to optimize and extend benefits from SAP	100%	Tender for the procurement of suitably experienced service provider has been issued. Tender adjudication currently underway.		Application for funding for this project from the restructuring grant has been made. Once approval is obtained service provider will be appointed.	Service Provider to be appointed during August 2007
Review and restructure of the Project Office	100%	100%		Not Applicable.	Not Applicable.
Review, restructure and where necessary redirect the cross-cutting corporate projects and where possible align with major public funding and public spending programmes	100%	Projects identified		Due to compliance with governance criteria, the process for additional resources has been extended by one month.	On track for completion end August 2007
Development of an Operating Model to structure the administration to meet strategic objectives	100%	100% Operating model developed & report completed. To be presented to EMT & Mayco for discussion & adoption.		Not Applicable.	Not Applicable.
Percentage implementation of the Performance Management System for Section 57 employees	100%	100%		Not Applicable.	Not Applicable.

# Annual Report

 - Meets or exceeds target ;  - Currently does not meet target ;  - Information not available or work on hold					
Key Performance Indicator	Annual Target	Actual Performance	Rating	Reason for variance	Remedial action
Percentage improvement on turn around time on applications for building plan approval	10%	108.6%		Not Applicable.	Not Applicable.
Audit report from Auditor General on financial and performance audits	Unqualified audit received from AG	Unqualified audit received from AG		Not Applicable.	Not Applicable.
Preparation of EE plan based on provincial demographics	EE Draft Plan prepared by December 06 Agreement with Unions by June 07	EE Draft Plan Completed by December 2006. However no agreement with the Unions was reached		SAMWU stopped attending workgroup meeting due to the dispute regarding Organizational Realignment Process (ORP)	Resume workgroup meetings with Councilors and Unions - Resolve dispute
Percentage compliance with EE approved plan with regards to the 3 highest levels of management (NKPI)	80% compliance by June 2007	70.51%		Did not live up to expectation due to the appointment/placement.	The City's recruitment drive could remedy the situation.
Improved turnaround time of tender procurement processes	12 weeks	7.2 weeks		Not Applicable.	Not Applicable.
Percentage completion of General Valuation Roll process by end June 2007	100%	100%		Not Applicable.	Not Applicable.
<b>Financial Sustainability</b>					
Percentage of municipality's budget spent on implementing its Work Place Skills Plan (NKPI)	1% of taxable payroll spent on WPSP by June 2007 (100% of 1%)	85% of the 1%		Target not reached due to the fact that priority was placed on the Organizational re-alignment project and the focus of the organization was not necessarily on training and development.	The organization is now much more stable and these factors should thus not negatively influence performance in the next financial year.
Maintain City's credit rating	A.1/A+	A1+/AA-		Not Applicable.	Not Applicable.
Ratio of cost coverage maintained (NKPI) ** Note: Cost coverage is the ratio of total cash and investments (short term) to monthly operating expenditure	1.85:1	3.01:1		Not Applicable.	Not Applicable.
Ratio of outstanding service debtors to revenue actually received for services (NKPI)	1:05	1:06		Not Applicable.	Not Applicable.
Debt coverage by own billed revenue (NKPI) ** Note: Debt coverage is the ratio of total own billed income to total debt	2.92:1	4.51:1		Not Applicable.	Not Applicable.

# Annual Report

- Meets or exceeds target ;  - Currently does not meet target ;  - Information not available or work on hold					
Key Performance Indicator	Annual Target	Actual Performance	Rating	Reason for variance	Remedial action
Percentage of City's Capital budget spent (NKPI)	95%	76.66%		Reasons for variances are varied and differ per department and project type. Generic contributing factors were implementation capacities and tender award delays.	Corporate Project Implementation Team established to improve implementation rates via enhanced pre-implementation actions and addressing of implementation capacity shortages. Unspent and committed items proposed for carry-overs and budgetary inclusion in 07/08 financial year.
Percentage of City's operating budget spent	95%	92%		Reasons include: items of which expenditure are demand-driven (general expenses), lower than planned capex funded ex grants and donations, lower than planned bulk purchases.	06/07 Operating Budget actual results utilized in determining 07/08 budget provisions.

## Annexure 2b - Khayelitsha Community Trust Performance Assessment Report 06/07

- Meets or exceeds target ;  - Currently does not meet target ;  - Information not available or work on hold						
No	Key Performance Indicator	Annual Target 30 June 2007	Actual Performance 30 June 2007	Rating	Reason for variance	Remedial action
1	% Spend Operational Budget	100%	0%		KCT budget allocation from the City has not yet been transferred, pending the signature of a Service Delivery Agreement and certain conditions to be met.	In progress
2	% Spend of Capital Budget	100%	0%		No capital budget allocations to the KCT	In progress
3	Number of Trustee Meetings	4	6		Not Applicable.	In progress
4	Annual Report approved	100%	In progress		This was one of the outstanding items for approval from the last board meeting. Trustees to discuss approval at next board meeting.	In progress
5	Board Assessment completed	100%	In progress		The assessment was completed by the chairperson, but not by the entire board. This matter will be corrected at board assessment to be held in July 2007.	In progress
6	Legislative Check list completed	100%	In progress		Legislative checklist for 2006 completed. 2007 checklisted to be completed by August 2007	In progress
7	Appointment of Chief Executive Officer	100%	In progress		The candidate has been for the second interview which included in-basket tests. Candidate likely to be appointed in August 2007.	In progress
8	Annual Financial Statements (AFS) completed	100%	In progress		2006 AFS have been audited and signed. Audit committee is meeting on 01 August 2007 for discussion of draft AFS for 2007.	In progress

# Annual Report

## Annexure 2c - Convensco Performance Assessment Report for 06/07

- Meets or exceeds target ;  - Currently does not meet target ;  - Information not available or work on hold							
No	Key Indicator	Performance	Annual Target June 2007	Actual Performance 30 June 2007	Rating	Reason for variance	Remedial action
1	% Spend Operational Budget		100%	100%		Not Applicable.	Not Applicable.
2	Percentage Spend of Capital Budget		100%	39.58%		The uniforms tender (Budget= R700k) is still in the finalization process. Although the tender for the generator (Budget= R1.5mil)has been awarded, the product however still needs to be imported, and has thus not arrived in the country as at year end. The two special projects (Customs house and Convention Tower) is still in progress. The unspent budget on these two projects is R4.95mil.	Not Applicable.
3	International Conventions		32	46		Not Applicable.	Not Applicable.
4	National Conventions		30	30		Not Applicable.	Not Applicable.
5	Exhibitions		16	19		Not Applicable.	Not Applicable.
6	Trade Fairs		13	7		At the time of setting this target, we knew that nothing was guaranteed (no confirmed bookings). Intended and tried to initiate new trade fairs with players in market, however nothing has materialized.	In progress
7	Banquets		54	69		Not Applicable.	Not Applicable.
8	Special Events		21	26		Not Applicable.	Not Applicable.
9	Other Events		178	312		Not Applicable.	Not Applicable.

# Chapter 3



# Human Resource and Other Organisational Management

## Enabling Institutional Framework

### *Human Resources*

After the elections in March 2006, the City reviewed its IDP strategies and objectives and reoriented it toward economic growth, while simultaneously maintaining a strong focus on social spending. It also embarked on a process to align its strategic initiatives to its organisational structure, to align the senior managers with the political structure. This resulted in the expansion of the Executive Management Team.

The primary alignment of staff to the City's needs took place in the 2006/7 financial year via the implementation of its organisational realignment process and finalisation of the placement process. This process delivered a City Manager and Executive Management Team aligned with the Mayco portfolio structure, the placement of 21,297 employees into an organisational structure with generic, comparable designations and job descriptions, the foundation and framework for implementation of TASK job evaluation and full parity over the next two years. The skills base of the administration was stabilised by the filling of over 200 critical vacancies in the fields of engineering, project management and technical services; employment of over 2,000 previously fixed-term contract employees into permanent positions; the conversion of labour broker staff to permanent positions; the filling of acting positions and basic parity based on common benchmark grades, salary scales and conditions of service.

The original purpose of the Transformation and Organisational Development Plan was to develop a framework and drive a strategy that would facilitate the optimal provision, organisation and deployment of the City's staff to enable it to achieve its strategic goals and objectives.

The focus of the three-year transformation plan is to shift organisational culture and managerial practice to ensure delivery. During the 2006/7 year, the City achieved a closer alignment of staff and skills to business strategies by increasing the skills and resources required to deliver on capital expenditure projects and geographic relocation of employees to high priority areas. It also succeeded in initiating business improvement projects in key areas of the City, including Supply Chain Management and Fleet Management.

The transformation plan is currently driven by three programmes:

- The Quality Management programme, which focuses on business process re-engineering, and confirms best practice through use of external ISO 9001:2000 certification and develops and implements mechanisms to measure productivity improvement.

- The HR Strategy programme which supports managers in developing and implementing staffing strategies and plans i.e. the alignment of staff and skills to service delivery, and provides all supporting systems, policies and processes to ensure the implementation of staffing plans. It also entails the developing and implementing mechanisms to measure return on investment in staff development.
- The Change Management programme implements comprehensive change management programmes which support HR Strategy and Quality Management programmes and conducts staff climate/culture surveys.

### ***Employment Equity***

The Employment Equity Progress Report for 2006/07 was compiled for submission to the Department of Labour (DOL). There is still a great deal to be achieved in terms of quantitative representivity within the organisation, especially at senior levels, which have been affected by the organisation and realignment process (ORP) that is currently being concluded.

The City implemented capacity building for Employment Equity/Skills Development forums in its directorates. Short-listing, interviewing and selection attendance is still a challenge due to staff shortages.

### ***Diversity Management***

The City implemented the Diversity Management Programme, which had 1,378 workshop attendees.

### ***Disability Co-Ordination***

International Disability Day was held in Mitchell's Plain and Khayelitsha. Sensitisation and awareness raising is also being implemented at diversity management workshops. Universal accessibility audits on Council buildings and facilities were successfully conducted on 49 Council facilities by concluding 49 audits, which surpassed the year's target of 30. Consultation took place on the draft Disability Implementation Strategy that is intended as a framework guide on action steps towards disability management achievement for the workplace. The number of staff with disabilities remains constant on 46, which is still below the required target of 2 percent of the City's staff complement. The draft strategy will address this challenge.

### ***Gender Equity***

A gender focus group including two staff members from the Employment Equity Department is currently operated on a citywide basis and workshops that focus on women have also been held on a regular basis throughout the year. As there was a regression in the appointment of women in levels one to four

of the City's staffing hierarchy during restructuring, further efforts will be made in the forthcoming year to ensure that more women are represented in senior positions.

Achievements in this area include:

- A gender forum was established and operational in the Finance Directorate
- A female empowerment strategy is due for implementation during November 2007.

The key challenge remains women's representivity at all management levels throughout the City.

*Table 3.1: Employment Equity statistics per directorate as at June 2007*

Directorate	African	Coloured	Indian	White	Total	Female	Male
CITY HEALTH	13	31	1	30	75	43	32
COMMUNITY DEVELOPMENT	6	13		13	32	17	15
CORPORATE SERVICES	11	7		12	30	14	16
ECONOMIC AND SOCIAL DEVELOPMENT	8	6	1	4	19	10	9
FINANCE	7	8	1	17	33	11	22
INTEGRATED HUMAN SETTLEMENT SERVICES	5	14		8	27	6	21
INTERNAL AUDIT		4		5	9	4	5
OFFICE OF CITY MANAGER	5	5		9	19	6	13
SAFETY AND SECURITY	4	6		4	14	3	11
SERVICE DELIVERY INTEGRATION	8	9	3	12	32	5	27
STRATEGY AND PLANNING	2	11		13	26	10	16
TRANSPORT, ROADS AND STORMWATER	1	8	1	5	15	1	14
UTILITY SERVICES	11	7	2	9	29	6	23
TOTAL	81	129	9	141	360	136	224
Percentage achieved	22,50%	35,83%	2,50%	39,17%	100,00%	37,78%	62,22%

**Trends on Personnel Expenditure to Operating Budget (Last four years)**

- 2006/07 – R 3,010,652/ R9,434,901 = 31.9%
- 2005/06 – R2,718,393/ R9,491,671 = 28.63%
- 2004/05 - R 2,674,246/ R 8,925,609 = 30.0%
- 2003/04 - R 2,870,534/ R 8,601,070 = 33.4%

*Note: 2006/07 figure includes actuarial valuation of long service leave not calculated in previous years*

**Arrears owed to Council by Staff/Councillors/Directors**

- Councillor Consumer Account Arrears (30 June 2007) -- R 328,865
- Councillor Consumer Account Arrears (30 June 2006) -- R 252,626
- Councillor Arrear Arrangements -- R 171,885
- Councillor Accounts in dispute -- R 190,972
- Staff Arrears -- R 466,000

*Note: Details are contained in the Financial Statements Chapter 4, page 46.*

**Pension Funds**

The following pension and/or retirement funds are used in the City:

- Cape Joint Fund (retirement and pension)
- Cape Municipal Pension Fund
- SAMWU Provident Fund
- National Municipal Workers' Fund
- South African Local Authority Fund

**Medical Aid Schemes**

Staff are able to choose between the following medical aid funds:

SAMWUmed	Global Health	LA Health	Munimed	Bonitas	Hosmed
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The assessment of future risks or liabilities with regard to pension funds and medical schemes is covered in Chapter 4 (Financial Statements) of this document.

**Human Resource Governance**

Information in respect of employee-related costs, remuneration of senior officials and Councillors is included in the chapter on Audited Financial Statements (See Chapter 4).

**Skills Development**

In terms of the Skills Development Act (No. 97 of 1998) and the Skills Development Levies Act (No. 9 of 1999), the City has successfully submitted a Workplace Skills Plan 8 (WSP8) and the Annual Training Report (ATR) to the Local Government Sector Education and Training Authority (LGSETA).

The Skills Development Plan supports the City's strategic objectives, and identifies the training beneficiaries who will realise the operational requirements necessary for effective and efficient service provision. The WSP8 further enables said training beneficiaries to receive quality training that should lead to a qualification.

The training interventions employed throughout the year included structured learning programmes, learnerships, skills programmes, short courses and conferences, workshops and seminars. The City implemented 90 percent of all the training interventions identified in WSP7. It also successfully recouped the 50 percent claimable Mandatory Grant from the LGSETA (totalling R13,925,773,00) which will be used for further skills development.

**Skills Audit**

During the 2006/2007 financial year, the City of Cape Town finalised the skills audit that the organisation embarked on in 2004. This enabled the qualifications of 6,000 employees to be verified and uploaded onto SAP. The information was also included in the WSP reporting processes for the first time.

**Learnerships**

The following progress was made in terms of learnerships:

DEPARTMENT	PROGRESS
Local Economic and Development:	20 learners completed end of June 07
Water Purification:	8 learners completed end of May 07
Water Reticulation:	10 learners completed end of May 07
Waste Water:	10 learners completed end of May 07
Pharmacy Assistance:	10 learners completed end of October 07
Roads Construction:	98 learners completed end of April 07
Electricity:	100 learners completed end of June 07
Current budget spent	approximately 90%.

Table 3.2 Learnerships

**External bursaries**

The City granted 60 new external bursaries, thereby raising the total to 146 external bursary holders.

**Employee Wellness**

Employee Wellness experienced sustained growth in the year through the creation and revision of services and products for staff. Accessibility and information regarding service offerings was improved via a new contact centre, an improved Intranet and information and marketing exercises. The employee Assistance Programme, the psycho-social care division of Employee Wellness, consulted 2,100 employees during the course of the year, which gave it a 9,5 percent penetration into the employee base.

The HIV Workplace Programme tested 1,804 staff members during the year, with 46 staff testing positive for HIV/Aids, 40 of whom have consequently been enrolled into the Workplace Treatment Programme. This increases the current number on the programme to 187 persons. The Employee Wellness Week, now held on an annual basis saw a sustained growth in interest by both employees and providers within the wellness field.

## ***Labour Relations***

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The City achieved a 96 percent success rate in all its arbitration at the South African Local Bargaining Council (SALGBC) and the CCMA. Six sessions were arranged for labour topics to be presented by current Labour Relations Services at no cost to the Council. The City also established an integrated Chairpersons and Initiators List and organised the training of 280 managers/supervisors in chairing and initiating.

## ***Occupational Health and Safety***

Training in Occupational Health and Safety was implemented on an ongoing basis, thereby benefiting Health and Safety Representatives, Safety Committee members and incident investigation. The implementation of the SAP-based EHS (Environmental Health and Safety) business solution was initiated and the DOTY (Driver-of-the-Year) competition was successfully completed with proficient vehicle drivers participating as finalists in the national DOTY competition. Medical surveillance programmes were implemented on an on-going basis, to monitor personnel who are at risk throughout the organisation. Legal compliance audits were completed at all work stations throughout the organisation.

## ***Business improvement through an electronic attendance system***

Lack of an effective standard system to record attendance in compliance with statutory requirements has been a major challenge for the City's administration, resulting in the inability to account for some of staff absences, an increase in overtime payments and a risk of 'inflated' provisions for leave payouts. In response to the above-mentioned challenge a project to introduce an electronic clocking system was approved in September 2006 and piloted in Fire Services during the year under review. The new system provides for the recording of employees' attendance electronically and to follow up on absences that have not been accounted for. Furthermore, the City's administration will be able to process overtime claims that are backed by attendance records and to discount all leave taken. A full City-wide roll-out is planned for the 2007/08 and 2008/09 financial years.

# Governance and Institutional Arrangements

This section of the report explains the framework of the institutional structures that Council established during the financial year to implement its strategies together with the application of appropriate resources.

## Council structure

The relationship between Council's different political structures is as follows:

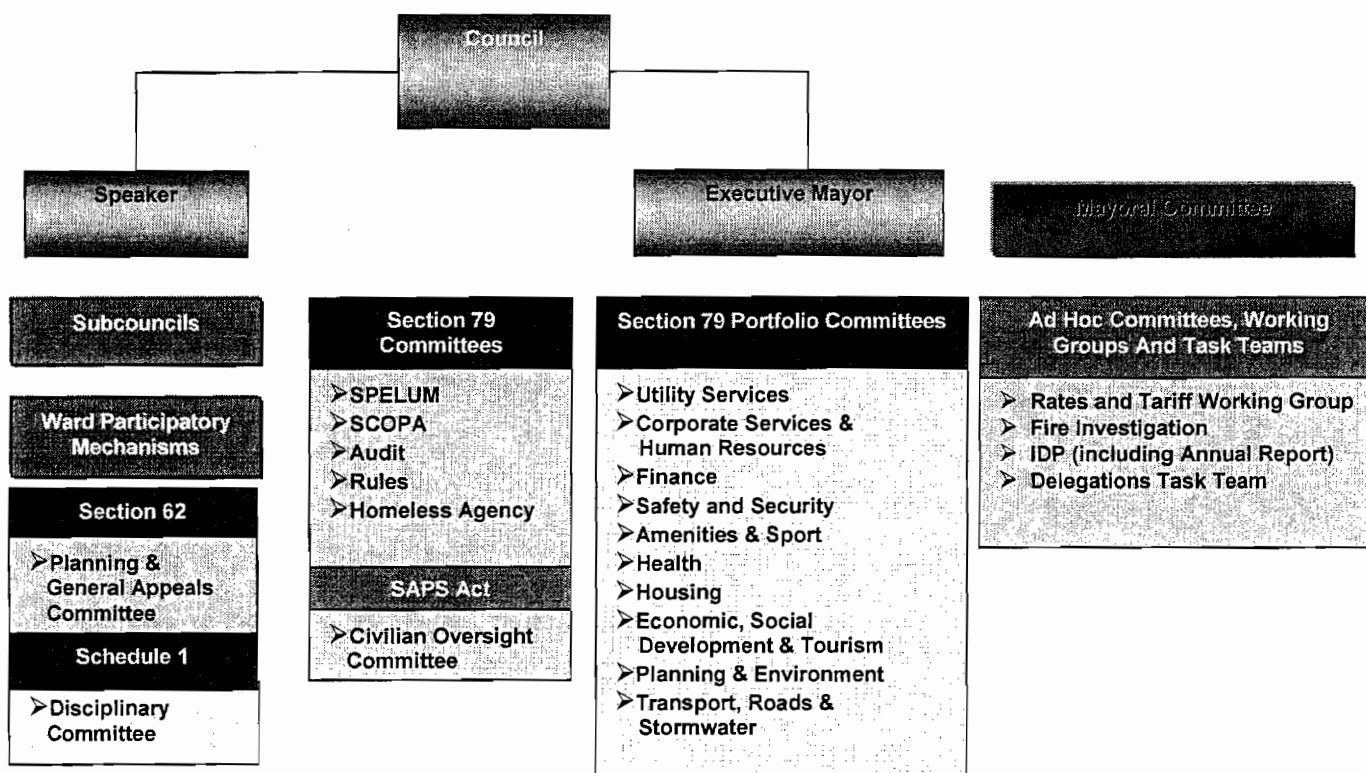


Figure 3.1 Council Structure

## Executive Mayor and Mayoral Committee Members

Councillor / Alderman	Portfolios
Ald H Zille	Executive Mayor
Cllr C Williams	Executive Deputy Mayor
Cllr A Arnolds	Amenities and Sport (Replaced by Cllr G Haskin)
Cllr G Haskin	Amenities and Sport (Commenced on 8 March 2007 onward)
Cllr W Hassiem	Economic, Social Development and Tourism (Replaced by Cllr S Grinrod)
Cllr S Grinrod	Economic, Social Development and Tourism (Commenced on 19 Jan. 2007 onward)
Cllr D Ximbi	Safety and Security
Cllr M Fienies	Health
Cllr E Thompson	Transport, Roads and Stormwater
Cllr M Niewoudt	Planning and Environment
Cllr D Plato	Housing
Cllr B Walker	Corporate Services and Human Resources
Cllr L Roelf	Utility Services
Cllr I Neilson	Finance

Table 3.3 Mayoral Committee

**Section 79 Portfolio Committees and Chairpersons**

<b>Committee</b>	<b>Chair</b>
Utility Services	Cllr C Justus
Corporate Services and Human Resources	Cllr S Pringle
Finance	Cllr I Iversen
Safety and Security	Cllr JP Smith
Amenities and Sport	Cllr G Cavanagh
Health	Cllr J Vos
Housing	Cllr N Ross
Economic, Social Development and Tourism	Cllr P Hill
Planning and Environment	Cllr B Watkyns
Transport, Roads and Stormwater	Cllr E Berry

*Table 3.4 Portfolio Committees***Office of the Speaker**

The Speaker's Office's co-ordinated all processes flowing from the implementation of the Sub-Council's delegations, matters relating to disciplinary investigations in terms of the codes of conduct of Councillors and municipal employees, rules of meetings of political structures, and the Planning and General Appeals Committee.

**Sub-councils**

The City implemented 23 sub-councils that are governed by a number of delegations of Council together with the Cape Town Sub-council By-Law 2003, as amended. Delegations to sub-councils range from the assessment of service delivery performance within jurisdictional areas, IDP, budget and business planning, street naming, business licensing, land use, planning and environmental matters and public participation, to name but few.

**Ward Participatory Mechanisms**

Ward Participatory Mechanisms (Ward Forums) together with their terms of reference and delegations were approved but are scheduled for implementation in the 2007/08 financial year.

**Sub-councils and chairpersons**

<b>Sub-council</b>	<b>Chair</b>
1. Blaauwberg	Cllr Vincent Bergh
2. Bergdal	Cllr Grant Twigg
3. De Grendal	Cllr James Vos
4. Tygerberg	Cllr Freddie Kearns
5. Central	Cllr Theresa Thompson
6. Bellville	Cllr Mngasela Masizole
7. Koeberg	Cllr Claude Ipser
8. Helderberg	Cllr Demetrius Dudley
9. Nxele Makana	Cllr Tozama Bevu
10. Charlotte Maxeke	Cllr Mbulelo Ncedana
11. Look Smart Solwanddle Ngudle	Cllr Monica Makanda
12. Mitchells Plain	Cllr Grant Pascoe
13. David Mthetho Ntlanganiso	Cllr Bulabo Maboe



14. Miranda Nqculu	Cllr Gladstone Ntamo
15. Pinelands	Cllr Brian Watkyns
16. Good Hope	Cllr JP Smith
17. Athlone and District	Cllr Mrs J Daniels
18. Rondevlei	Cllr BEH Lee
19. South Peninsula	Cllr D Qually
20. Protea	Cllr O Kinahan
21. Oosterberg	Cllr W Brady
22. Lizo Nkonki	Cllr C Beerwinkel
23. Adelaide Tambo	Cllr J Hermanus

Table 3.5: Sub-Councils

### Executive Management

The Executive Management Team (EMT) equips the City to drive its strategic objectives as outlined in an IDP, which is adopted each year. The macro-organisational design of the administration as implemented in this financial year is indicated below:

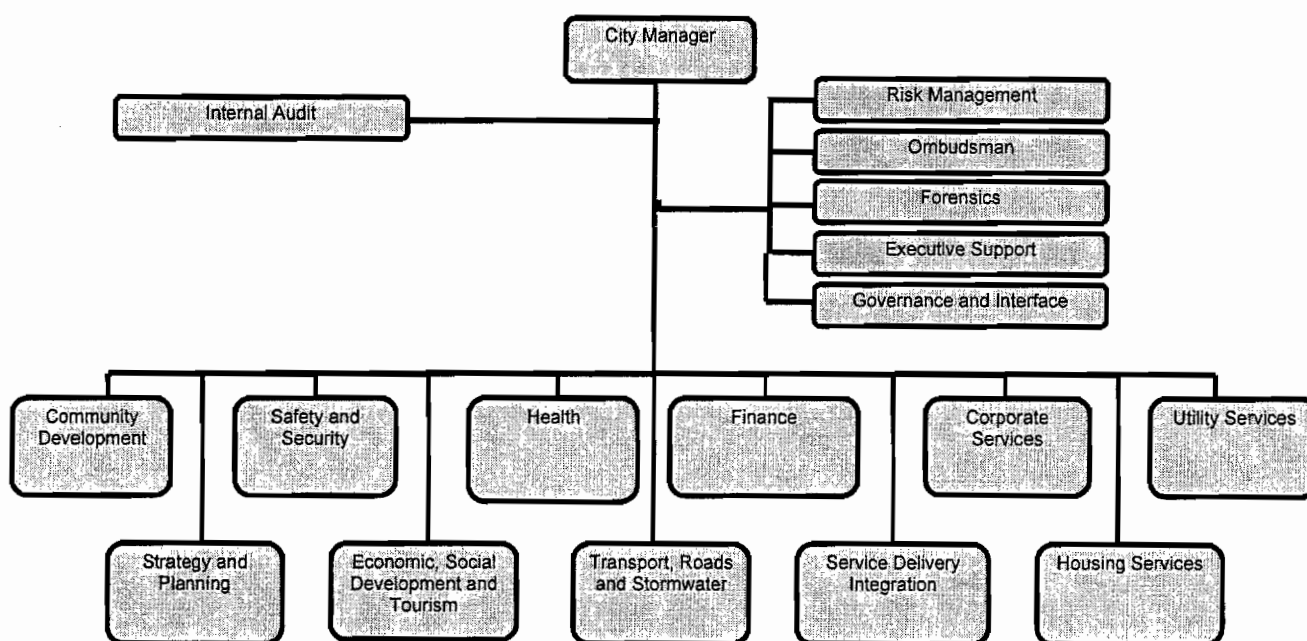


Figure 3.2 Administrative structure

### Executive Management Team

City Manager - Achmat Ebrahim

Chief Audit Executive - Zulpha Abrams

Community Development	Lokiwe Mtwazi
Economic, Social Development and Tourism	Mansoor Mohamed
Safety and Security	Adv Dick Tshangela
Health	Dr Ivan Toms
Transport, Roads and Stormwater	Eddie Chinnappen
Service Delivery Integration	Mike Marsden
Housing	Hans Smit
Corporate Services	David Beretti
Utility Services	Dr Bulumko V Msengana
Strategy and Planning	Stephan Boschoff
Finance	Mike Richardson

Table 3.6 Executive Directors

**Staff numbers**

The following table reflects the number of staff for the City of Cape Town per category as of May 2007.

Occupational category	No.
Clerks	4 206
Craft and related trades workers	1 913
Elementary occupations	5 017
Legislators, senior officials and managers	267
Plant and machine operators and assemblers	3 099
Professionals	1 682
Service and sales workers	3 685
Technicians and associate professionals	1 428
<b>TOTAL</b>	<b>21 297</b>

Table 3.7: Staff Numbers

Directorate	Total	Clerks	Craft and related trades workers	Elementary occupations	Legislators, senior officials and managers	Plant and machine operators and assemblers	Professionals	Service and sales workers	Technicians and associate professionals
City Health	1 226	159	9	153	17	13	192	488	195
Community Development	3 844	286	82	1 750	26	890	145	558	107
Corporate Services	1 310	486	246	201	29	118	181	15	34
Economic and Social Development	325	85	8	21	17	2	141	4	47
Finance	1 384	1 063	1	13	31	12	203	2	59
Housing	688	329	211	38	5	36	36	12	21
Internal Audit	44	6			4		27		7
Office of the City Manager	250	156		3	16	1	62		12
Safety and Security	3 241	346	43	115	24	27	37	2 583	66
Service Delivery Integration	320	57		3	25	2	132		101
Strategy and Planning	741	129	14	19	32	31	182	8	326
Transport, Roads and Stormwater	1 592	183	201	545	16	434	95	5	113
Utility Services	6 332	921	1 098	2 156	25	1 533	249	10	340
	<b>21 297</b>	<b>4 206</b>	<b>1 913</b>	<b>5 017</b>	<b>267</b>	<b>3 099</b>	<b>1 682</b>	<b>3 685</b>	<b>1 428</b>

\* 13 Staff members not included in stats allocated to Cost Centre 21010003 (Old Abattoirs and Markets) still need to be reallocated to new Cost Centres

Table 3.8 : Staff Categories

**The Integrated Development Planning Process**

Table 3.9 : IDP related statements as per National Treasury guidelines

IDP approved by Council and implemented	Is the approved IDP seen as the single, inclusive and strategic plan for the municipality?	Was the IDP prepared within set timeframes?	Does the IDP include all core components (MSA)?	Were community needs prioritised at sub-council level?	Was the SDF approved (date) prior to IDP approval by Council?	Were sectoral plans prepared and included in the IDP?
Yes	Yes	Yes	Yes	Yes	No	Yes, as attachments

Council approved an IDP Process Plan on 30 August 2006 and the development of the IDP review was conducted in terms of this process. This included various public participation engagements and strategy

reviews, assessment by the Ad-Hoc IDP Committee and all Portfolio Committees of Council. Public hearings were held during April 2006 where after the IDP was approved by the Mayoral Committee and Council of the City on 31 May 2006.

## Annual Report Statutory Compliance Check List

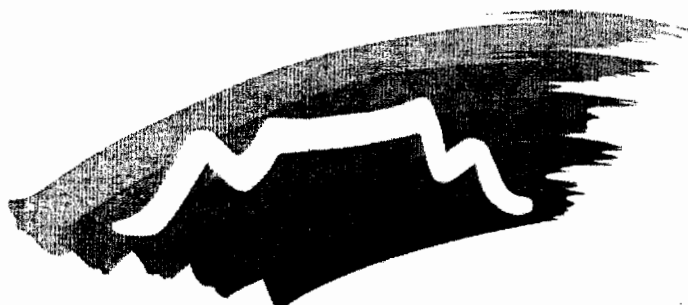
In terms of Section 121(3) of the Municipal Finance Management Act (MFMA), the annual report of a municipality or municipal entity must include the following. Please note that unless otherwise stated, these requirements apply to all municipalities and municipal entities (transitional arrangements are indicated next to each item where applicable):

Requirements	Reference	Compliance
Annual financial statements.	Chapter 4	Yes
Where a municipality has sole or effective control of a municipal entity, the consolidated annual financial statements.	Chapter 4	Yes
Auditor-General's report on the financial statements.	Chapter 4	Yes
Any explanations that may be necessary to clarify issues in connection with the financial statements.	Chapter 4	Yes
An assessment by the accounting officer on any arrears on municipal taxes and service charges.	Chapter 4	Yes
Particulars of any corrective action taken or to be taken in response to issues raised in the audit reports.	Chapter 4	Yes
Any recommendations of the audit committee.	Chapter 4	Yes
Auditor-General's audit report on the municipality's performance report.	Chapter 4	Yes
Assessment by the municipality's accounting officer on the municipality's performance against measurable performance objectives for revenue collection.	Chapter 4	Yes
In terms of Division of Revenue Act information on the following matters of public interest is regulated for inclusion in the annual report:		
Use of conditional grants, per grant (see example format in chapter 4 below) to include the current year and details of spending on all previous conditional grants, for the previous two financial years. For example, municipalities must report on all transfers received from provincial housing departments for housing subsidy grants for three financial years, and indicate how such funds were spent, and for what projects. The Auditor-General will ensure that the audit process includes a proper assessment (and reconciliation) on all national grants received by a municipality.	Chapter 4	Yes
Extent to which a municipality met the conditions of such grants.	Chapter 4 Report to Auditor General in Financial Statements	Yes
The use of any donor funding support.	Chapter 4	Yes
Agreements, contracts and projects under Private-Public-Partnerships.	Chapter 4 Fin Statements P 48	Yes
Service delivery performance on key services provided.		
Information on long-term contracts.	Chapter 2	Yes
Information technology and systems purchases and the effectiveness of these systems in the delivery of services and for ensuring compliance with statutory obligations.	Chapter 2	Yes
Three year capital plan for addressing infrastructure backlogs in terms of the Municipal Infrastructure Grant (MIG) framework.	Chapter 2	Yes
List all municipal entities, their purpose and disclose any financial contributions to and from the municipality.	Pages, 25,28,39 Chapter 4, P48	Yes
Performance of municipal entities.	Pages, 25,28,39 Chapter 4, P48	Yes
Performance of municipal entities and municipal service providers.	Chapter 2	Yes

Requirements	Reference	Compliance
Additional disclosure requirements		
Amounts owed to them and persistently delayed beyond 30 days, by national or provincial departments and public entities. It is also a requirement to report on whether the municipality or entity has met its statutory commitments, including the payment of taxes, audit fees, and contributions for pension and medical aid funds.	Chapter 4	Yes
The accounting officer is also required to report to the council (section 66) and to include disclosure notes in the annual financial statements (section 124) on all expenditure incurred on staff salaries, wages, allowances and benefits and in a manner that discloses such expenditure by type, namely:	Chapter 4	Yes
Salaries and wages.	Chapter 4	Yes
Contributions for pensions and medical aid.	Chapter 4	Yes
Travel, motor car, accommodation, subsistence and other allowances.	Chapter 4	Yes
Housing benefits and allowances.	Chapter 4	Yes
Overtime payments.	Chapter 4	Yes
Loans and advances.	Chapter 4	Yes
Any other type of benefit or allowance related to staff.	Chapter 4	Yes

**City's Consolidated Annual  
Financial Statements for  
2006/07**

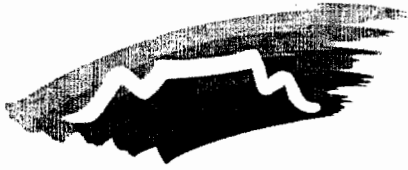
**CITY OF CAPE TOWN  
ISIXEKO SASEKAPA  
STAD KAAPSTAD**



**CONSOLIDATED ANNUAL  
FINANCIAL STATEMENTS**

**for the year ended**

**30 JUNE 2007**

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## GENERAL INFORMATION

540

MAYOR	Alderman H Zille
DEPUTY MAYOR	Councillor C Williams
SPEAKER	Councillor JD Smit
CHIEF WHIP	Councillor AM Serritslev

### MEMBERS OF THE MAYORAL COMMITTEE

Alderman H Zille	Executive Mayor of the <b>Mayoral Committee</b>
Councillor GCR Haskin	Mayoral Committee Member and Chairperson of the <b>Amenities and Sport Portfolio</b>
Councillor B Walker	Mayoral Committee Member and Chairperson of the <b>Corporate Services and Human Resources Portfolio</b>
Councillor SP Grindrod	Mayoral Committee Member and Chairperson of the <b>Economic, Social Development and Tourism Portfolio</b>
Councillor I Neilson	Mayoral Committee Member and Chairperson of the <b>Finance Portfolio</b>
Councillor M Fienies	Mayoral Committee Member and Chairperson of the <b>Health Portfolio</b>
Councillor D Plato	Mayoral Committee Member and Chairperson of the <b>Housing Portfolio</b>
Councillor M Nieuwoudt	Mayoral Committee Member and Chairperson of the <b>Planning and Environment Portfolio</b>
Councillor D Ximbi	Mayoral Committee Member and Chairperson of the <b>Safety and Security Services Portfolio</b>
Councillor L Roelf	Mayoral Committee Member and Chairperson of the <b>Trading Services and Infrastructure Portfolio</b>
Councillor E Thompson	Mayoral Committee Member and Chairperson of the <b>Transport, Roads and Stormwater Portfolio</b>

### MEMBERS OF THE AUDIT COMMITTEE

Aklaaq Mahmood	Chairperson
Bertina Engelbrecht	Deputy Chairperson
Andre Barkhuizen	Member (Resigned 24 May 2007)
Mervyn Burton	Member
Bulelani Mahlangu	Member
Ray Schur	Member

### AUDITORS

Office of the Auditor-General  
Business Connexion Building  
Ring Road, Century Boulevard  
**Century City**  
7441

P O Box 110  
**Cape Town**  
8000

### BANKERS

ABSA Bank  
1<sup>st</sup> Floor Tijgerpark IV  
Willie Van Schoor Drive  
**Tyger Valley**  
7530

P O Box 4453  
**Tyger Valley**  
7536

### REGISTERED OFFICE

12 Hertzog Boulevard  
**Cape Town**  
8000

P O Box 655  
**Cape Town**  
8000

### CITY MANAGER

Achmat Ebrahim

### CHIEF FINANCIAL OFFICER

Mike Richardson

## COUNCIL MEMBERS OF THE CITY OF CAPE TOWN

## COUNCILLOR/ALDERMAN

Abdullah, R	Groenewald, E	Mbaliswana, M G	Sasman, D P
Abrahams, A	Gutuza, FS	Mcgluwa, J J	Sass, G M
Abrahams, A N	Haskin, GCR	McKenzie, C L	Sawant, E
Amira, D	Hassiem, W	Mdluli, V V	Schäfer, D A
Anderson-Jardine, L O	Haywood, M	Mgayiya, N P	Schwella, W
Arendse, M G	Heber, B	Mgodeli, P	Serritslev, A M
Arendse, P S	Hermans, J	Mgxekeni, T M	Sidinana, L T
Arendse, S W P	Hill, P A D	Middleton, J H	Sikhutshwa, T R
Ariefdien, M G	Hlazo, M W	Mini, G B	Siljeur, G R
Bala-Mjobo, B V	Holderness, N	Mkutswana, M A	Simons, J M
Baskiti, M	Ipser, C W	Mngxunyeneni, P M	Sims, S
Bayat, S	Iversen, I	Mnqasela, M	Smit, D
Beerwinkel, C F	Jackson, I R	Mocke, D	Smit, J D
Bent, N L	Jacobs, B M	Mofoko, N M	Smith, D R
Benya, L	Jacobs, J	Mokoena, J M	Smith, J
Bergh, A V	Jacobs, N A	Morkel, G N	Solizwe, M T
Berry, E A	Jaftha, W D	Mpongo, Kululwa	Sonnenberg, E J
Bevu, T N	Jama, J S	Mrawu, R	Sotashe, X R
Billie, N E	Jelele, L D	Msuthu, N M	Steenkamp, F R
Blaai, B C	Jespersen, G A	Mthiya, T B	Stemela, H P
Booi, P T	Joko, B	Murudker, M	Tabisher, C
Bottoman, T N	Jonas, A S	Mxolose, W S	Thee, J W P
Brady, W E	Jones, M	Ncedana, M	Thomas, C R
Bredenhand, J C	Justus, C R	Neilson, I D	Thompson, E L
Brenner, H I	Kallie, A	Nieuwoudt, M J	Thompson, T B
Britz, M T	Kearns, F	Njamela, J G	Timm, G
Brynard, C A	Kent, M E A	Nkwele, W A	Traut, A
Burger, J H H	Kinahan, O M	Ntamo, G T	Trout, T V
Carstens, E M	Klaas, M N	Ntloko, H N	Truter, B
Cavanagh, G V	Kleinsmith, G	Nyameka, N	Tshambula, D
Chaaban, B J	Koty, P N	Nyanga, X	Twigg, G G
Chapple, P H	Kwayinto, E N	O'Connell, R A	Tyhalisisu, V K T
Christians, D J	Labase, M M	Oliver, M J	van Dalen, P
Claasen, C P V	Labuschagne, C	Omar, A R	van der Bijl, W
Claassen, H M	Landingwe, N J	Orrie, A	van Rensburg, L J
Clayton, C C	Lategan, K H	Otto, A	van Rensburg, M J
Cortje-Alcock, B A	Lee, B E H	Pascoe, G I	van Wyk, J
Daniels, C J	Le Roux, B	Pearce, Y	Venter, J D
Dase, N	Ludidi, M T	Pick, U E	Vlotman, B
Dudley, D K	Lukas, A	Pieterse, D	Vos, J
Dunn, L R	Maboee, B E	Pietersen, E	Walker, V M
Elese, D	Mafilika, B	Plato, D	Watkins, B R W
Erasmus, J F	Magwentshu, N D	Pretorius, I J	Willemse, J A
Esbach, B M	Makanda, M	Pringle, S B	Williams, A
Fienies, M M	March, G W	Purchase, F	Williams, C
Figlan, A M	Martin, F J	Qually, D L	Williams, D C
Gabriel, N A	Matha, M S	Rau, R	Xazana, R
Gabriel, P J	Matiwane, M P	Raymond, F H L	Ximbi, D L
Gexa, N G	Matshikiza, A B	Ridder, J C	Yiba, L P L
Gophe, X O	Matshoba, M O	Robinson, A C	Zille, O H
Gouws, P J H	Mavungavunga, V N	Roelf, L E	Zuma, B A
Green, A M	Mawela, X G	Ross, N D	
Grindrod, S P	Maxakato, F H	Rothman, L J	



CITY OF CAPE TOWN | ISIXEKO SASEKAPA | STAD KAAPSTAD

**ANNUAL FINANCIAL STATEMENTS****for the year ended****30 June 2007*****APPROVAL OF FINANCIAL STATEMENTS***

I am responsible for the preparation of these annual financial statements, which are set out on pages 8 to 63 in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the City.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 29 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

**ACHMAT EBRAHIM**  
CITY MANAGER

**DATE : 28 September 2007**

## REPORT OF THE CHIEF FINANCIAL OFFICER

### 1. ECONOMIC ENTITY RESULTS

The Economic Entity again delivered a strong set of financial results for the year ended 30 June 2007 despite the increased demands made on the Entity's financial resources.

Operating performance across the Economic Entity has seen the statement of financial position retain its strength.

The overall summarized operating results for the Economic Entity as at 30 June 2007 are shown below. The Statement of Financial Performance reflects a summary of income and expenditure, whilst the segmental operating results per service are shown in Appendix D to the annual financial statements.

	2006	2007			2006 to 2007
	Actual R'000	Actual R'000	Budget R'000	Variance R'000	Growth %
<b>REVENUE</b>					
Property rates	2,268,057	2,466,585	2,566,157	99,572	8.75
Service charges	4,441,078	5,026,093	5,201,590	175,497	13.17
RSC levies and Grants in lieu of RSC Levies	1,027,215	1,106,318	1,078,837	(27,481)	7.70
Government grants and subsidies	552,002	544,494	1,637,242	1,092,748	(1.36)
Interest earned	430,330	504,069	339,733	(164,336)	17.14
Other	728,497	757,136	782,300	25,164	3.87
	<b>9,447,179</b>	<b>10,404,695</b>	<b>11,605,859</b>	<b>1,201,164</b>	<b>10.13</b>
<b>EXPENSES</b>					
Employee-related costs	2,743,479	3,037,163	3,064,592	27,429	10.70
Impairment costs	666,515	56,277	739,012	682,735	(91.56)
Depreciation and amortization expense	363,271	475,956	797,041	321,085	31.02
Interest paid	350,627	283,642	290,369	6,727	(19.10)
Bulk purchases	1,778,884	1,998,112	1,989,077	(9,035)	12.32
Repairs and Maintenance	810,070	969,353	916,426	(52,927)	19.66
Other expenses	2,946,605	2,677,068	3,148,750	471,682	(9.15)
	<b>9,659,451</b>	<b>9,497,571</b>	<b>10,945,267</b>	<b>1,447,696</b>	<b>(1.68)</b>
<b>Surplus for the year</b>	<b>(212,272)</b>	<b>907,124</b>	<b>660,592</b>		
<b>Taxation</b>	<b>(266)</b>	<b>(7)</b>	<b>0</b>		
<b>Statement of Changes in Net Assets</b>	<b>(154,264)</b>	<b>(471,882)</b>	<b>236,857</b>		
<b>Net results for the year</b>	<b>(366,802)</b>	<b>435,235</b>	<b>897,449</b>		
Accumulated Surplus at beginning of year	1,131,300	927,347			
Attributable to Minority interest	162,849	(4,574)			
<b>Accumulated Surplus at end of year</b>	<b>927,347</b>	<b>1,358,008</b>			

Actual revenue has increased by approximately 10%, whilst expenditure decreased by approximately 2% between the respective financial years.

A comparison of actual results to the approved budget, and explanations of material differences, are set out in the annual financial statements as per appendix E(1).

Included in the statement of changes in net assets is a contribution of approximately R860 million made to the following funds and reserves.

Contribution to Capital Replacement Reserve	809,496
Contribution to the Housing Statutory Fund	9,619
Contribution to the Self Insurance Reserve	40,968

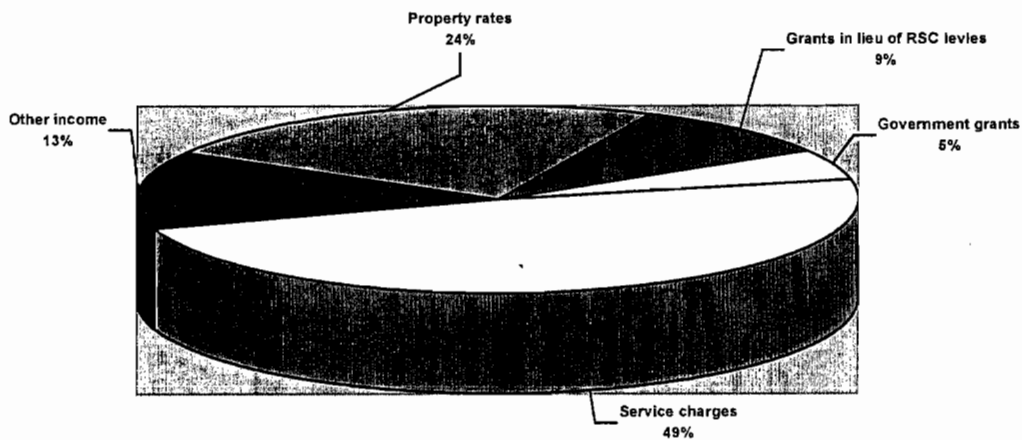
1.1 Operating Revenue

The major revenue streams that supported the programmes and activities of the Economic Entity were:

- Property Rates;
- Service Charges made up as follows
  - Electricity sales
  - Water sales
  - Waste water management (sewerage and sanitation)
  - Waste management (solid waste);
- Government grants; and
- Other

The Economic Entity experienced a total revenue growth of 10.13% on the amounts realized in the previous financial year but which was nevertheless approximately 10.35% below the amount targeted in this year's budget. Collection levels expressed as a percentage of monthly billings have stabilized above the 95,15% mark for the major part of the year. As at June 2007 the moving annual average was 96,1%.

The following graph indicates the main categories of income.

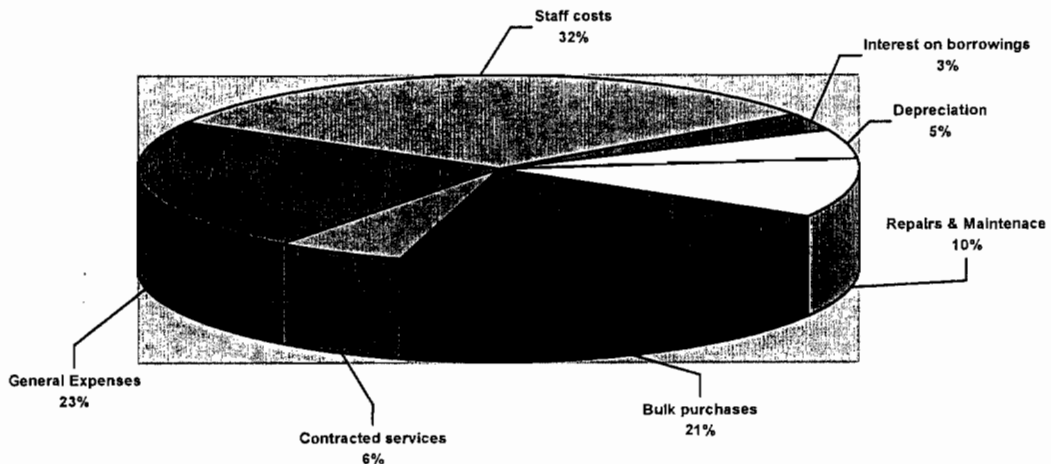


Further detail of service charges is contained in note 22 of the financial statements.

1.2 Operating Expenditure

The following graph indicates the main categories of expenditure for the year under review.

The pro-active management control and containment of cost increases remains a key priority of the Economic Entity. Staff costs are still the main category of expenditure and increased from 30% to approximately 32% of total expenditure.



Further detail is contained in notes 29 to 36 to the financial statements.

## 2. CAPITAL EXPENDITURE AND FINANCING 545

Capital expenditure incurred during the year amounted to R1,983 billion which represented 77.31% (2006: 71,4%) of the approved capital budget. Of the amount spent, 54.93% was funded from own funds and 45.07% from external sources. Although the total amount expended reflects an increased trend of 6.0%, expenditure still represents a considerably lower than planned implementation rate and is an area of concern. Additional measures have now been put in place to address the under-spending. In terms of the stipulations of the MFMA for improved service delivery, an amount of R421 million was rolled over from this financial year as a supplement to the capital budget of 2007/08.

A complete analysis of capital expenditure (budgeted and actual) per functional area is included in Appendix C and E2 whilst Appendices B and B1 contain detail according to asset class. More details regarding external loans used to finance fixed assets are shown in Appendix A.

## 3. EXTERNAL LOANS, INVESTMENTS AND CASH

During the year under review, loans of R136,9 million were repaid, whilst interest to the value of R30,3 million was capitalised.

Long term investments as at 30 June 2007 amounted to R454,0 million of which R426,5 million was set aside for the repayment of loans. Cash and cash equivalents increased by R485.3 million to R2,62 billion. Additional information regarding loans, investments and cash and cash equivalents provided in notes 4, 15, 20 and Appendix A to the financial statements.

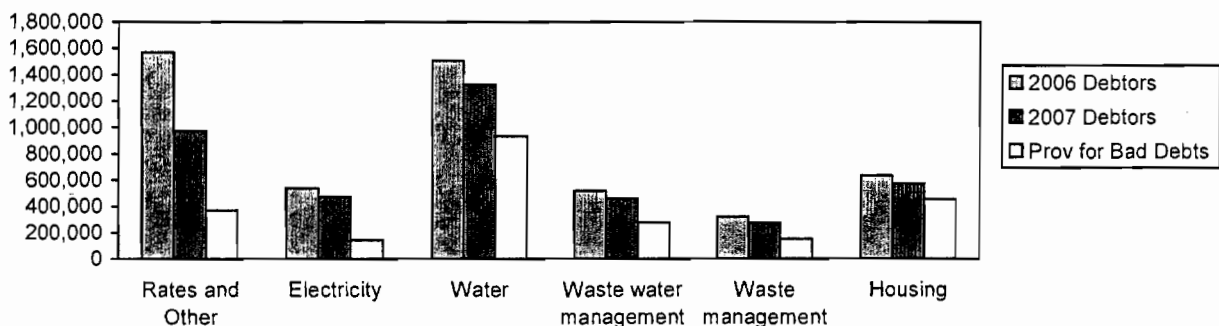
## 4. CONSUMER DEBTORS

Outstanding consumer debtors at 30 June 2007 were R4,08 billion. The amounts included in the consumer debtor balances considered to be doubtful are covered by a provision for bad debts of R2,33 billion which represents 57,07% of the total. An amount of R1,3 billion was written-off during the year under review. This amount written-off pertains to pre 2003 debtor arrears.

Additional information regarding consumer debtors is contained in Note 18.

The outstanding consumer debtors as at 30 June 2007 are represented graphically below, reflecting also the coverage by the bad debts reserve.

Outstanding Consumer Debtors per class  
R'000



## 5. REGIONAL ELECTRICITY DISTRIBUTOR (RED1)

During December 2006 the National Energy Regulator of SA (Nersa) resolved not to extend RED1's license as a distributor of electricity supply but that the license as distributor be returned to the City of Cape Town as from 1 January 2007.

Further to this development, Council resolved on 28 March 2007 that the company, RED1 be voluntarily liquidated and disestablished as a municipal entity in terms of the Municipal Systems Act.

As at the date of these financial statements the dissolution is not yet complete and the City issued a bank guarantee of R658 935,04 as security to the Master of the High Court for any outstanding debts of RED1.

## 6. APPLICATION OF ACCOUNTING STANDARDS **546**

During the 2005/06 financial year many of the high capacity municipalities were not able to comply with S122(3) of the MFMA resulting in some being issued with qualified audit reports. In consequence of this, National Treasury issued Circular 44 dated 25 July 2007 providing for extended timeframes for full compliance. Local Authorities making use of the concessions provided in this circular would need to make application for itemised exemptions.

The Council resolved not to exercise this concession provided by National Treasury since it had already reached material compliance in the previous financial year and was issued with an unqualified audit report.

In the 2006/07 financial year under review the City of Cape Town has once again produced a set of financial statements materially compliant with the accounting standards.

## 7. IRREGULAR EXPENDITURE

The irregular expenditure reported in the financial year 2005/06 and referred to SCOPA by Council is still being investigated and discussed within sub-committees appointed by SCOPA to determine the potential of any recoverability.

## 8. EXPRESSION OF APPRECIATION

I wish to convey my sincere appreciation to Her Worship the Executive Mayor, Mayoral Committee, the Chairperson and the members of the Finance Portfolio Committee, the Audit Committee, SCOPA, City Manager and Executive Management Team for their support and co-operation received during the year.

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

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



**MIKE RICHARDSON**  
CHIEF FINANCIAL OFFICER

## STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2007

		ECONOMIC ENTITY		MUNICIPALITY of CAPE TOWN	
Note	2007	2006	2007	2006	
	R '000	Restated R '000	R '000	Restated R '000	
<b>NET ASSETS AND LIABILITIES</b>					
<b>Net assets</b>	<b>3,247,661</b>	<b>2,420,464</b>	<b>3,161,374</b>	<b>2,367,790</b>	
Housing Development Fund	1 532,225	498,507	532,225	501,627	
Reserves	2.1 1,357,428	994,610	1,357,428	994,610	
Capital Replacement Reserve	807,493	530,846	807,493	530,846	
Self-insurance Reserve	549,935	463,764	549,935	463,764	
Accumulated Surplus	1,358,008	927,347	1,271,721	871,553	
<b>Minority Interest</b>	<b>93,051</b>	<b>88,103</b>	<b>0</b>	<b>0</b>	
<b>Non-current liabilities</b>	<b>8,386,401</b>	<b>7,893,710</b>	<b>8,377,423</b>	<b>7,883,266</b>	
Deferred Income	3 4,374,523	4,123,359	4,374,396	4,122,397	
Long-term liabilities	4 2,046,903	2,226,704	2,038,052	2,217,222	
Non-current provisions	5 1,964,975	1,543,647	1,964,975	1,543,647	
<b>Current liabilities</b>	<b>3,884,559</b>	<b>3,457,009</b>	<b>3,835,840</b>	<b>3,414,389</b>	
Consumer deposits	6 221,703	183,883	214,449	176,982	
Provisions	7 334,768	340,206	333,209	337,888	
Payables	8 2,399,362	2,136,414	2,372,860	2,115,127	
Unspent conditional grants and receipts	9 597,958	449,312	587,409	438,763	
VAT	10 118,699	208,318	117,027	208,152	
Taxation	146	160	0	0	
Current portion of long-term liabilities	4 211,923	138,716	210,886	137,477	
<b>Total Net Assets and Liabilities</b>	<b><u>15,611,672</u></b>	<b><u>13,859,286</u></b>	<b><u>15,374,637</u></b>	<b><u>13,665,445</u></b>	
<b>ASSETS</b>					
<b>Non-current assets</b>	<b>10,885,933</b>	<b>9,594,302</b>	<b>10,765,256</b>	<b>9,475,792</b>	
Property, plant and equipment	11 9,929,390	8,644,534	9,790,463	8,495,809	
Investment property	12 101,102	105,478	99,468	103,844	
Intangible assets	13 71,954	119,987	71,920	119,964	
Investments	15 454,044	371,107	491,267	409,154	
Long-term receivables	16 296,490	300,462	279,185	294,287	
Interest rate derivatives	49 32,953	52,734	32,953	52,734	
<b>Current assets</b>	<b>4,725,739</b>	<b>4,264,984</b>	<b>4,609,381</b>	<b>4,189,653</b>	
Assets classified as held for sale	14 980	0	980	0	
Inventory	17 168,572	134,299	159,471	131,601	
Consumer debtors	18 1,750,837	1,792,485	1,752,553	1,818,946	
Other debtors	19 157,543	172,493	145,585	162,352	
Current portion of long-term receivables	16 22,983	26,188	19,773	22,287	
Cash and cash equivalents	20 2,624,824	2,139,519	2,531,019	2,054,467	
<b>Total Assets</b>	<b><u>15,611,672</u></b>	<b><u>13,859,286</u></b>	<b><u>15,374,637</u></b>	<b><u>13,665,445</u></b>	



## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th JUNE 2007

	Note	Economic Entity		Municipality of Cape Town	
		Actual		Actual	
		2007	2006	2007	2006
		R '000	Restated R '000	R '000	Restated R '000
<b>REVENUE</b>					
Property rates	21	2,466,585	2,268,057	2,475,480	2,290,488
Service charges	22	5,026,093	4,441,078	4,927,799	4,365,372
Regional Services Levies	23	137,481	1,027,215	137,510	1,027,420
Rental of letting stock and facilities	24	143,483	154,529	145,257	154,873
Interest receivable	25	504,069	430,330	493,946	423,476
Fines		180,753	174,977	180,753	174,977
Licences and permits		26,895	25,280	26,895	25,280
Income for agency services		104,960	104,263	104,960	104,263
Government grants and subsidies	26	1,513,331	552,002	1,512,496	549,226
Other income	27	220,397	221,261	217,091	221,606
Public contributions and donations	28	33,957	4,913	33,957	4,913
Gains on disposal of property, plant and equipment		46,691	43,274	46,691	46,288
<b>Total Revenue</b>		<b>10,404,695</b>	<b>9,447,179</b>	<b>10,302,835</b>	<b>9,388,182</b>
<b>EXPENDITURE</b>					
Employee related costs	29	3,037,163	2,743,479	3,010,652	2,718,393
Remuneration of councillors	30	66,486	52,291	65,938	51,801
Impairment costs	31	56,277	666,515	64,697	595,893
Collection costs		143,634	59,140	143,634	59,140
Depreciation and amortisation expense	32	475,956	363,271	450,321	330,039
Repairs and maintenance		969,353	810,070	963,530	803,972
Interest paid	33	283,642	350,627	283,630	349,325
Bulk purchases	34	1,998,112	1,778,884	1,998,112	1,778,884
Contracted services		536,071	569,023	491,248	534,657
Grants and subsidies paid	35	69,848	66,370	79,871	66,370
General expenses	36	1,840,379	2,188,472	1,862,643	2,192,032
Loss on disposal of property, plant and equipment		869	3,465	844	3,321
Loss on valuation of derivatives		19,781	7,844	19,781	7,844
<b>Total Expenditure</b>		<b>9,497,571</b>	<b>9,659,451</b>	<b>9,434,901</b>	<b>9,491,671</b>
<b>SURPLUS/(DEFICIT)</b>		<b>907,124</b>	<b>(212,272)</b>	<b>867,934</b>	<b>(103,489)</b>
<b>SURPLUS/(DEFICIT) FROM OPERATIONS</b>		<b>907,139</b>	<b>(206,930)</b>	<b>867,934</b>	<b>(87,131)</b>
<b>SURPLUS/(DEFICIT) FROM DISCONTINUED OPERATIONS</b>	53	<b>(15)</b>	<b>(5,342)</b>	<b>0</b>	<b>(16,358)</b>
RED1		0	0	0	0
Philippi East Trading Centre Pty (Ltd)		(15)	0	0	0
Maitland Abattoir		0	(2,010)	0	(16,358)
SPM Micro Housing Loans		0	(3,332)	0	0
<b>TAXATION</b>	37	<b>(7)</b>	<b>(266)</b>	<b>0</b>	<b>0</b>
<b>SURPLUS AFTER TAXATION FOR THE YEAR</b>		<b>907,117</b>	<b>(212,538)</b>	<b>867,934</b>	<b>(103,489)</b>
Attributable to minority interest	2.2	(4,574)	162,849		
<b>SURPLUS FOR THE YEAR</b>		<b>902,543</b>	<b>(49,689)</b>		

CITY of CAPE TOWN

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2007

ECONOMIC ENTITY	Housing Development Fund R '000	Capital Replacement Reserve R '000	Capitalisation Reserve R '000	Government Grant Reserve R '000	Donations and Public Contributions R '000	Self-Insurance Reserve R '000	Accumulated Surplus R '000	Total R '000
<b>2006</b>								
Balance at 1 July 2005	554,970	371,376	2,787,869	1,357,584	83,214	346,759	1,131,300	6,633,072
Changes in accounting policy - Note 38			(2,787,869)	(1,357,584)	(83,214)			(4,228,667)
Restated balance at 1 July 2005	554,970	371,376	0	0	0	346,759	1,131,300	2,404,405
Restated net deficit for the year							(55,854)	0
Surplus at 30 June 2006 - previously reported							55,609	55,609
Change in accounting policy - Note 38							(157,759)	(157,759)
Correction of prior year error - Note 39						71,890	52,297	124,187
Restatement of prior year - Municipal Entities - Note 40.2							(6,001)	(6,001)
Provision loan repayment no longer required - Airport CID							23	23
Transfer to CRR							(367,343)	0
Property, plant and equipment purchased	(16,932)	367,343					224,805	0
Contribution to Insurance Reserve		(207,873)					(45,115)	0
Transfer to Housing Development Fund	(39,531)					45,115	39,531	0
Restated balance at 30 June 2006	498,507	530,846	0	0	0	463,764	927,347	2,420,464
<b>2007</b>								
Net surplus for the year							902,543	902,543
Net effect on minority interest as a result of share buy-back							(996)	(996)
Transfer to CRR							(809,496)	0
Property, plant and equipment purchased	(5,566)	809,496					538,415	0
Contribution to Insurance Reserve		(532,849)					(160,521)	0
Transfer to Housing Development Fund	39,284					86,171	(39,284)	0
Balance at 30 June 2007	532,225	807,493	0	0	0	549,935	1,358,008	3,247,661

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CITY of CAPE TOWN

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2007

MUNICIPALITY of CAPE TOWN	Housing Development Fund R '000	Capital Replacement Reserve R '000	Capitalisation Reserve R '000	Government Grant Reserve R '000	Donations and Public Contributions R '000	Self-Insurance Reserve R '000	Accumulated Surplus R '000	Total R '000
<b>2006</b>								
Balance at 1 July 2005	554,970	371,376	2,787,869	1,357,584	83,214	346,759	1,126,284	6,628,056
Changes in accounting policy - Note 38			(2,787,869)	(1,357,584)	(83,214)			(4,228,667)
<b>Restated balance at 1 July 2005</b>	<b>554,970</b>	<b>371,376</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>346,759</b>	<b>1,126,284</b>	<b>2,399,389</b>
Restated net deficit for the year							(103,489)	0
Surplus at 30 June 2006 - previously reported							1,973	1,973
Change in accounting policy - Note 38							(157,759)	(157,759)
Correction of prior year error - Note 39						71,890	52,297	124,187
Transfer to CRR		367,343					(367,343)	0
Property, plant and equipment purchased	(16,932)	(207,873)					224,805	0
Contribution to Insurance Reserve						45,115	(45,115)	0
Transfer to Housing Development Fund	(36,411)						36,411	0
<b>Restated balance at 30 June 2006</b>	<b>501,627</b>	<b>530,846</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>463,764</b>	<b>871,553</b>	<b>2,367,790</b>
<b>2007</b>								
Net surplus for the year								
Transfer to CRR		809,496					867,934	867,934
Property, plant and equipment purchased	(5,566)	(532,849)					(809,496)	0
Contribution to Insurance Reserve							538,415	0
Transfer to Housing Development Fund	36,164					86,171	(160,521)	(74,350)
<b>Balance at 30 June 2007</b>	<b>532,225</b>	<b>807,493</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>549,935</b>	<b>1,271,721</b>	<b>3,161,374</b>

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## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Note	Economic Entity		Municipality of Cape Town	
		2007 R '000	2006 Restated R '000	2007 R '000	2006 Restated R '000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
Cash receipts from ratepayers, government and other		10,622,432	9,364,840	10,553,076	9,305,851
Cash paid to suppliers and employees		(8,091,128)	(7,265,715)	(8,044,969)	(7,204,481)
Cash generated from operations	41	2,531,304	2,099,125	2,508,107	2,101,370
Interest received		252,278	211,056	242,154	203,121
Interest paid		(224,618)	(328,677)	(224,606)	(327,437)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>2,558,964</b>	<b>1,981,504</b>	<b>2,525,655</b>	<b>1,977,054</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of property, plant and equipment		(1,983,214)	(1,527,925)	(1,969,407)	(1,533,463)
Proceeds on disposal of property, plant and equipment		55,069	50,704	55,195	49,713
Increase in assets held-for-sale		(980)	0	(980)	0
Decreases in non-current receivables		7,177	41,242	17,616	39,197
Decrease / (Increase) in investments		(82,937)	(65,059)	(83,233)	(61,791)
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b>(2,004,885)</b>	<b>(1,501,038)</b>	<b>(1,980,809)</b>	<b>(1,506,344)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
New loans raised (Interest capitalised)		30,311	240,587	29,293	236,387
Loans repaid		(136,905)	(380,374)	(135,054)	(379,718)
Increase in consumer deposits		37,820	15,057	37,467	15,296
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>(68,774)</b>	<b>(124,730)</b>	<b>(68,294)</b>	<b>(128,035)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	42	<b>485,305</b>	<b>355,736</b>	<b>476,552</b>	<b>342,675</b>
Cash and cash equivalents at the beginning of the year		2,139,549	1,783,783	2,054,467	1,711,792
<b>Cash and cash equivalents at the end of the year</b>		<b>2,624,854</b>	<b>2,139,519</b>	<b>2,531,019</b>	<b>2,054,467</b>

# ACCOUNTING POLICIES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

## 1. BASIS OF PRESENTATION

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005.

These standards are summarized as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GAMAP 4	The Effects of Changes in Foreign Exchange Rates
GAMAP 6	Consolidated Financial Statements and Accounting for Controlled Entities
GAMAP 7	Accounting for Investments in Associates
GAMAP 8	Financial Reporting of Interests in Joint Ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, Plant and Equipment
GAMAP 19	Provisions, Contingent Liabilities and Contingent Asset

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The Minister of Finance has, in terms of General Notice 552 of 2007, exempted compliance with certain of the above-mentioned standards and aspects or parts of these standards. The City has opted not to apply any of the exemptions for the 06/07 financial year which is consistent with the basis of preparation adopted for the 05/06 financial year.

A summary of the significant accounting policies, which have been consistently applied, except for the following:

- The Economic entity made certain retrospective changes to its application of certain accounting standards. The changes were:
  - Investments available for sale have been reclassified as investment property to the value of R4 million (2006: R4 million).
  - IT software items have been reclassified from Property, plant and equipment to intangible assets to the value of 71.9 million (2006: R120 million) and the related depreciation from Depreciation to Amortisation. The Economic entity has identified and recorded software that was previously included as part of Property, plant and equipment as a separate intangible asset because it was not considered an integral part of the related hardware.
- The Economic entity has adopted AC134. As a result, capital grants and receipts relating to the creation of fixed assets are included in non-current liabilities as deferred income, and are credited to the Statement of Financial Performance on a straight-line basis over the expected useful lives of the related asset. In terms of the MFMA Circular 18, the Economic entity previously recognised the full extent of conditional grants and receipts related to capital as revenue in the Statement of Financial Performance once the criteria, conditions or obligations embodied in the agreement have been met. This resulted that an amount of R4,625 million (2006: R4,388 million) have been reclassified from reserves to non-current liabilities.

Further details are given in the Statement of Changes in Net Assets and note 38.

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

- **Operating Lease Commitments – City as Lessor**

The Economic entity has entered into commercial property leases on its investment property portfolio. The Economic entity has determined that it retains all the significant risks and rewards of ownership of these properties and so accounts for them as operating leases.

- **Pension and Other Post Employment Benefits**

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

- **Revenue recognition**

The calculation in respect of the recognition of revenue is based on past debtor payment ratio trends and was performed per service identifiable categories across all classes of debtors.

## 2. DEPARTURES AND DEVIATIONS

In accordance with an exemption received from National Treasury, the financial statements presented do not include the consolidated results of Khayelitsha Community Trust and its related entity. The Trust's investments in such entities are accounted for as investments at cost in the financial statements of the Trust and the consolidated statements of the City. Details of the financial results from draft financial statements for the entity for the period ended 30 June 2007, are summarised below:

Entity	KBD Management	KBD Retail Prop.	KBD Housing
	R	R	R
Total assets	259,206	93,385,999	300
Total liabilities	623,259	97,882,595	6,981
Total revenue	145,580	19,706,919	0
Total expenditure	163,560	22,649,996	5,529

## 3. HOUSING FUNDS

The Housing Development Fund was established in terms of the Housing Act (Act No 107 of 1997).

### 3.1 Housing Development Fund

Sections 15(5) and 16 of the Housing Act, (Act 107 of 1997), which came into operation on 1 April 1998, required that the Economic entity maintain a separate housing operating account. This legislated separate operating account is known as the Housing Development Fund.

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

The following provisions are set for the creation and utilization of the Housing Development Fund:

- The Housing Development Fund is cash backed, and invested in accordance with the investment policy of the Economic entity.
- The proceeds in this fund are utilized for housing developments in accordance with the national housing policy and also for housing development projects approved by the MEC for housing.
- Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets.
- Interest earned on the investments of the fund is disclosed as interest earned in the Statement of Financial Performance.

### 3.2 Unrealised Housing Proceeds

In order to comply with Section 14(4) (d) (i) and (ii) of the Housing Act, (Act 107 of 1997) where all net proceeds need to be paid into the Housing Development Fund, it was necessary to create a holding account which represents the unrealised funds due by long-term housing selling developments and sponsored loan debtors. This account is reduced when debtors are billed for their current loan repayments.

## 4. RESERVES

The Economic entity creates and maintains reserves in terms of specific requirements.

### 4.1 Capital Replacement Reserve (CRR)

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

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

- The cash funds which back up the CRR are invested until utilised. The cash may only be invested in accordance with the investment policy of the Economic entity.
- The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment and may not be used for the maintenance of these items.
- Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR and the accumulated surplus is credited by a corresponding amount.
- If a profit is made on the sale of assets other than land, the profit on these assets is reflected in the Statement of Financial Performance and is then transferred, via the Statement of Changes in Net Assets, to the CRR, provided that it is cash backed. Profit on the sale of land is not transferred to the CRR as it is regarded as revenue.

### 4.2 Insurance Reserve

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

Reinsurance premiums paid to external re-insurers are regarded as an expense and are shown as such in the Statement of Financial Performance. The net surplus or deficit on the insurance operating account is transferred to or from the insurance reserve via the Statement of Changes in Net Assets.

The balance of the self-insurance reserve is invested in short term cash investments. Interest earned on the insurance reserve is recorded as interest earned in the Statement of Financial Performance and is transferred to the Insurance reserve via the Statement of Changes in Net Assets as a contribution.

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

### 4.3 Compensation for Occupational Injuries and Diseases Reserve (COID)

The holding company has been exempted from making contributions to the Compensation Commissioner for Occupational Injuries and Diseases in terms of Section 84 of the COID Act.

The certificate of Exemption issued by the Commissioner and as prescribed by the Compensation for Occupational Injuries and Diseases Act (No. 130 of 1993), requires that the Economic entity deposit cash and/or securities with the Commissioner, the market values of which in aggregate, shall not be less than the capitalised value of the of the continuing liability of the Economic entity as at 31 December of each year.

The continuing liability is that of annual pensions, the capitalized value of which is determined on the basis of an actuarial determination prescribed by the Commissioner. A COID Reserve has been established to equate to the value of the continuing liability. The market value of the securities is determined annually by the Commissioner and the Economic entity is required to meet any shortfall in the aggregate value of the securities as at 31 December. Monthly pensions are funded by transferring funds out of the reserve to the expense account in the Statement of Financial Performance.

## 5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment or at fair value where assets have been acquired by grant or donation.

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Land is also not depreciated as it is deemed to have an indefinite life.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the asset are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the originally assessed standard of performance, then it is regarded as repairs and maintenance and is expensed.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and recognised in the Statement of Financial Performance.

## 5.1 Depreciation rates

Depreciation is calculated on cost, using the straight-line method, over the estimated useful lives of the assets. The depreciation rates are based on the following estimated useful lives:

	Years		Years
<b>Infrastructure</b>		<b>Other</b>	
Roads and Paving	10-30	Buildings	20-40
Pedestrian Malls	30	Specialist vehicles	10-15
Electricity	20-30	Other vehicles	5-9
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	5-10
Housing	30	Watercraft	15
		Bins and containers	5
		Specialized plant and Equipment/Escalators	10-15
<b>Community</b>		Other plant and Equipment	2-6
Improvements	30	Landfill Sites	30
Recreational Facilities	20-30		
Security	5		

Assets under construction work are carried at cost. Depreciation commences when the asset is ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The Economic entity has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for the estimated costs of closure and rehabilitation during, and at the end of the life of the landfill sites where a constructive obligation exists. Rehabilitation cost capitalised to the cost of the landfill site, is written off on a straight-line basis over the estimated useful lives of the site.

## 5.2 Investment properties

Investment properties are held to earn rental income and for capital appreciation and are stated at cost less accumulated depreciation. Investment properties are written down for impairment where considered necessary. Investment property excludes owner-occupied property where it is used in the production or supply of goods or services or for administrative purposes or property held to provide a social service.

Investment property, other than vacant land, is depreciated on the straight-line basis over the useful lives of the assets estimated at 20 to 30 years.

## 5.3 Intangible assets

An intangible asset is defined as an identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes.

The Economic entity recognised computer development software costs as intangible assets if the costs are clearly associated with an identifiable and unique system controlled by the Economic entity and have a probable benefit exceeding one year. Direct costs include software development employee costs and an appropriate portion of relevant overheads. However, computer software costs associated with maintaining computer software programs and the acquisition of software licences are recognised as an expense as incurred.

Direct computer software development costs recognised as assets are amortised on the straight-line basis over the useful lives of the assets estimated at 3 to 5 years.



## 6. INVESTMENTS

Financial assets and financial liabilities are recognised on the Economic entity statement of financial position when the Economic entity has become a party to contractual provisions of the instrument.

### 6.1 Investments in Financial Instruments

- *Held to maturity (HTM) investments* are financial assets with fixed or determinable payments and fixed maturity where the Economic entity has the positive intent and ability to hold the investment to maturity.
- *Loans and receivables originated by the enterprise* are financial assets that are created by providing money, goods or services directly to a debtor.
- *Financial assets at fair value through profit or loss* are financial assets that meet either of the following conditions:
  - they are classified as held for trading, or
  - upon initial recognition they are designated as at fair value through the statement of financial performance.
- *Available for sale investments* are financial assets that are designated as available for sale or are not classified as,
  - loans and receivables,
  - held to maturity investments, or
  - financial assets at fair value through the statement of financial performance.

**Initial Measurement** of financial instruments is *at cost, which is the fair value* of the consideration given or received. The fair value is usually the transaction price or market price. In terms of AC 133:67 *transaction costs* are included in the initial measurement of financial assets, except for financial assets at fair value through profit and loss on which transaction costs are recognized in the statement of financial performance. Transaction costs include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges and transfer taxes and duties. Transaction costs do not include debt premium or discount, financing costs or allocations of internal administrative or holding costs.

**Subsequent Measurement** of financial assets.

- HTM investments and loans and receivables originated by the Economic entity and not held for trading are subsequently recognized at amortized cost using the effective interest rate method. Amortized cost is defined in AC 133:11 as the amount at which the financial asset was measured at initial recognition minus principal repayments, plus or minus the cumulative amortization of any difference between that initial amount and the maturity amount, and minus any write-down for impairment or uncollectability.
- Financial assets at fair value through profit or loss, and available for sale investments are measured at fair value without any deduction for transaction costs. Fair value is determined using valuation techniques which discount future cash flows attributable to the financial assets.

The carrying amounts of such investments are reduced to recognize any decline, other than a temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the statement of financial performance.

### 6.2 Investment in Controlled Entities

Investments in controlled entities under ownership control or effective control of the Economic entity are carried at cost and are classified as available for sale investments. The carrying amounts of such investments are reduced to recognize any decline, other than one of a temporary nature, in the value of individual investments. This reduction in carrying value is recognized in the statement of financial performance.

### 6.3 Interests in Joint Ventures

A joint venture is a contractual arrangement whereby the Economic entity and other parties undertake an economic activity that is subject to joint control. Interests in joint ventures are stated at cost and are classified as available for sale investments.

The carrying amounts of such investments are reduced to recognize any decline, other than one of a temporary nature, in the value of individual investments. This reduction in carrying value is recognized in the statement of financial performance.

## 7. INVENTORIES

Inventories consist of raw materials, work in progress, consumables and finished goods, which are valued at the lower of cost, determined on the weighted average basis, and net realisable value. Where it is held for distribution or consumption at no charge or for a nominal amount, inventories are valued at the lower of cost and current replacement value.

Cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Redundant and slow moving inventories are identified and written down to their estimated net realisable values. Consumables are written down according to their age, condition and utility.

## 8. ACCOUNTS RECEIVABLE

Initially accounts receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from date of reporting are classified as current.

A provision for impairment of trade receivables is established when there is objective evidence that the Economic entity will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

## 9. TRADE AND OTHER PAYABLES

Trade and other payables are stated at their nominal value.

## 10. REVENUE RECOGNITION

Revenue excluding value-added taxation where applicable is derived from a variety of sources which include Rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the Economic entity and these benefits can be measured reliably.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

- 10.1 Revenue from rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.
- 10.2 Service charges relating to solid waste, sanitation and sewage are levied in terms of the approved tariffs.
- 10.3 Service charges relating to Electricity and Water are based on consumption. Meters are read on a periodic basis and revenue is recognised when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed and are based on the consumption history. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period.
- 10.4 Fines constitute both spot fines and summonses. Revenue from spot fines is recognised when payment is received, and the revenue from the issuing of summonses is only recognised when collected by the Courts. Due to the various legal processes that can apply to summonses and the inadequate information received from the Courts, it is not possible to measure this revenue when the summons is issued.
- 10.5 Various services are provided on a prepayment basis in which case no formal billing takes place and revenue is recognised when received.
- 10.6 Income in respect of housing rental and instalment sale agreements is accrued monthly.
- 10.7 Interest earned on investments is recognised in the Statement of Financial Performance on a time proportionate basis that takes into account the effective yield on the investment. Interest may be transferred from the accumulated surplus to the Housing Development Fund or the Insurance Reserve.

- Interest earned on the following investments is not recognised in the Statement of Financial Performance:
  - Interest earned on Trust Funds is allocated directly to the fund and is not recognised in the Statement of Financial Performance.
  - Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.
- 10.8 Dividends are recognised when the Economic entity's right to receive payment is established.
- 10.9 Income for agency services is recognized on a monthly basis once the income collected on behalf of agents has been quantified. The income is recognized in terms of the agency agreement.
- 10.10 Donations are recognized on a cash receipt basis or where the donation is in the form of property, plant and equipment, when the risks or rewards of ownership have transferred to the Economic entity.
- 10.11 Income from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is probable.
- 10.12 Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- The Economic entity has transferred to the buyer the significant risks and rewards of ownership of the goods.
  - The Economic entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
  - The amount of revenue can be measured reliably.
  - It is probable that the economic benefits or service potential associated with the transaction will flow to the Economic entity.
  - The costs incurred or to be incurred in respect of the transaction can be measured reliably.
- 10.13 Institutional and other subsidies received for housing are deferred and recognised as income on the date of occupation of the applicable houses.
- 10.14 Revenue earned from providing end user finance in terms of instalment sales is accrued on a time basis by reference to the principal outstanding and at interest rates stipulated in the instalment sale agreement.

## 11. OFFSETTING

Financial assets and liabilities are offset and the net amount reported on the balance sheet when there is a legally enforceable right to set-off the recognised amount and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously

## 12. CONDITIONAL GRANTS AND RECEIPTS

Income received from conditional grants, donations and subsidies are recognised to the extent that the Economic entity has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised and funds invested until it is utilised.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Economic entity's interest it is recognised as interest earned in the statement of financial position.

### 12.1 Grants and receipts of a revenue nature

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

### 12.2 Grants and receipts of a capital nature

Income is reclassified as deferred income under non-current liabilities in the statement of financial position to the extent that the criteria, conditions or obligations have been met and is credited to the statement of financial performance on a straight-line basis over the expected useful lives of the related asset.

## 13. PROVISIONS

A provision is recognized when the Economic entity has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the statement of financial performance as a finance cost as it occurs.

## 14. CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of twelve months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprises of cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

## 15. EMPLOYEES BENEFITS

### 15.1 Retirement Benefit Plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Defined benefit plans are post-employment benefit plans other than defined contribution plans.

The Economic entity provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities.

### 15.1 Post Retirement Pension Funds

Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff Provident Funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various Pension Funds. The Economic entity contributes monthly to the Funds. These contributions are charged to the operating account when employees have rendered the service entitling them to the contribution. Actuarial valuation of the liability is performed on an annual basis. The projected unit credit method has been used to value the liabilities.

The liability in respect of current pensioners are regarded as fully accrued and is therefore not split between a past (or accrued) and future in service element. The liability is recognised at the fair value of the obligation together with adjustments for the unrecognised actuarial gains and losses and past service costs.

Actuarial gains or losses are accounted for using the *"corridor method"*. Actuarial gains and losses are recognised eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme. Actuarial valuations are being performed annually.

### 15.3 Medical Aid: Continued Members

The Economic entity provides post retirement benefits by subsidising the medical aid contributions of certain retired staff. According to the rules of the medical aid funds, with which the Economic entity is associated, a member (who is on the current conditions of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is liable for 30% of the medical aid membership fee, and the Economic entity for the remaining 70%. Under an accrued rights position agreed to by Council, the age of internally appointed staff under the Economic entity's new conditions of service determines, on a sliding scale basis, the post-retirement subsidy for medical aid. External appointments do not qualify for post retirement medical aid subsidy.

These contributions are charged to the operating account when employees have rendered the service entitling them to the contribution. In addition the Economic entity will contribute annually for the next five years, with effect from 1 July 2003, towards funding the unrecognised transitional liability which was calculated on the projected unit credit actuarial valuation method (AC 116).

The liability in respect of current pensioners are regarded as fully accrued and is therefore not split between a past (or accrued) and future in service element. The liability is recognised at the fair value of the obligation together with adjustments for the unrecognised actuarial gains and losses and past service costs.

Actuarial gains or losses are accounted for using the "*corridor method*". Actuarial gains and losses are recognised eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme. Actuarial valuations are being performed annually.

#### 15.4 Short-term and long-term employee benefits

The cost of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The Economic entity recognises the expected cost of performance bonuses only when the Economic entity has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

The Economic entity provides long-term incentives to eligible employees payable on completion of years of employment. The Economic entity's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

### 16. LEASES

#### 16.1 The Economic entity as Lessee

16.1.1 Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Economic entity.

Assets subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the assets is depreciated at appropriate rates on the straight-line basis over the estimated useful lives of the assets. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

16.1.2 Operating leases are those leases, which do not fall within the scope of the above definition. Payments made under operating leases are charged to the statement of financial performance on a straight-line basis over the period of the lease.

#### 16.2 The Economic entity as Lessor

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease.

### 17. BORROWINGS

Interest-bearing external loans and bank overdrafts are recorded net of direct issue costs. Finance charges, including premiums payable are accounted for on an accrual basis. Borrowings are initially recognised at fair value, net of transaction costs. Subsequently, they are measured at amortised cost using the effective interest rate method.

### 18. DERIVATIVE FINANCIAL INSTRUMENTS

The Economic entity has entered into interest rate swap agreements in order to manage the floating interest rate risk attached to certain of its external borrowings. These derivatives are classified as held for trading financial instruments. Upon initial recognition, the Economic entity measures these derivatives at fair value through profit or loss. Subsequently, they are re-measured at fair value and carried on the balance sheet as assets when the fair value is positive and liabilities when the fair value is negative.

### 19. GRANTS-IN-AID

The Economic entity transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the Economic entity does not:

- o Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- o Expect to be repaid in future; or
- o Expect a financial return, as would be expected from an investment.

These transfers are recognised in the financial statements as expenses in the period that the events giving rise to the transfer occurred.

## 20. VALUE ADDED TAX

The Economic entity accounts for Value Added Tax on the payment basis.

## 21. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

## 22. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), and the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

## 23. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

## 24. FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are initially accounted for at the rate of exchange ruling on the date of the transaction. Trade creditors denominated in foreign currency are reported at balance sheet date by using the exchange rate at that date. Exchange differences arising on the settlement of creditors or on reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or as expenses in the period in which they arise.

## 25. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements are amended, prior period comparative amounts are reclassified and restated. The nature and reasons for the reclassification and restatement are disclosed.

## 26. DEFERRED TAXATION

Deferred tax assets and liabilities are determined, using the liability method, for all temporary differences arising between the tax base of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except where in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

ECONOMIC ENTITY		MUNICIPALITY of CAPE TOWN	
2007	2006 Restated	2007	2006 Restated
R '000	R '000	R '000	R '000

**1. HOUSING DEVELOPMENT FUND****Realised Housing Proceeds**

Balance at beginning of the year	207,244	251,675	207,244	251,675
Income	68,647	57,877	68,647	60,997
Land Sales	651	6,677	651	9,797
Repayments Long Term Debtors	45,713	41,673	45,713	41,673
Repayments Public Organisations	2,884	3,088	2,884	3,088
Service Contributions	6,068	0	6,068	0
Subsidy Refunds and Other	13,331	6,439	13,331	6,439
Add : Interest	9,619	5,457	9,619	5,457
Less : Expenditure	(29,674)	(92,729)	(29,674)	(92,729)
Funding Capital Projects	(5,566)	(16,932)	(5,566)	(16,932)
Funding Operating Projects	(24,108)	(75,797)	(24,108)	(75,797)
Less : Non Cash transfer to bad debt provision	(11,480)	(18,156)	(11,480)	(18,156)
<b>Balance at the end of the year</b>	<b>244,356</b>	<b>204,124</b>	<b>244,356</b>	<b>207,244</b>

Realised Housing Proceeds are fully funded and invested in ring fenced financial instruments.

**Unrealised Housing Proceeds**

Balance at beginning of the year	294,383	303,295	294,383	303,295
Less : Loans realised	22,774	22,217	22,774	22,217
Long term Housing Loans	21,284	19,008	21,284	19,008
Long term Loans Public Organisations	1,490	3,209	1,490	3,209
Less : Transfer to Bad Debts Provision	(16,260)	(13,305)	(16,260)	(13,305)
<b>Balance at the end of the year</b>	<b>287,869</b>	<b>294,383</b>	<b>287,869</b>	<b>294,383</b>

Unrealised Housing Proceeds represent loan repayments not yet due in terms of the debtors loan.

**TOTAL HOUSING DEVELOPMENT FUND**

<b>532,225</b>	<b>498,507</b>	<b>532,225</b>	<b>501,627</b>
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**2. RESERVES AND MINORITY INTEREST****2.1 RESERVES**

Capital replacement reserve	807,493	530,846	807,493	530,846
Insurance Reserve	549,935	463,764	549,935	463,764
Self-insurance Reserve	521,502	439,380	521,502	439,380
COVID Reserve	28,433	24,384	28,433	24,384
<b>TOTAL RESERVES</b>	<b>1,357,428</b>	<b>994,610</b>	<b>1,357,428</b>	<b>994,610</b>

The Capital Replacement Reserve and the Self-insurance Reserve are fully funded and invested in ring-fenced financial instruments.

**2.2 MINORITY INTEREST**

Balance at beginning of year	88,103	250,952		
Transfer to Minority for share buy-back	374	0		
Share of net deficit attributable to minority interest	4,574	(162,849)		
<b>Balance at end of year</b>	<b>93,051</b>	<b>88,103</b>		

**3. DEFERRED INCOME**

Assets financed from Capitalisation Reserve	2,367,805	2,532,606	2,367,805	2,532,606
Assets financed from Government Grants	2,110,972	1,739,709	2,110,972	1,739,709
Assets financed from Public Contributions	150,531	114,111	150,531	114,111
Other - Municipal Entities	756	962	0	0
	4,630,064	4,387,388	4,629,308	4,386,426
Less : Current portion transferred to Current Liabilities	(255,541)	(264,029)	(254,912)	(264,029)
<b>TOTAL DEFERRED INCOME</b>	<b>4,374,523</b>	<b>4,123,359</b>	<b>4,374,396</b>	<b>4,122,397</b>
<b>Reconciliation of movement</b>				
<b>Balance at beginning of the year</b>	<b>4,387,388</b>	<b>4,228,667</b>	<b>4,386,426</b>	<b>4,228,667</b>
Additions during the year	503,361	505,405	502,605	504,443
Income recognised during the year	(260,685)	(346,684)	(259,723)	(346,684)
<b>Balance at end of the year</b>	<b>4,630,064</b>	<b>4,387,388</b>	<b>4,629,308</b>	<b>4,386,426</b>
Less : Current portion	(255,541)	(264,029)	(254,912)	(264,029)
<b>Non-current portion</b>	<b>4,374,523</b>	<b>4,123,359</b>	<b>4,374,396</b>	<b>4,122,397</b>

Deferred income represents grants received from Government, and capital contributions from customers, to construct and acquire capital assets.



	ECONOMIC ENTITY		MUNICIPALITY of CAPE TOWN	
	2007	2006	2007	2006
	R '000	Restated R '000	R '000	Restated R '000
Local Registered Stock Loans	11,400	11,400	11,400	11,400
Annuity Loans	38,458	48,771	38,458	48,771
Other Loans	1,931,629	2,113,880	1,921,743	2,103,181
Finance Leases	277,339	191,369	277,337	191,347
Sub-total	2,258,826	2,365,420	2,248,938	2,354,699
Less : Current portion transferred to current liabilities	211,923	138,716	210,886	137,477
Annuity Loans	11,464	10,312	11,464	10,312
Other Loans	189,860	120,388	188,825	119,171
Finance Leases	10,599	8,016	10,597	7,994
<b>TOTAL LONG-TERM LIABILITIES (Refer Appendix A for more detail)</b>	<b>2,046,903</b>	<b>2,226,704</b>	<b>2,038,052</b>	<b>2,217,222</b>

The capitalised lease liabilities are secured by items of leased plant, to the carrying value of R188,507 million. R426,474 million (2006 : R349,949 million) has been invested in specific ring-fenced deposit accounts for the repayment of long-term liabilities. Refer note 15 and 43 for more detail.

#### Determination of Fair Value

The fair value of the long-term liabilities was determined by discounting their cash flows from the reporting date to their final maturity dates at rates equal to the prevailing rates of return for financial instruments having substantially the same terms and characteristics. The fair value of long-term liabilities held at amortised cost amounted to R2,390 million (2006 : R2,540 million).

#### Obligations under finance leases

	Minimum lease payments			
Payable within one year	38,352	36,357	38,350	36,335
Payable within two to five years	251,787	222,070	251,787	222,070
Payable after five years	0	71,212	0	71,212
	290,139	329,639	290,137	329,617
Less : Future finance obligations	(110,078)	(138,270)	(110,078)	(138,270)
<b>Present value of lease obligations</b>	<b>180,061</b>	<b>191,369</b>	<b>180,059</b>	<b>191,347</b>

	Present value of minimum lease payments			
Payable within one year	10,599	8,016	10,597	7,994
Payable within two to five years	169,461	121,487	169,461	121,487
Payable after five years	0	61,866	0	61,866
	180,060	191,369	180,058	191,347
Less: Amounts due for settlement within 12 months	(10,597)	(8,016)	(10,597)	(7,994)
<b>Amount due for settlement after 12 months</b>	<b>169,463</b>	<b>183,353</b>	<b>169,461</b>	<b>183,353</b>

Refer to Appendix A1 for descriptions of structured loans and finance leases.

#### 5. NON-CURRENT PROVISIONS

Rehabilitation of Landfill sites	272,513	289,569	272,513	289,569
Post Retirement Medical Aid Benefits	1,520,680	1,241,630	1,520,680	1,241,630
Post Retirement Pension Benefits	12,052	12,448	12,052	12,448
Long Service Leave Benefits	159,730	0	159,730	0
<b>TOTAL NON-CURRENT PROVISIONS</b>	<b>1,964,975</b>	<b>1,543,647</b>	<b>1,964,975</b>	<b>1,543,647</b>

#### Rehabilitation of Landfill Sites

In terms of the licensing of the landfill refuse site, Council will incur rehabilitation costs of R280million determined at net present value to restore the sites. Provision has been made for the net present value of this cost. The provision has been determined on the basis of a recent tender received for the rehabilitation for this purpose. The cost factors derived from the tender have been applied and projected at an inflation rate of 5,6% and discounted to present value at an average borrowing cost of 11,42%



**Post Retirement Medical Aid Benefit**

The total liability in respect of post-retirement medical benefits amounts to R1 774,10 million as at 30 June 2007 (2006 : R1 595,97 million). Provision for R1 596,68 million has been made (non-current R1 520,68 million, current R76 million) - refer note 7 and 50.

**Post Retirement Pension Benefits**

An actuarial valuation as at 30 June 2007 has been performed of the City's unfunded liability in respect of Revenue Pension benefits to eligible employees and retirees of the City of Cape Town and redundant employees to whom Council must contribute until they reach retirement age. The unfunded liability in respect of past service has been estimated at R 14,8 million of which R 12,1 million relates to the non-current portion. - refer note 50.

**Long Service Leave Benefits**

The long service leave benefits provision relates to vested leave benefits to which employees may become entitled upon completion of ten years service and every five years thereafter. The provision is utilised when employees are entitled to these awards.

The movement in the non-current provisions are reconciled as follows:-

	ECONOMIC ENTITY			
	Long Service Leave Benefits R'000	Rehabilitation of Landfill Sites R'000	Post Retirement Medical Aid Benefits R'000	Post Retirement Pension Benefits R'000
<b>As at 30 June 2007</b>				
Balance at beginning of the year	0	289,569	1,241,630	12,448
Transfer from (to) current	(18,940)	12,377	(70,098)	(2,166)
Contributions to (from) provisions	178670	(29,433)	349,148	1,770
<b>Balance at end of the year</b>	<b>159,730</b>	<b>272,513</b>	<b>1,520,680</b>	<b>12,052</b>

<b>As at 30 June 2006</b>				
Balance at beginning of the year	0	0	949,330	19,008
Transfer from current	0	(20,000)	(11,000)	(875)
Contributions to provisions	0	309,569	303,300	(5,685)
<b>Balance at end of the year</b>	<b>0</b>	<b>289,569</b>	<b>1,241,630</b>	<b>12,448</b>

	MUNICIPALITY of CAPE TOWN			
	Long Service Leave Benefits R'000	Rehabilitation of Landfill Sites R'000	Post Retirement Medical Aid Benefits R'000	Post Retirement Pension Benefits R'000
<b>As at 30 June 2007</b>				
Balance at beginning of the year	0	289,569	1,241,630	12,448
Transfer from (to) current	(18,940)	12,377	(70,098)	(2,166)
Contributions to (from) provisions	178670	(29,433)	349,148	1,770
<b>Balance at end of the year</b>	<b>159,730</b>	<b>272,513</b>	<b>1,520,680</b>	<b>12,052</b>

<b>As at 30 June 2006</b>				
Balance at beginning of the year	0	0	949,330	19,008
Transfer from current	0	(20,000)	(11,000)	(875)
Contributions to provisions	0	309,569	303,300	(5,685)
<b>Balance at end of the year</b>	<b>0</b>	<b>289,569</b>	<b>1,241,630</b>	<b>12,448</b>

	ECONOMIC ENTITY		MUNICIPALITY of CAPE TOWN	
	2007 R'000	2006 Restated R'000	2007 R'000	2006 Restated R'000
Electricity and Water	214,449	176,982	214,449	176,982
Conference Deposits : CTICC	7,254	6,901	0	0
<b>TOTAL CONSUMER DEPOSITS</b>	<b>221,703</b>	<b>183,883</b>	<b>214,449</b>	<b>176,982</b>

Guarantees held in lieu of electricity and water deposits were R27,0m (2006 : R25,5m).

**6. CONSUMER DEPOSITS**

ECONOMIC ENTITY		MUNICIPALITY of CAPE TOWN	
2007	2006	2007	2006
	Restated		Restated
R '000	R '000	R '000	R '000

**7. PROVISIONS**

Ambulance Incentive	713	713	713	713
COVID claims	2,460	2,379	2,460	2,379
Insurance claims	1,038	1,847	1,038	1,847
Landfill sites	7,623	20,000	7,623	20,000
Legal fees	4,028	600	4,028	600
Post retirement medical aid benefit	76,000	71,000	76,000	71,000
SARS	205	57,610	0	57,535
Post retirement pension benefits	2,700	3,000	2,700	3,000
Performance bonuses	1,354	2,116	0	0
Long service leave benefits	18,940	0	18,940	0
Staff leave	219,707	180,941	219,707	180,814
<b>TOTAL PROVISIONS (refer Appendix G for more detail)</b>	<b>334,768</b>	<b>340,206</b>	<b>333,209</b>	<b>337,888</b>

**Ambulance Incentive**

An incentive amount was negotiated with the unions to be provided for ambulance staff as compensation for their willingness to be transferred to the Provincial Administration Western Cape.

**Insurance and COVID claims**

Provision has been made for outstanding insurance claims as at 30 June 2007 out of the Insurance and COVID Reserve.

**Landfill Sites**

Current portion of long-term provision, which is due. Refer note 5.

**Legal Fees**

Legal cost relating to process of defending City of Cape Town in Labour Appeal Court and Labour Court cases of which the court dates have already been set.

**Post Retirement Medical Aid Benefit**

Current portion of long-term provision, which is due. Refer note 5.

**SARS**

As part of the corporate governance strategies, areas have been identified where incorrect amounts of tax have been paid to SARS. A provision has been raised based on available information while the circumstances are being clarified.

**Post Retirement Pension Benefits**

Current portion of long-term provision, which is due. Refer note 5.

**Performance bonuses**

Performance bonuses in respect of the Cape Town International Convention Centre.

**Long Service Leave Benefits**

Current portion of long-term provision, which is due - Refer note 5.

**Staff leave**

Annual leave accrue to employees on an monthly basis subject to certain conditions. The provision is an estimate of the amount due to staff as at the financial year end.

**8. PAYABLES**

Trade creditors	1,203,089	973,962	1,195,172	964,644
Payments received in advance	459,622	487,531	459,622	487,531
RSC Levies	22,658	56,264	22,658	56,264
Accrued interest	59,024	22,144	59,024	22,144
Inter-company advances	214,278	116,652	214,278	118,371
Third party payments	121,041	159,089	121,041	159,089
Deferred income	255,541	264,029	254,912	264,029
Other creditors	64,109	56,743	46,153	43,055
<b>TOTAL PAYABLES</b>	<b>2,399,362</b>	<b>2,136,414</b>	<b>2,372,860</b>	<b>2,115,127</b>

Guarantees in lieu of retentions were R7,06 million.

ECONOMIC ENTITY		MUNICIPALITY of CAPE TOWN	
2007	2006	2007	2006
	Restated		Restated
R '000	R '000	R '000	R '000

## 9. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

## Conditional Grants from other spheres of Government

MIG Grants

National Government

PAWC - other

## Other Conditional Receipts

Public contributions

## TOTAL CONDITIONAL GRANTS AND RECEIPTS

492,138	345,022	492,138	345,022
0	0	0	0
237,444	147,300	237,444	147,300
254,694	197,722	254,694	197,722
105,820	104,290	95,271	93,741
105,820	104,290	95,271	93,741
597,958	449,312	587,409	438,763

These amounts are separately invested in terms of section 12 of the MFMA. Refer note 26 and 28 for more detail of grants from National and Provincial Government.

## 10. VAT

VAT Payable

VAT Receivable

## TOTAL NET VAT PAYABLE

265,957	300,860	264,163	300,177
(147,258)	(92,542)	(147,136)	(92,025)
118,699	208,318	117,027	208,152

## 11. PROPERTY, PLANT AND EQUIPMENT

## Economic Entity

	As at 30 June 2007			As at 30 June 2006		
	Cost	Accumulated Depreciation	Carrying Value	Cost	Accumulated Depreciation	Carrying Value
	R '000	R '000	R '000	R '000	R '000	R '000
Land and Buildings	2,957,456	1,420,955	1,536,501	2,910,757	1,391,339	1,519,418
Infrastructure	9,487,101	3,810,948	5,676,153	8,717,102	3,515,455	5,201,647
Community	959,888	165,011	794,877	422,096	145,541	276,555
Heritage	6,646	0	6,646	2,772	0	2,772
Leased Assets	398,960	210,453	188,507	289,201	113,371	175,830
Housing Rental Developments	1,039,516	473,528	565,988	1,032,233	452,344	579,889
Other	2,496,163	1,335,445	1,160,718	2,128,887	1,240,464	888,423
<b>TOTAL PLANT, PROPERTY and EQUIPMENT</b>	<b>17,345,730</b>	<b>7,416,340</b>	<b>9,929,390</b>	<b>15,503,048</b>	<b>6,858,514</b>	<b>8,644,534</b>

## Municipality of Cape Town

	As at 30 June 2007			As at 30 June 2006		
	Cost	Accumulated Depreciation	Carrying Value	Cost	Accumulated Depreciation	Carrying Value
	R '000	R '000	R '000	R '000	R '000	R '000
Land and Buildings	2,437,392	1,016,958	1,420,434	2,391,828	1,004,347	1,387,481
Infrastructure	9,487,101	3,810,948	5,676,153	8,717,102	3,515,455	5,201,647
Community	959,888	165,011	794,877	422,096	145,541	276,555
Heritage	6,646	0	6,646	2,772	0	2,772
Leased Assets	398,960	210,453	188,507	289,201	113,371	175,830
Housing Rental Developments	1,039,516	473,528	565,988	1,032,233	452,344	579,889
Other	2,445,159	1,307,301	1,137,858	2,090,424	1,218,789	871,635
<b>TOTAL PLANT, PROPERTY and EQUIPMENT</b>	<b>16,774,662</b>	<b>6,984,199</b>	<b>9,790,463</b>	<b>14,945,656</b>	<b>6,449,847</b>	<b>8,495,809</b>

Refer to Appendix B and B(1) for more detail.

Certain parcels of land, the value of which is included in land and buildings, have been made available to the Cape Town Community Housing Company (CTCHC). The leased property and plant and equipment is encumbered as set out in note 4. Provision has been made for the estimated costs of restoring refuse landfill sites, included in other assets, as described in note 5.

The City is required to measure the residual value of an item of property, plant and equipment. Management has determined that all of its infrastructural assets have no active market value and the value of the amount at the end of its useful life would therefore be nil or insignificant. During the current financial year the City reviewed the estimated useful lives and residual values of property, plant and equipment. The review resulted in a reduction of R 8,4 million in the current year's depreciation and amortisation charge.

## 12. INVESTMENT PROPERTY

	As at 30 June 2007			As at 30 June 2006		
	Cost R '000	Accumulated Depreciation R '000	Carrying Value R '000	Cost R '000	Accumulated Depreciation R '000	Carrying Value R '000
<b>Economic Entity</b>						
Vacant Land	38,388	0	38,388	38,320	0	34,320
Land and Buildings	91,875	29,161	62,714	91,930	24,772	67,158
	<b>130,263</b>	<b>29,161</b>	<b>101,102</b>	<b>130,250</b>	<b>24,772</b>	<b>105,478</b>
<b>Municipality of Cape Town</b>						
Vacant Land	38,388	0	38,388	38,320	0	34,320
Land and Buildings	90,241	29,161	61,080	90,296	24,772	65,524
	<b>128,629</b>	<b>29,161</b>	<b>99,468</b>	<b>128,616</b>	<b>24,772</b>	<b>103,844</b>

Rental income has been received on various properties during the year. Fair value is determined from property sales statistics, and is the basis for property valuations for rating purposes.

Property valuations are conducted by independent valuers. The general valuation currently being conducted will be implemented with effect from 1 July 2007. These valuations were used as basis for disclosure.

The fair value of the investment properties amounts to R289,169 million (2006 : R 173,356)

## 13. INTANGIBLE ASSETS

	As at 30 June 2007			As at 30 June 2006		
	Cost R '000	Accumulated Depreciation R '000	Carrying Value R '000	Cost R '000	Accumulated Depreciation R '000	Carrying Value R '000
<b>Economic Entity</b>						
Computer Software	263,760	191,806	71,954	259,491	139,504	119,987
	<b>263,760</b>	<b>191,806</b>	<b>71,954</b>	<b>259,491</b>	<b>139,504</b>	<b>119,987</b>
<b>Municipality of Cape Town</b>						
Computer Software	263,726	191,806	71,920	259,468	139,504	119,964
	<b>263,726</b>	<b>191,806</b>	<b>71,920</b>	<b>259,468</b>	<b>139,504</b>	<b>119,964</b>

## 14. ASSETS CLASSIFIED AS HELD FOR SALE

Land held for sale	980	0	980	0
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Various properties have been presented as held for sale following a council decision to dispose of properties no longer required for municipal purposes. The disposing of municipal properties takes place within a programme aimed at stimulating economic development. These transactions are expected to yield income of approximately R200million and should be concluded by 30 June 2008.

	ECONOMIC ENTITY		MUNICIPALITY of CAPE TOWN	
	2007 R '000	2006 Restated R '000	2007 R '000	2006 Restated R '000
<b>15. INVESTMENTS</b>				
<b>15.1 Held to maturity</b>				
<b>Listed</b>				
RSA Government stock at amortised cost	26,024	20,909	26,024	20,909
Eskom stock at amortised cost	1,512	1,474	1,512	1,474
<b>Total listed investments</b>	<b>27,536</b>	<b>22,383</b>	<b>27,536</b>	<b>22,383</b>
<b>Unlisted</b>				
<b>Bank Deposits</b>				
Fixed Deposits: Sinking fund deposits for redemption of long term loan liabilities	426,474	349,949	426,474	349,949
Other fixed Deposits	2,380,595	1,926,842	2,380,595	1,926,842
Less : Provision for impairment - refer note 31	(14,800)	(14,800)	(14,800)	(14,800)
<b>Total unlisted investments</b>	<b>2,792,269</b>	<b>2,261,991</b>	<b>2,792,269</b>	<b>2,261,991</b>
Less : Current portion maturing within next twelve months - refer note 20.	(2,367,307)	(1,914,517)	(2,367,307)	(1,914,517)
<b>Total non-current bank deposits</b>	<b>424,962</b>	<b>347,474</b>	<b>424,962</b>	<b>347,474</b>
<b>TOTAL HELD TO MATURITY</b>	<b>452,498</b>	<b>369,857</b>	<b>452,498</b>	<b>369,857</b>
<b>15.2 Available for sale</b>				
<b>Unlisted</b>				
<b>Investment in municipal entities at cost:</b>				
Cape Town International Convention Centre Company(Pty) Ltd			284,000	284,000
Less : Provision for impairment - refer note 31.			(245,231)	(244,703)
	0	0	38,769	39,297
Objective indicators of impairment of the City's investment in Convenco exist, which oblige the City to calculate an impairment loss. The carrying amount of the City's investment in Convenco, R284 million, has been compared with its share of the present value of Convenco's estimated future cash flows (R 77.3 million) discounted at a market related rate of interest and an amount of R245.2 million has been recognised as an impairment				
Regional Electricity Distributor One (RED 1)				
The City holds 5 ordinary shares of R1 each	0	0	0	0
<b>Investment in joint venture company:</b>				
Cape Town Community Housing Company(Pty) Ltd	1,546	1,250		
Original investment at cost	1,546	1,250	26,289	25,697
Less : Amounts previously written off	0	0	(10,000)	(10,000)
Less : Provision for impairment - refer note 31.	0	0	(16,289)	(15,697)
Carrying Value	0	0	0	0
<b>TOTAL AVAILABLE FOR SALE</b>	<b>1,546</b>	<b>1,250</b>	<b>38,769</b>	<b>39,297</b>
The fair value of the unlisted available for sale investments is estimated at R 38,8 million. (2006 : R 39,3 million)				
<b>TOTAL INVESTMENTS</b>	<b>454,044</b>	<b>371,107</b>	<b>491,267</b>	<b>409,154</b>
<b>16. LONG-TERM RECEIVABLES</b>				
Loans to employees	8,899	17,474	8,899	17,474
Sporting bodies	2,124	2,325	2,124	2,325
Public organisations	34,743	36,233	34,743	36,233
Housing selling developments	273,315	268,037	253,127	258,148
Housing selling development loans	324,727	342,842	295,003	316,284
Provision for impairment	(51,412)	(74,805)	(41,876)	(58,136)
Other	392	2,581	65	2,394
	319,473	326,650	298,958	316,574
Less : Current portion transferred to current receivables	22,983	26,188	19,773	22,287
Loans to employees	4,455	6,456	4,455	6,456
Sporting bodies	188	201	188	201
Public Organisations	1,414	1,377	1,414	1,377
Housing selling development loans	16,913	15,819	13,703	11,918
Other: Road widening and Epping Fresh Market Credit Facility	13	2,335	13	2,335
<b>TOTAL NON-CURRENT LOANS</b>	<b>296,490</b>	<b>300,462</b>	<b>279,185</b>	<b>294,287</b>
<b>Reconciliation of bad debt provision</b>				
Balance at beginning of the year	74,805	79,682	58,136	71,441
Contributions to provisions	0	0	0	0
Transfers to/(from) provisions	(23,393)	(4,877)	(16,260)	(13,305)
<b>Balance at 30 June</b>	<b>51,412</b>	<b>74,805</b>	<b>41,876</b>	<b>58,136</b>

**Loans to employees**

Staff are entitled to various loans, e.g. car and computer loans which attract interest at 8% to 17% per annum and which are repayable over a maximum period of 6 years. These loans were granted before the implementation of the MFMA and the last of the loans are repayable by 2010.

**Sporting bodies**

To facilitate the development of sporting facilities loans were made to provide the necessary financial assistance. These loans attract interest at a rate of 4% to 19% per annum and are repayable over a maximum period of 20 years.

**Public Organisations**

Loans to public organisations are granted in terms of the national housing policy. The applicable interest rate and loan repayment periods are determined by the National Minister of Housing. At present these loans attract interest at 1%(buildings) and 11%(infrastructure) and are repayable over 30 years.

**Housing selling development loans**

Housing loans are granted to qualifying individuals in terms of the national housing policy. These loans attract interest at a rate determined by the National Minister of Housing, currently 13,5% per annum and are repayable over 20 years.

**Road widening**

A loan was made to a ratepayer for the amount due by him in respect of the construction of a road. This loan attracts interest at a rate of 15% per annum and is repayable over a maximum period of 10 years.

**Epping Fresh Market Credit Facility**

Certain accredited buyers at the Epping Fresh Produce Market were allowed to buy fresh produce on credit. After the Epping Market was sold by the City the debtors negotiated with Council and approval was given for the repayment of the debt in monthly instalments.

ECONOMIC ENTITY		MUNICIPALITY of CAPE TOWN	
2007	2006	2007	2006
R '000	Restated R '000	R '000	Restated R '000

**17. INVENTORY**

Consumable stores	115,486	91,355	114,780	90,630
Medical supplies	1,419	2,832	1,419	2,832
Spare parts	1,819	1,822	1,819	1,822
Meters	15,319	14,247	15,319	14,247
Water	4,945	4,401	4,945	4,401
Housing projects in progress	8,395	1,973	0	0
Other goods held for resale (plants, compost, refuse bins)	21,189	17,669	21,189	17,669
<b>TOTAL INVENTORY</b>	<b>168,572</b>	<b>134,299</b>	<b>159,471</b>	<b>131,601</b>

Inventory to the value of R7,109 m (2006 : R3,686 m) was written off during the year.

## 18. CONSUMER DEBTORS

	As at 30 June 2007			As at 30 June 2006		
	Gross Balances R'000	Provision for Bad debts R'000	Net Balance R'000	Gross Balances R'000	Provision for Bad debts R'000	Net Balance R'000
<b>Economic Entity</b>						
Service debtors	3,507,559	(1,874,940)	1,632,619	4,423,753	(2,822,491)	1,601,262
Rates and Other	953,799	(368,432)	585,367	1,503,108	(628,735)	874,373
Trade: Electricity	475,351	(141,861)	333,490	535,810	(277,395)	258,415
Water	1,321,872	(932,043)	389,829	1,503,936	(1,248,515)	255,421
Waste Management	276,410	(151,577)	124,833	322,268	(256,629)	65,639
Waste Water Management	461,170	(277,981)	183,189	515,864	(408,171)	107,693
RSC Levies	18,957	(3,046)	15,911	42,767	(3,046)	39,721
Housing Rental Developments	225,659	(188,146)	37,513	307,325	(236,596)	70,729
Public Organisations Housing Loans	4,319	(1,435)	2,884	6,157	(4,745)	1,412
Housing Selling Developments	343,759	(265,938)	77,821	320,384	(201,302)	119,082
<b>TOTAL CONSUMER DEBTORS</b>	<b>4,081,296</b>	<b>(2,330,459)</b>	<b>1,750,837</b>	<b>5,057,619</b>	<b>(3,265,134)</b>	<b>1,792,485</b>

	As at 30 June 2007			As at 30 June 2006		
	Gross Balances R'000	Provision for Bad debts R'000	Net Balance R'000	Gross Balances R'000	Provision for Bad debts R'000	Net Balance R'000
<b>Municipality of Cape Town</b>						
Service debtors	3,509,275	(1,874,940)	1,634,335	4,450,214	(2,822,491)	1,627,723
Rates and Other	955,501	(368,432)	587,069	1,525,858	(628,735)	897,123
Trade: Electricity	475,365	(141,861)	333,504	536,152	(277,395)	258,757
Water	1,321,872	(932,043)	389,829	1,503,978	(1,248,515)	255,463
Waste Management	276,410	(151,577)	124,833	323,130	(256,629)	66,501
Waste Water Management	461,170	(277,981)	183,189	518,315	(408,171)	110,144
RSC Levies	18,957	(3,046)	15,911	42,781	(3,046)	39,735
Housing Rental Developments	225,659	(188,146)	37,513	307,325	(236,596)	70,729
Public Organisations Housing Loans	4,319	(1,435)	2,884	6,157	(4,745)	1,412
Housing Selling Developments	343,759	(265,938)	77,821	320,384	(201,302)	119,082
<b>TOTAL CONSUMER DEBTORS</b>	<b>4,083,012</b>	<b>(2,330,459)</b>	<b>1,752,553</b>	<b>5,084,080</b>	<b>(3,265,134)</b>	<b>1,818,946</b>

	Analysis of Consumer Debtors Age in Days					
	Total R'000	Current R'000	31 - 60 R'000	61 - 90 R'000	91 - 180 R'000	+180 R'000
<b>Economic Entity as at 30 June 2007</b>						
Rates and Other	953,799	196,400	40,583	74,146	267,908	374,762
Electricity	475,351	253,749	16,698	28,360	54,660	121,884
Water	1,321,872	199,913	49,070	114,153	194,857	763,879
Waste Management	276,410	71,592	13,714	22,985	41,125	126,994
Waste Water Management	461,170	94,567	22,324	44,302	70,905	229,072
RSC Levies	18,957	0	0	0	0	18,957
Housing Rental Developments	225,659	46,517	8,308	8,292	19,022	143,520
Housing Selling Developments	348,078	34,435	3,443	1,900	8,966	299,334
<b>TOTAL</b>	<b>4,081,296</b>	<b>897,173</b>	<b>154,140</b>	<b>294,138</b>	<b>657,443</b>	<b>2,078,402</b>

	Analysis of Consumer Debtors Age in Days					
	Total R'000	Current R'000	31 - 60 R'000	61 - 90 R'000	91 - 180 R'000	+180 R'000
<b>Municipality of Cape Town as at 30 June 2007</b>						
Rates and Other	955,501	198,102	40,583	74,146	267,908	374,762
Electricity	475,365	253,763	16,698	28,360	54,660	121,884
Water	1,321,872	199,913	49,070	114,153	194,857	763,879
Waste Management	276,410	71,592	13,714	22,985	41,125	126,994
Waste Water Management	461,170	94,567	22,324	44,302	70,905	229,072
RSC Levies	18,957	0	0	0	0	18,957
Housing Rental Developments	225,659	46,517	8,308	8,292	19,022	143,520
Housing Selling Developments	348,078	34,435	3,443	1,900	8,966	299,334
<b>TOTAL</b>	<b>4,083,012</b>	<b>898,889</b>	<b>154,140</b>	<b>294,138</b>	<b>657,443</b>	<b>2,078,402</b>

	Analysis of Consumer Debtors Age in Days					
	Total R'000	Current R'000	31 - 60 R'000	61 - 90 R'000	91 - 180 R'000	+180 R'000
<b>Economic Entity as at 30 June 2006</b>						
Rates and Other	1,503,108	172,255	44,177	38,299	113,518	1,134,859
Electricity	535,810	206,283	36,787	15,345	37,060	240,335
Water	1,503,936	141,001	66,694	46,726	138,345	1,111,170
Waste Management	322,268	43,273	12,694	9,672	31,400	225,229
Waste Water Management	515,864	64,736	24,398	18,559	50,866	357,305
RSC Levies	42,767	1,380	2,365	3,070	2,895	33,057
Housing Rental Developments	307,325	27,569	6,979	7,125	15,233	250,419
Housing Selling Developments	326,541	20,528	3,045	3,183	10,888	288,897
<b>TOTAL</b>	<b>5,057,619</b>	<b>677,025</b>	<b>197,139</b>	<b>141,979</b>	<b>400,205</b>	<b>3,641,271</b>

	Analysis of Consumer Debtors Age in Days					
	Total R'000	Current R'000	31 - 60 R'000	61 - 90 R'000	91 - 180 R'000	+180 R'000
<b>Municipality of Cape Town as at 30 June 2006</b>						
Rates and Other	1,525,858	195,005	44,177	38,299	113,518	1,134,859
Electricity	536,152	206,625	36,787	15,345	37,060	240,335
Water	1,503,978	141,043	66,694	46,726	138,345	1,111,170
Waste Management	323,130	44,135	12,694	9,672	31,400	225,229
Waste Water Management	518,315	67,187	24,398	18,559	50,866	357,305
RSC Levies	42,781	1,394	2,365	3,070	2,895	33,057
Housing Rental Developments	307,325	27,569	6,979	7,125	15,233	250,419
Housing Selling Developments	326,541	20,528	3,045	3,183	10,888	288,897
<b>TOTAL</b>	<b>5,084,080</b>	<b>703,486</b>	<b>197,139</b>	<b>141,979</b>	<b>400,205</b>	<b>3,641,271</b>

<b>Reconciliation of impairment provision</b>						
Balance at beginning of the year			3,265,134	2,391,426	3,265,134	2,391,426
Contributions to provisions			384,263	953,745	384,263	953,745
Transfers to/(from) provisions			6,232	13,303	6,232	13,303
Bad debts written-off			(1,325,170)	(93,340)	(1,325,170)	(93,340)
<b>Balance at 30 June</b>			<b>2,330,459</b>	<b>3,265,134</b>	<b>2,330,459</b>	<b>3,265,134</b>

ECONOMIC ENTITY		MUNICIPALITY of CAPE TOWN	
2007	2006 Restated	2007	2006 Restated
R'000	R'000	R'000	R'000

## 19. OTHER DEBTORS

Payments made in advance	6,566	7,333	6,128	6,796
Rate and general	79,779	36,490	66,579	31,754
Property rentals	28,450	18,243	28,450	21,363
Sporting bodies	418	1,770	418	1,770
Miscellaneous accounts	48,741	95,112	49,720	86,357
Government subsidies	16,583	46,151	16,583	46,151
	180,537	205,099	167,878	194,191
Less : Provision for bad debts	(22,994)	(32,606)	(22,293)	(31,839)
<b>TOTAL OTHER DEBTORS</b>	<b>157,543</b>	<b>172,493</b>	<b>145,585</b>	<b>162,352</b>
<b>Reconciliation of impairment provision</b>				
Balance at beginning of the year	31,839	31,972	31,839	31,839
Transfers to/(from) provisions	22,994	634	22,293	0
Bad debts written-off	(31,839)	0	(31,839)	0
<b>Balance at 30 June</b>	<b>22,994</b>	<b>32,606</b>	<b>22,293</b>	<b>31,839</b>

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

The Municipality has the following bank accounts: -

Main Bank account	40-5658-4470	128,788	121,375	128,788	121,375
Salary Bank account	40-5658-4496	0	0	0	0
Cashier's Bank account	40-5658-4527	0	0	0	0
General Income Bank account	40-5658-4569	0	0	0	0
RSC Levies Bank account	40-5542-0263	0	0	0	0
RSC Levies Agents Bank account	40-5961-0446	0	0	0	0
Market Bank account (holding account)	40-5089-3435	0	0	0	0
Traffic Fines Bank account	62073198816	35	44	35	44
		128,823	121,419	128,823	121,419

All accounts are with ABSA except the traffic fines account which is with First National Bank. All account balances are swept on a daily basis to the main account. The Market bank account is currently a holding account to facilitate the receipt of sundry debtor payments.



ECONOMIC ENTITY		MUNICIPALITY of CAPE TOWN	
2007	2006	2007	2006
R '000	Restated R '000	R '000	Restated R '000

The Municipal Entities have separate bank accounts which are aggregated below: -

Bank statement balance at beginning of year	121,419	93,545	121,419	93,545
Bank statement balance at end of year	128,823	121,419	128,823	121,419
Cash book balance at beginning of year	225,002	185,536	139,650	113,545
Petty Cash / Float	309	346	255	266
Cash	222,574	206,391	128,823	121,419
Cash in transit	34,634	18,265	34,634	18,265
<b>Cash book balance at end of year</b>	<b>257,517</b>	<b>225,002</b>	<b>163,712</b>	<b>139,950</b>
Investments: Current portion matures within next twelve months - note 15.	2,367,307	1,914,517	2,367,307	1,914,517
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>2,624,824</b>	<b>2,139,519</b>	<b>2,531,019</b>	<b>2,054,467</b>

## 21. PROPERTY RATES

### Actual

Residential	}	2,426,557	2,268,847	2,435,452	2,291,278
Commercial					
State					
Penalties		68,622	105,135	68,622	105,135
		2,495,179	2,373,982	2,504,074	2,396,413
Less		(28,594)	(105,925)	(28,594)	(105,925)
Income forgone *		(28,594)	(26,267)	(28,594)	(26,267)
Revenue recognition		0	(79,658)	0	(79,658)
<b>TOTAL PROPERTY RATES</b>		<b>2,466,585</b>	<b>2,268,057</b>	<b>2,475,480</b>	<b>2,290,488</b>

### Valuations

Rateable Properties	202,631,892	196,984,074	202,631,892	196,984,074
Non-Rateable Properties	8,455,071	9,427,676	8,455,071	9,427,676
<b>Total Property Valuations</b>	<b>211,086,963</b>	<b>206,411,750</b>	<b>211,086,963</b>	<b>206,411,750</b>

\* Income forgone can be defined as any income that the City is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

### Valuations as at July

Residential	}	139,473,863	128,734,488	139,473,863	128,734,488
Commercial					
Agriculture					
State					
Municipal					
<b>Total Property Valuations</b>		<b>211,086,963</b>	<b>206,411,750</b>	<b>211,086,963</b>	<b>206,411,750</b>

A general valuation on land and buildings are performed every four years. The last general valuation came into effect on 1 July 2002. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. Rates are levied on an annual basis with the final date for payment being 30 September. Interest at prime plus 1% per annum and a collection fee, is levied on rates outstanding two months after due date. The new general valuation will be implemented on 01 July 2007.

## 22. SERVICE CHARGES

Sale of Electricity	2,893,957	2,650,589	2,897,307	2,653,863
Sale of Water	1,017,869	1,058,388	1,018,297	1,059,056
Profit on Sale of Houses	1,555	3,704	0	0
Waste Management (solid waste)	475,232	439,500	475,515	440,272
Waste Water Management (sewerage and sanitation)	636,688	568,185	637,906	570,445
Other	299,935	263,831	197,917	184,855
	5,325,236	4,984,197	5,226,942	4,908,491
Less	(299,143)	(543,119)	(299,143)	(543,119)
Bad debt provision	(261,440)	(476,007)	(261,440)	(476,007)
Income forgone *	(37,703)	(67,112)	(37,703)	(67,112)
<b>TOTAL SERVICE CHARGES</b>	<b>5,026,093</b>	<b>4,441,078</b>	<b>4,927,799</b>	<b>4,365,372</b>

\* Income forgone can be defined as any income that the City is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

ECONOMIC ENTITY		MUNICIPALITY of CAPE TOWN	
2007	2006	2007	2006
	Restated		Restated
R '000	R '000	R '000	R '000

**23. REGIONAL SERVICE LEVIES**

RSC Levies was abolished as from 01 July 2006. The liability for RSC levies which accrued before 01 July 2006 remains payable.

Regional Service Levies - turnover	112,946	842,143	112,975	842,348
Regional Services Levies - remuneration	24,535	173,774	24,535	173,774
	137,481	1,015,917	137,510	1,016,122
Less : Revenue recognition	0	11,298	0	11,298
<b>TOTAL REGIONAL SERVICE LEVIES</b>	<b>137,481</b>	<b>1,027,215</b>	<b>137,510</b>	<b>1,027,420</b>

**24. RENTAL OF LETTING STOCK AND FACILITIES**

Rental agreements	198,619	189,939	198,596	189,939
Hire / Rentals	20,076	22,640	21,873	22,984
	218,695	212,579	220,469	212,923
Less : Revenue recognition	(75,212)	(58,050)	(75,212)	(58,050)
<b>TOTAL RENTALS</b>	<b>143,483</b>	<b>154,529</b>	<b>145,257</b>	<b>154,873</b>

**25. INTEREST RECEIVABLE**

Interest receivable - External investments	316,704	249,772	306,581	241,837
Interest receivable - Outstanding debtors	187,365	180,558	187,365	181,639
<b>TOTAL INTEREST RECEIVABLE</b>	<b>504,069</b>	<b>430,330</b>	<b>493,946</b>	<b>423,476</b>

**26. GOVERNMENT GRANTS AND SUBSIDIES**

Equitable share	296,377	256,992	295,542	254,216
RSC levy replacement	968,837	0	968,837	0
MIG projects	181,135	227,428	181,135	227,428
Provincial Health subsidies	106,368	105,759	106,368	105,759
Metropolitan Transport Advisory Board	41,506	69,356	41,506	69,356
National projects	146,605	45,858	146,605	45,858
Provincial projects other	214,716	307,868	214,716	307,868
Other	17,367	8,323	17,367	8,323
	1,972,911	1,021,584	1,972,076	1,018,808
Less : Deferred income	(459,580)	(469,582)	(459,580)	(469,582)
<b>TOTAL GOVERNMENT GRANTS and SUBSIDIES</b>	<b>1,513,331</b>	<b>552,002</b>	<b>1,512,496</b>	<b>549,226</b>

**Equitable Share**

These grants are used to subsidise the provision of basic services to indigent communities.

**RSC Levy grant**

A Grant has been received which replaces the RSC levies

**MIG projects**

Balance unspent at beginning of year	0	(17,951)	0	(17,951)
Regrouping adjustments	25,461	0	25,461	0
Current year receipts	(193,340)	(186,244)	(193,340)	(186,244)
Adjustments	(147)	2,228	(147)	2,228
Conditions met - transferred to revenue	181,135	227,428	181,135	227,428
Amounts still to be claimed	(13,109)	(25,461)	(13,109)	(25,461)
<b>Conditions still to be met - transferred to liabilities - refer note 9</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

This grant was used to fund the construction of infrastructural assets for the City. Other than the amount unspent, the conditions of the grant have been met. No funds have been withheld.

**Provincial Health Subsidies**

Balance unspent at beginning of year	0	0	0	0
Current year receipts - included in public health vote (Appendix D)	(106,368)	(105,759)	(106,368)	(105,759)
Conditions met - transferred to revenue	106,368	105,759	106,368	105,759
<b>Conditions still to be met - transferred to liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

The City renders health services on behalf of the Provincial Government and is refunded partially for expenditure incurred. This grant has been used exclusively to fund clinic services. The conditions of the grant have been met. There were no delays in payment of the subsidies nor were any amounts withheld.

**Provincial projects and MTAB**

Balance unspent at beginning of year	(197,722)	(163,114)	(197,722)	(163,114)
Regrouping adjustment	25,141	16,584	25,141	16,584
Current year receipts	(371,451)	(405,414)	(371,451)	(405,414)
Interest earned	(6,361)	(5,998)	(6,361)	(5,998)
Adjustments	49,142	(26,799)	49,142	(26,799)
Conditions met - transferred to revenue	256,223	377,224	256,223	377,224
Amounts still to be claimed	(9,666)	9,795	(9,666)	9,795
<b>Conditions still to be met - transferred to liabilities - refer note 9</b>	<b>(254,694)</b>	<b>(197,722)</b>	<b>(254,694)</b>	<b>(197,722)</b>

ECONOMIC ENTITY		MUNICIPALITY of CAPE TOWN	
2007	2006	2007	2006
	Restated		Restated
R '000	R '000	R '000	R '000

The City received various grants from PAWC for operational and capital projects. Other than the amounts unspent, the conditions of the grants have been met. No funds have been withheld.

#### National Government projects

Balance unspent at beginning of year	(147,300)	(121,265)	(147,300)	(121,265)
Regrouping adjustment	119	1,182	119	1,182
Current year receipts	(234,995)	(76,672)	(234,995)	(76,672)
Interest earned	(3,260)	(113)	(3,260)	(113)
Adjustments	1,387	3,710	1,387	3,710
Conditions met - transferred to revenue	146,605	45,858	146,605	45,858
Conditions still to be met - transferred to liabilities - refer note 9	<b>(237,444)</b>	<b>(147,300)</b>	<b>(237,444)</b>	<b>(147,300)</b>

These grants received from National Government are for operational and capital expenditure (such as budget reform, restructuring, urban renewal, etc.). Other than the amounts unspent, the conditions of the grants have been met. Refer appendix F.

#### 27. OTHER INCOME

Insurance recoveries	528	1,273	528	1,273
Bulk infrastructure levies	91,106	82,945	91,106	82,945
City Improvement districts levies	40,850	45,431	40,850	45,431
Gain on foreign exchange	0	40	0	40
Skills development levy	14,311	22,622	14,311	22,622
Other income	73,602	70,787	70,296	71,132
	220,397	223,098	217,091	223,443
Less : Revenue recognition	0	(1,837)	0	(1,837)
<b>TOTAL OTHER INCOME</b>	<b>220,397</b>	<b>221,261</b>	<b>217,091</b>	<b>221,606</b>

#### 28. PUBLIC CONTRIBUTIONS

Public contributions: Consumer connections	40,121	30,346	40,121	30,346
Other	36,861	9,428	36,861	9,428
	76,982	39,774	76,982	39,774
Less : Deferred income	(43,025)	(34,861)	(43,025)	(34,861)
<b>TOTAL PUBLIC CONTRIBUTIONS</b>	<b>33,957</b>	<b>4,913</b>	<b>33,957</b>	<b>4,913</b>

#### Public contributions and other third party funds

Balance unspent at beginning of year	(104,290)	(82,283)	(93,741)	(68,422)
Regrouping adjustment	972	4,811	972	4,811
Current year receipts	(88,449)	(66,995)	(88,449)	(66,995)
Interest earned	(1,330)	(930)	(1,330)	(930)
Adjustments	10,295	574	10,295	574
Conditions met - transferred to revenue	76,982	43,086	76,982	39,774
Amounts still to be claimed	0	(2,553)	0	(2,553)
Conditions still to be met - transferred to liabilities - refer note 9	<b>(105,820)</b>	<b>(104,290)</b>	<b>(95,271)</b>	<b>(93,741)</b>

The City receives grants from various private funders for operational and capital projects. Included in these funds are monies held on behalf of third parties. Other than the amounts unspent, the conditions of the grants have been met. No funds have been withheld.

#### 29. EMPLOYEE RELATED COSTS

Salaries and Wages	2,196,793	2,078,264	2,176,578	2,059,727
Social contributions - UIF, pensions and medical aid	567,823	529,179	563,244	524,882
Travel, motor car, accommodation, subsistence and other allowances	213,941	205,199	213,780	204,989
Housing benefits and allowances	43,025	44,325	43,025	44,325
Overtime payments	146,191	117,259	146,108	117,136
Performance bonus - net contribution	1,473	(5,220)	0	(7,139)
Long-service awards	180,322	0	180,322	0
	3,349,568	2,969,006	3,323,057	2,943,920
Expenditure Recharged	(312,405)	(225,527)	(312,405)	(225,527)
Recharged to repairs and maintenance	(296,131)	(207,266)	(296,131)	(207,266)
Recharged to capital projects	(16,274)	(18,261)	(16,274)	(18,261)
<b>TOTAL EMPLOYEE RELATED COSTS</b>	<b>3,037,163</b>	<b>2,743,479</b>	<b>3,010,652</b>	<b>2,718,393</b>

## RENUMERATION OF EXECUTIVES

	Total	Annual	Performance	Car	Social
	R'000	Salary	Bonus	Allowance	Contribution
	R'000	R'000	R'000	R'000	R'000
<b>2007</b>					
City Manager	1,218	922	152	50	94
Finance	955	621	91	117	126
Health (from September 2006)	959	633	96	125	105
Integrated Human Settlement Services	682	507	0	23	152
Service Delivery Integration (from November 2006)	1,104	767	121	85	131
Economic and Social Dev. (from November 2006)	664	513	0	60	91
Safety and Security (from November 2006)	601	551	0	0	50
Community Development	973	703	80	84	106
Corporate Services	948	674	90	68	116
Strategy & Planning	840	685	149	6	0
Transport, Roads & Stormwater (from Nov 2006)	553	516	0	0	37
Utility Services	1,021	768	91	48	114
Chief Audit Executive	816	667	72	69	8
Executive Management Unit (until January 2007)	492	479	0	0	13
Chief Executive Officer (RED1)	1,672	932	719	0	21
Chief Financial Officer (RED1)	441	407	0	34	0
	<b>13,939</b>	<b>10,345</b>	<b>1,661</b>	<b>769</b>	<b>1,164</b>

	Total	Annual	Performance	Car	Social
	R'000	Salary	Bonus	Allowance	Contribution
	R'000	R'000	R'000	R'000	R'000
<b>2006</b>					
Municipal Manager (until February 2006)	935	563	186	93	93
Finance	1,053	755	167	110	21
Chief Operations Officer ( until May 2006 )	935	888	31	16	0
City Secretariat	1,087	718	172	83	114
Community Development	950	713	29	93	115
Corporate Support Services ( until May 2006)	984	922	46	16	0
Corporate Support Services ( June 2006)	95	74	0	10	11
Executive Management Unit	888	833	39	9	7
Strategy & Development	965	909	42	14	0
Transport, Roads & Planning	1,114	717	179	95	123
Services & Infrastructure	693	560	0	65	68
Chief Audit Executive	881	782	39	56	4
Chief Executive Officer (RED1)	1,250	1,140	0	82	28
Chief Financial Officer (RED1)	600	568	0	32	0
Chief Operations Officer (RED1)	700	700	0	0	0
	<b>13,130</b>	<b>10,842</b>	<b>930</b>	<b>774</b>	<b>584</b>

ECONOMIC ENTITY		MUNICIPALITY of CAPE TOWN	
2007	2006	2007	2006
R'000	Restated R'000	R'000	Restated R'000

## 30. REMUNERATION OF COUNCILLORS AND BOARD MEMBERS

Executive Mayor	778	595	778	595
Deputy Executive Mayor	583	501	583	501
Speaker	596	509	596	509
Mayoral Committee Members	5,204	3,875	5,204	3,875
Sub Council Chairpersons	11,924	6,131	11,924	6,131
Chief Whip	558	443	558	443
Councillors	39,358	34,058	39,358	34,058
Councillors' medical aid contributions	245	1,087	245	1,087
Councillors' pension contributions	6,692	4,602	6,692	4,602
Board Members/Directors/Trustee fees *	548	490	0	0
<b>TOTAL REMUNERATION OF COUNCILLORS and BOARD MEMBERS</b>	<b>66,486</b>	<b>52,291</b>	<b>65,938</b>	<b>51,801</b>

**In-kind Benefits**

The Executive Mayor, Deputy Executive Mayor, Speaker, Chief Whip and Mayoral Committee members are employed full-time. Each is provided with an office and administrative and secretarial support at Council's cost. The Executive Mayor has two full-time bodyguards and all Councillors have access to security in terms of the Councillors' security policy. The Executive Mayor and Deputy Mayor and other full-time Mayoral Committee members have access to Council owned vehicles for ceremonial and official functions.

Sub Council Chairpersons are provided with an office and administrative and secretarial support at Council's cost. Councillors are provided with work stations / ward offices which are appropriately equipped. Computers are provided to councillors either in their offices or at their homes.

\* Board Members/Directors/Trustee fees relate to fees i.r.o the Cape Town International Convention Centre, Cape Town Community Housing Company and the Khayelitsha Community Trust.

	ECONOMIC ENTITY		MUNICIPALITY of CAPE TOWN	
	2007 R '000	2006 Restated R '000	2007 R '000	2006 Restated R '000
<b>31. IMPAIRMENT COSTS</b>				
Impairment of consumer and other debtors	50,436	357,148	55,796	349,491
Impairment of investment in subsidiary and joint venture	0	0	1,120	245,328
Impairment of property, plant and equipment	5,841	309,367	7,781	1,074
<b>TOTAL IMPAIRMENT COSTS</b>	<b>56,277</b>	<b>666,515</b>	<b>64,697</b>	<b>595,893</b>
<b>32. DEPRECIATION AND AMORTISATION EXPENSE</b>				
Depreciation of property, plant and equipment	678,988	652,241	653,353	619,009
Depreciation of investment property	4,389	5,412	4,389	5,412
Amortisation of intangible assets	52,302	52,302	52,302	52,302
	<b>735,679</b>	<b>709,955</b>	<b>710,044</b>	<b>676,723</b>
Less : Deferred income recognised	(259,723)	(346,684)	(259,723)	(346,684)
<b>TOTAL DEPRECIATION and AMORTISED EXPENSE</b>	<b>475,956</b>	<b>363,271</b>	<b>450,321</b>	<b>330,039</b>
<b>33. INTEREST PAID</b>				
Long-term liabilities	235,906	290,388	235,896	289,092
Finance leases	47,736	60,239	47,734	60,233
<b>TOTAL INTEREST ON EXTERNAL BORROWINGS</b>	<b>283,642</b>	<b>350,627</b>	<b>283,630</b>	<b>349,325</b>
<b>34. BULK PURCHASES</b>				
Electricity	1,768,416	1,609,564	1,768,416	1,609,564
Water	229,696	169,320	229,696	169,320
<b>TOTAL BULK PURCHASES</b>	<b>1,998,112</b>	<b>1,778,884</b>	<b>1,998,112</b>	<b>1,778,884</b>
<b>35. GRANTS AND SUBSIDIES PAID</b>				
Ad Hoc	825	1,722	825	1,722
Community Upliftment	4,494	5,953	4,494	5,953
Destination Marketing Organisation	32,000	30,000	32,000	30,000
Economic Promotion and Job Creation	2,467	1,675	2,467	1,675
Educational Institutions and Health Forums	1,784	2,167	1,784	2,167
Khayelitsha Community Trust	0	0	10,023	0
Health and HIV/Aids/TB	793	232	793	232
Programmes, Conferences & Events	8,056	4,725	8,056	4,725
S A National Parks	3,270	6,340	3,270	6,340
Senior Citizens and Disabled	303	406	303	406
Social Arts & Culture and other	5,655	727	5,655	727
Sporting Bodies	2,971	1,813	2,971	1,813
Wesgro	7,230	10,610	7,230	10,610
<b>TOTAL GRANTS and SUBSIDIES</b>	<b>69,848</b>	<b>66,370</b>	<b>79,871</b>	<b>66,370</b>

ECONOMIC ENTITY		MUNICIPALITY of CAPE TOWN	
2007	2006	2007	2006
R '000	Restated R '000	R '000	Restated R '000

**36. GENERAL EXPENSES**

Chemicals	59,106	54,574	59,106	54,574
Communication and publication	18,933	41,722	18,714	41,722
Computer services and software	17,993	15,292	16,074	14,290
Consultants	25,261	71,086	21,555	69,589
Contributions - Medical aid: Continued members	354,148	370,370	354,148	370,370
Electricity - Eskom payments	28,130	29,649	28,126	29,649
Fuel	105,556	107,124	105,398	107,033
Furniture and fittings	34,372	30,406	34,360	30,374
Hire charges	79,307	74,126	79,044	73,964
Legal fees	24,410	26,200	22,181	24,326
Levy: Skills development	24,131	22,999	24,105	22,974
Licenses and permits	47,606	59,089	47,606	59,089
Loss on foreign exchange	229	474	229	474
Materials and consumables	54,887	53,024	41,603	43,552
City Improvement Districts	(5,242)	5,490	38,789	43,414
Minor Tools and Equipment	6,856	2,293	6,856	2,293
Pharmaceutical supplies	22,865	24,432	22,865	24,432
Postage and courier	17,910	22,725	17,864	22,687
Printing and stationary	47,775	34,289	47,194	33,865
Rental	31,601	34,996	26,830	32,580
Scrapping of assets	7,109	3,686	7,109	3,686
Security services	131,687	98,676	128,575	95,787
Sewerage services - disposals external	24,988	36,101	24,988	30,454
Telecommunications	85,683	84,434	84,831	83,664
Training	27,465	18,242	27,465	18,209
Transformation	0	45,804	0	45,804
Insurance : claims	21,805	23,837	21,805	23,837
Insurance : underwriting	23,445	26,238	22,460	25,161
Indigent relief	202,691	186,032	202,691	186,032
Operating grants and donations - Projects	161,990	188,165	161,990	188,165
Contributions, Transfers and Other	204,304	433,086	214,704	426,171
	1,887,001	2,224,661	1,909,265	2,228,221
Expenditure Recharged	(46,622)	(36,189)	(46,622)	(36,189)
Recharged to repairs and maintenance	(44,977)	(33,414)	(44,977)	(33,414)
Recharged to capital projects	(1,645)	(2,775)	(1,645)	(2,775)
<b>TOTAL GENERAL EXPENSES</b>	<b>1,840,379</b>	<b>2,188,472</b>	<b>1,862,643</b>	<b>2,192,032</b>

**37. TAXATION****Deferred taxation:****Cape Town International Convention Centre Company(Pty) Ltd:**

Deferred income taxes are calculated on all temporary differences under the balance sheet method using a tax rate of 29%.

At beginning of the year	12,431	8,084
Statement of performance charge	84	4,347
Additional depreciation charge	(3,758)	0
At end of year	8,757	12,431
The balance comprises: Assets losses	6,869	491
Capital allowance	1,888	11,940
	8,757	12,431

**Cape Town Community Housing Company(Pty) Ltd: 100%**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

## Taxable temporary differences

Section 24 allowance	(2,019)	(989)
Deductible temporary differences	39,745	47,568
Accruals	143	461
Deferred revenue (Institutional subsidies)	21,098	21,098
Deferred revenue (Other)	170	0
Doubtful debt provision	19,072	26,027
Fixed assets	(22)	(18)
Provisions	(253)	0
Revaluation of repossessed stock	(458)	0
Straight-lining of leases	(5)	0
Assessed loss	3,638	6,107
	41,364	52,686

	ECONOMIC ENTITY		MUNICIPALITY of CAPE TOWN	
	2007	2006	2007	2006
	R '000	Restated R '000	R '000	Restated R '000
Deferred taxation asset at 29% (2006: 29%)	11,996	15,279		
Less: unprovided	(11,996)	(15,279)		
Balance at the end of the year	<u>0</u>	<u>0</u>		

The deferred taxation asset of R12,039,501 (2006 : R14,056,161) was not recognised due to the losses of R3,637,765 since incorporation that can be carried forward against future taxable income.

#### Statement of Performance charge

	2007	2006
	R '000	Restated R '000
Taxation on income		
South African normal		
Current year : CTICC	13	0
Khayelitsha Community Trust	(13)	206
City Improvement Districts	7	60
	<u>7</u>	<u>266</u>

#### 38. CHANGES IN ACCOUNTING POLICY - IMPLEMENTATION GRAP/GAMAP

Capital grants and receipts had previously been recognised as revenue once the conditions attached to the grant as contemplated in Circular 18, had been met.

Circular 44 has since been issued which requires the guidelines contained in AC 134 to be followed. Capital grants and receipts has accordingly been restated to give recognition to income on a straight line basis over the useful lives of the assets.

\* AC134 : Accounting for government grants

#### Effect on Statement of Financial Position

Increase in non-current liabilities - Deferred income	4,386,426	4,386,426
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#### Effect on Statement of Financial Performance

Decrease in revenue - government grants and subsidies	(157,759)	(157,759)
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#### Effect on Statement of changes in Net Assets

Decrease in reserves	4,228,667	4,228,667
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#### 39. CORRECTION OF ERROR

##### Bulk Water purchases

Credits relating to 2006 incorrectly credited in 2007, now adjusted	1,871	1,871
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##### Inventory

Refuse bins expensed in 2006 instead of capitalised as inventory	10,430	10,430
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##### Interest rate derivatives

Adjustment to swap a ABSA R50million loan	9,128	9,128
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##### Performance bonuses

Performance bonuses incorrectly treated as provisions	21,607	21,607
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##### Operating leases

Operating leases smoothing adjustments	(211)	(211)
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##### Assets

Capitalisation of assets under R 5,000	12,821	12,821
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Depreciation on capitalised assets	(1,327)	(1,327)
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##### N2 Gateway

Adjustment of 2006 expenses paid in 2007.	(2,022)	(2,022)
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Deficit from operations	<u>0</u>	<u>52,297</u>	<u>0</u>	<u>52,297</u>
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ECONOMIC ENTITY		MUNICIPALITY of CAPE TOWN	
2007	2006	2007	2006
	Restated		Restated
R '000	R '000	R '000	R '000

**40. PRIOR YEAR ADJUSTMENTS****40.1 Restated prior year comparatives**

Property Rates (refer note 21)	62,694	62,694	62,694
Service Charges (refer note 22)	68,340	68,340	68,340
Rental of Letting Stock (refer note 24)	9,086	9,086	9,086
Other Income (refer note 27)	116,031	116,031	116,031
Impairment costs	(256,151)	(256,151)	(256,151)
<b>Deficit from operations</b>	<b>0</b>	<b>0</b>	<b>0</b>

The City restated its revenue derived from trading activities in accordance with GAMAP 9 and Circular 9 of SAICA to recognise revenue only when it is probable that future economic benefits or services potential will materialise. This resulted in an adjustment made in the prior year to the respective revenue and impairment cost line item in the Statement of Financial Performance.

**40.2 Statement of changes in net assets****Municipal Entities**

Khayelitsha Community Trust	44		
Cape Town Community Housing Company	(6,124)		
CID - Claremont	(940)		
CID - Claremont Road Co.	1,021		
CID - Epping	(5)		
CID - Roundings	3		
	<b>0</b>	<b>(6,001)</b>	

**40.3 Movement in reserves**

Insurance reserve	0	71,890	0	71,890
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These adjustments relate to creditors raised erroneously and the incorrect utilisation of funds for expenditure.

**41. CASH GENERATED BY OPERATIONS**

Surplus for the year	907,117	(212,538)	867,934	(103,489)
Adjustment for :-	143,526	2,051,002	132,640	1,955,657
- Prior year accumulated surplus adjustment	0	23	0	0
- Insurance reserve	(74,350)	71,890	(74,350)	71,890
- Depreciation	735,679	709,950	710,044	676,723
- Impairment	5,841	309,367	7,781	1,074
- Impairment of investments	0	0	1,120	245,328
- Gain and loss on disposal of property, plant and equipment	(45,822)	(39,809)	(45,847)	(42,967)
- Loss on valuation of derivatives	19,781	7,844	19,781	7,844
- Contribution to provisions – current	415,934	303,721	416,649	302,478
- Contribution to bad debt provision	(944,287)	873,989	(944,221)	873,708
- Deferred income	251,177	(106,270)	251,999	(106,270)
- Investment income	(504,069)	(430,330)	(493,946)	(423,476)
- Interest paid	283,642	350,627	283,630	349,325
<b>Operating surplus before working capital changes:</b>	<b>1,050,643</b>	<b>1,838,464</b>	<b>1,000,574</b>	<b>1,852,168</b>
Decrease (Increase) in inventories	(34,273)	(10,256)	(27,870)	(13,906)
Increase in debtors	1,228,115	(317,430)	1,252,860	(341,095)
Decrease (Increase) in other debtors	23,894	(48,555)	26,313	(36,103)
Increase in unspent conditional grants and receipts	148,646	69,687	148,646	68,011
Increase (Decrease) in creditors	203,912	530,983	198,709	535,851
Taxation	(14)	80	0	0
Increase in net VAT	(89,619)	36,152	(91,125)	36,444
<b>Cash generated by operations</b>	<b>2,531,304</b>	<b>2,099,125</b>	<b>2,508,107</b>	<b>2,101,370</b>

**42. CASH AND CASH EQUIVALENTS**

Balance at the end of the year	2,624,824	2,139,519	2,531,019	2,054,467
Adjustment - Parow CID	30	0	0	0
Balance at the beginning of the year	(2,139,549)	(1,783,783)	(2,054,467)	(1,711,792)
<b>Net increase in cash and cash equivalents (Refer note 20)</b>	<b>485,305</b>	<b>355,736</b>	<b>476,552</b>	<b>342,675</b>



ECONOMIC ENTITY		MUNICIPALITY of CAPE TOWN	
2007	2006	2007	2006
R '000	Restated R '000	R '000	Restated R '000

**43. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION**

Long-term liabilities raised (refer Appendix A)	0	200,000	0	200,000
Used to finance property, plant and equipment	1,734,538	1,342,855	1,734,538	1,342,855
2005/2006 and prior years	840,584	551,548	840,584	551,548
2006/2007	893,954	791,307	893,954	791,307
Total EFF (overdrawn)	(1,734,538)	(1,142,855)	(1,734,538)	(1,142,855)
Cash set aside for the repayment of long-term liabilities - refer note 4 & 15	426,474	349,949	426,474	349,949
<b>Cash (overdrawn) / cash invested</b>	<b>(1,308,064)</b>	<b>(792,906)</b>	<b>(1,308,064)</b>	<b>(792,906)</b>

External loans have been utilised in accordance with the Municipal Finance Management Act. The City's cash flow budget takes into account the cash flow requirement to ensure that external loans can be repaid on redemption date. Capital expenditure for the year under review was temporarily financed out of revenue. A bridging finance facility of R300 million has been put in place and is available use together with the R400 million balance of a R600 million term loan concluded in 2005/2006.

**44. IRREGULAR EXPENDITURE**

Reconciliation of irregular expenditure				
Opening balance	326,804	23,607	326,760	23,607
Irregular expenditure current year	1,256	314,804	1,256	314,760
Approved by Council	(326,804)	(11,607)	(326,760)	(11,607)
Transfer to receivables for recovery	0	0	0	0
Closing balance	<b>1,256</b>	<b>326,804</b>	<b>1,256</b>	<b>326,760</b>

Incident	Discipl./Crim. proceedings				
Misappropriation of inventory at stores.	Criminal proceedings taken and reported to SAPS. Council resolution dated 28 September 2005.	0	1,039	0	1,039
Alleged irregular hire of plant and equipment	Criminal proceedings taken and reported to SAPS. Council resolution dated 7 December 2006.	0	12,000	0	12,000
Cell phone allowances of Councillors	The Chief Whip and a select committee of Councillors to enter into further discussions with the Auditor-General on the regularisation of the presumed unauthorised allowances. Council resolution dated 25 October 2006	0	3,389	0	3,389
Reimbursement of travelling allowances of Councillors	After consultation with the MEC the issues have been referred to MAYCO for consideration. Council resolution dated 25 October 2006	0	6,665	0	6,665
Outstanding PAYE paid on behalf of Councillors	Council resolution dated 25 October 2006	0	514	0	514
Contracts not provided during the 2004/05 audit	No contracts could be provided. Council resolution dated 7 December 2006	0	1,094	0	1,094
Severance packages paid without approved policy	No policy or Council approval was available to verify the validity of these payments. Council resolution dated 7 December 2006	0	45,963	0	45,963
Transport allowances	No policy existed to grant these allowances. Council resolution dated 7 December 2006.	0	700	0	700
Performance bonus paid to City Manager	Discrepancies between performance evaluation results and ratings according to summary of performance appraisal. The validity and accuracy of amount could not be verified. Council resolution dated 7 December 2006.	0	186	0	186
Performance bonus paid to Executive Directors	No performance contracts existed for two Executive Directors and the determination of the benefits were not properly approved. The validity and accuracy of amounts could not be verified. Council resolution dated 7 December 2006.	0	743	0	743

		ECONOMIC ENTITY		MUNICIPALITY of CAPE TOWN	
		2007	2006 Restated	2007	2006 Restated
		R '000	R '000	R '000	R '000
Performance bonus paid to relevant Directors, Sub-Council Co-ordinators and certain managers without relevant evaluation	No performance evaluations was performed for these employees and an across the board rating approved by the City Manager was used. No council approval or delegated authority could be obtained. Council resolution dated 7 December 2006.	0	2,490	0	2,490
Supply chain management policy not followed in procurement of services - no tender could be submitted.	Report in terms of section 32 of MFMA to be submitted to SCOPA. Council resolution dated 7 December 2006.	0	261,152	0	261,152
No quotations could be submitted regarding certain expenditure	Report in terms of section 32 of MFMA to be submitted to SCOPA. Council resolution dated 7 December 2006.	0	2,388	0	2,388
Regulatory framework for supply chain management and Council's policy on payment of travel not followed	Report in terms of section 32 of MFMA to be submitted to SCOPA. Council resolution dated 7 December 2006.	0	44	0	44
South African Revenue Services- late payment interest. (Cape Town International Convention Centre)	South African Revenue Services- late payment interest. Late payment interest, in the amount of R43 872 was paid to SARS in respect of Employees Tax. Due to a misallocation by SARS of the actual payment received by SARS on 12 November 2003, penalties were waived however interest was still levied.	0	44	0	0
Council approved the submissions on the various dates specified in the above table regarding the irregular expenditure except for the items specified as having been reviewed on 7 December 2006 and referred to SCOPA for further investigation in accordance with Section 32 (2)b of the MFMA.		0	(11,607)	0	(11,607)
Time theft	Under investigation by internal audit	263	0	263	0
Duplicate wage payments	Report to Council in process of preparation	527	0	527	0
Arrear staff debtor	Report to Council in process of preparation	466	0	466	0
		<b>1,256</b>	<b>326,804</b>	<b>1,256</b>	<b>326,760</b>

## 45. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

	Contributions to SALGA	Audit fees	PAYE and UIF	Pension and Medical Aid Deductions
<b>2007</b>				
Opening balance	0	243	27,578	74,829
Current year subscription / fee	6,000	14,033	394,852	911,493
Amount paid - current year	(6,000)	(12,579)	(361,884)	(832,151)
Amount paid - previous years	0	(243)	(27,578)	(74,850)
<b>Balance unpaid (included in creditors)</b>	<b>0</b>	<b>1,454</b>	<b>32,968</b>	<b>79,321</b>
<b>2006</b>				
Opening balance	0	265	29,614	65,833
Current year subscription / fee	6,840	11,748	388,022	903,119
Amount paid - current year	(6,840)	(11,505)	(360,444)	(828,290)
Amount paid - previous years	0	(265)	(29,614)	(65,833)
<b>Balance unpaid (included in creditors)</b>	<b>0</b>	<b>243</b>	<b>27,578</b>	<b>74,829</b>

## VAT

VAT output payables and VAT input receivables are shown in note 10. All VAT returns have been submitted by the due date throughout the year.

**Councillors' arrear consumer accounts**

The following Councillors had arrear accounts outstanding for more than 90 days:-

	<b>Total</b>	<b>Outstanding &lt; 90 days</b>	<b>Outstanding &gt; 90 days</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>30 June 2007</b>			
L O Anderson-Jardine	11,866	0	11,866
W Brady	7,736	0	7,736
AM Figlan	4,558	0	4,558
W Hassiem	156,960	0	156,960
I R Jackson	2,177	0	2,177
W D Jaftha	28,153	0	28,153
N D Magwetsu	4,130	0	4,130
R P Mravu	2,790	0	2,790
M Murudker	97,670	0	97,670
M Ncedana	493	0	493
A R Omar	3,293	0	3,293
J W P Thee	5,213	0	5,213
T V Trout	3,826	0	3,826
<b>Total Councillor Arrear Consumer Accounts</b>	<b>328,865</b>	<b>0</b>	<b>328,865</b>
<b>30 June 2006</b>			
B A Zuma (Jeremiah)	300	300	0
B V Bala	200	200	0
F H Maxakato	2,026	618	1,408
G G Twigg	2,289	1,542	747
J F Erasmus	3,753	3,639	114
J Pascoe	105	105	0
J T Mokoena	145	141	4
J W P Thee	200	194	6
L R Dunn	1,390	1,390	0
M Mbaliswano	113	0	113
M Murudker	206,148	194,323	11,825
M Ncedana	2,011	162	1,849
M T Mgxekeni	283	283	0
N Jacobs	215	91	124
N P Mgayiya	4,716	1,258	3,458
N T Bottoman	3,087	2,926	161
P M Motyi	128	37	91
P Mgcioeli	818	651	167
V V Mdluli	1,151	1,000	151
W Hassiem	23,547	16,876	6,671
<b>Total Councillor Arrear Consumer Accounts</b>	<b>252,626</b>	<b>225,736</b>	<b>26,890</b>
In addition, the following councillors were in arrears as at 30 June 2006 and have made signed arrangements to pay the amounts outstanding.			
A M Figlan	10,903		10,903
B V Bala	2,948		2,948
C Carstens	5,066		5,066
C P V Claasen	2,992		2,992
D J Christians	5,549		5,549
D W Japtha	48,382		48,382
E L Thompson	11,798		11,798
J F Erasmus	50,973		50,973
M A & P W Mkhutshwana	9,094		9,094
N D Magwentshu	9,317		9,317
N G Gexa	3,162		3,162
P F Mngxunyeni	11,700		11,700
<b>Total signed arrangements</b>	<b>171,884</b>		<b>171,884</b>
Account in dispute			
W Hassiem	190,972	184,747	6,225

ECONOMIC ENTITY		MUNICIPALITY of CAPE TOWN	
2007	2006	2007	2006
	Restated		Restated
R '000	R '000	R '000	R '000

**Supply Chain Management Regulations**

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

**Incident**

Social crime prevention	0	270	0	270
Earthmoving Equipment repairs	0	272	0	272
Emergency pipeline repairs	0	3,027	0	3,027
Extention of consultants: Potsdam wastewater treatment works	0	30,000	0	30,000
Driving License Testing Centre: Phillipi	0	49	0	49
Appointment of Consultants	63,790	0	63,790	0
Information Technology Upgrade	7,547	0	7,547	0
Upgrading of Electricity Services	14,448	0	14,448	0
Extention of contract	22,639	0	22,639	0
Upgrading of Road infrastructure	3,078	0	3,078	0
Supply and delivery of plant and equipment	754	0	754	0
Other	104,788	0	104,788	0
	<b>217,044</b>	<b>33,618</b>	<b>217,044</b>	<b>33,618</b>

**46. CAPITAL COMMITMENTS**

Commitments in respect of capital expenditure:

- Approved and contracted for	3,320,509	729,553	3,317,999	729,553
Infrastructure	389,494	612,861	386,984	612,861
Community	2,878,357	37,188	2,878,357	37,188
Housing Development Fund	3,032	0	3,032	0
Other	49,626	79,504	49,626	79,504
- Approved but not yet contracted for	319,085	163,824	319,085	163,824
Infrastructure	294,733	67,453	294,733	67,453
Community	7,885	24,571	7,885	24,571
Housing Development Fund	0	0	0	0
Other	16,467	71,800	16,467	71,800
<b>Total</b>	<b>3,639,594</b>	<b>893,377</b>	<b>3,637,084</b>	<b>893,377</b>
This expenditure will be financed from:				
- External Loans	307,835	449,437	307,835	449,437
- Asset Financing Reserve	710,626	99,468	710,626	99,468
- Government Grants	2,492,775	344,472	2,492,775	344,472
- Other sources	128,358	0	125,848	0
	<b>3,639,594</b>	<b>893,377</b>	<b>3,637,084</b>	<b>893,377</b>

The substantial increase in capital commitments is attributable mainly to funds committed to the Green Point Soccer Stadium.

**47. OPERATING LEASE COMMITMENTS****The City as Lessee**

Future minimum lease payments under non-cancelable operating leases:

Buildings	31,909	57,871	31,909	57,871
Payable within one year	18,117	26,216	18,117	26,216
Payable within two to five years	13,792	31,655	13,792	31,655
Vehicles and other equipment	94,890	129,781	94,890	129,781
Payable within one year	32,695	34,909	32,695	34,909
Payable within two to five years	61,979	94,613	61,979	94,613
Payable after five years	216	259	216	259
	<b>126,799</b>	<b>187,652</b>	<b>126,799</b>	<b>187,652</b>

In terms of the additional guidance to AC 105 (leases), escalations in operating leases are no longer recognised in the periods they actually incurred, but are now charged in the statement of financial performance on a straight-line basis over the term of the lease. The impact has been an increase in current year expenditure of R615,904. (2006 : R595,433)

ECONOMIC ENTITY		MUNICIPALITY of CAPE TOWN	
2007	2006	2007	2006
	Restated		Restated
R '000	R '000	R '000	R '000
7,521	7,835	7,521	7,835
27,468	28,430	27,468	28,430
71,819	78,386	71,819	78,386
<b>106,808</b>	<b>114,651</b>	<b>106,808</b>	<b>114,651</b>

**The City as Lessor**

At Statement of Financial Performance date the City has contracted with tenants for the following future minimum lease payments.

Payable within one year	7,521	7,835	7,521	7,835
Payable within two to five years	27,468	28,430	27,468	28,430
Payable after five years	71,819	78,386	71,819	78,386
	<b>106,808</b>	<b>114,651</b>	<b>106,808</b>	<b>114,651</b>

The City lets its investment properties under operating leases. Property rental income earned during the year was R7,552million (2006:R7,750million). The properties are maintained by the tenants at their cost. No investment properties have been disposed of since the statement of financial performance date.

The impact of charging the escalations in operating leases on a straight-line basis over the term of the lease has been an increase in current year income of R160,461.

**48. FINANCIAL RISK MANAGEMENT****Interest rate risk**

The City is not exposed to interest rate risk on its financial liabilities. All of the City's interest bearing external loan liabilities, as detailed in Appendix A, are fixed interest rate loans. Similarly with financial assets, the City invests its surplus funds on fixed interest rate deposits with banks for fixed terms not exceeding one year.

**Liquidity risk**

The City manages liquidity risk by effectively managing its working capital, capital expenditure, external borrowings and cash flows. Standby credit facilities are available with the City's main banker to cater for any unexpected temporary shortfall in operating funds.

**Credit risk**

The City manages credit risk in its borrowing and investing activities by dealing with only A rated financial institutions and by spreading its exposure over a range of such institutions in accordance with its approved investment policies. Credit risk relating to consumer debtors is managed in accordance with the City's credit control and debt collection policy. The City's credit exposure is spread over a large number and wide variety of consumers and is not concentrated in any particular sector or geographical area. Adequate provision has been made for anticipated bad and doubtful debts. Additional information relating to the analysis of consumer debtors is given in note 18 to the financial statements.

**Fair value interest rate risk**

The City is exposed to fair value interest rate risk on its external loan liabilities which are all fixed interest rate loans

**49. INTEREST RATE DERIVATIVES**

Interest rate swap agreements, based on notional amounts totalling R200 million, have been entered into as part of a structured external loan to the City over the life of the loan (1998 - 2008). These derivatives are classified as held for trading financial instruments, and fair valued through profit or loss.

**50. RETIREMENT BENEFIT INFORMATION**

The City makes provision for post-retirement benefits to eligible Councillors and employees who belong to different pension schemes. These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes. Contributions of R325,9million (2006 : R296,1million) to the defined benefit and defined contribution structures are expensed as incurred during the year under review.

These schemes are subject to a tri-annual, bi-annual or annual actuarial valuation as set out hereunder.

**CAPE JOINT PENSION FUND**

The Cape Joint Pension Fund operates both as a defined benefit and defined contribution scheme.

**Defined Benefit Scheme**

The DB section is a multi-employer plan and the contribution rate payable is 27%, 9% by the members and 18% by their councils. The fund was certified as being in a sound financial condition as at 30 June 2006 by the Actuary. The valuation disclosed an actuarial surplus of R293 million and was funded 111,4%.

**Defined Contribution Scheme**

This scheme was established to accommodate the unique characteristics of contract employees and "cost to company" employees. All existing members were given the option to transfer to the defined contribution plan before 1 July 2003. The actuary report certified that, the structure of the assets is appropriate relative to the nature of the liabilities, assuming a smoothed bonus philosophy and given normal circumstances. The report further indicated that the defined contribution plan is funded on sound actuarial principles.

**CAPE JOINT RETIREMENT FUND**

The contribution rate paid by the members (9%) and their councils (18%) is sufficient to fund the benefits accruing from the Fund in future. The Actuary certified the fund as being in a sound financial position as at 30 June 2006.

**SALA PENSION FUND**

The fund, a defined benefit plan, is financially sound and was 105,4% funded as at 30 June 2006.

The City is contributing an additional 2.71% to the fund as from 1 July 2005, effective from July 2003.

**MUNICIPAL COUNCILLORS' PENSION FUND**

The Municipal Councillors' Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13.75%) and their councils (15.00%) is sufficient to fund the benefits accruing from the fund in the future.

The last actuarial valuation of the fund was undertaken at 30 June 2005 and the actuary reported that the Fund as a whole is in a sound financial condition.

## NOTES TO THE ECONOMIC ENTITY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

## CAPE MUNICIPAL PENSION FUND

The Cape Municipal Pension Fund operates both as a defined benefit and defined contribution scheme. The last actuarial valuation of the fund was performed at 30 June 2006 and certified the fund as being in a financially sound position. The next statutory valuation is due by 30 June 2009.

	Total	DB section	DC section
In-service members	8,290	492	7,798
Pensioners	5,807	5,203	604
Membership 30 June 2006	14,097	5,695	8,402

	2007 R: million	2006 R: million
Past service position - Defined benefit section	3,735	1,914
Past service position - Defined contribution section	2,977	1,914
Total liabilities	6,712	3,828
Assets valued at market value	6,787	3,828
Actuarial surplus	75	0

	DB members before retirement	DB members in retirement and DB/DC pensioners
Net discount rate	3.00%	4.25%
Actual Employer contributions - Defined benefit section	20.25%	20.25%
Actual Employer contributions - Defined contribution section	18.00%	18.00%
Normal retirement age	60 years	60 years

## NATIONAL FUND FOR MUNICIPAL WORKERS

The Retirement and Pension Funds are both defined contribution schemes. The last voluntary actuarial valuation of the Fund was performed on 30 June 2006. As at 30 June 2006 the interim results state that the way the benefits are structured in the rules, the fund is limited to an amount equal to the accumulation of all the contributions plus investment returns less administration costs.

## SOUTH AFRICAN MUNICIPAL WORKERS UNION NATIONAL PROVIDENT FUND

The SAMWU National Provident Fund is a defined contribution scheme. The last actuarial valuation of the fund was performed at 30 June 2005 and certified as being in a financially sound position. The next statutory valuation is due not later than 30 June 2008.

## ORION PROVIDENT FUND

All full-time employees of the Cape Town Community Housing Company belong to the Orion provident fund which is governed by the Pension Fund Act. The company makes all contributions on behalf of its employees. The company's contribution to the defined contribution plans are charged to the income statement in the year to which they relate. During the year the company contributed R477,371 (2006: R386,996). There is no liability for post retirement benefits.

## POST EMPLOYMENT HEALTH CARE BENEFITS

For past service of employees and retired employees, the City recognises and provides for the actuarially determined present value of post retirement medical aid employer contributions on an accrual basis using the projected unit credit method.

The members of medical aid schemes, entitled to a post employment medical scheme subsidy at 30 June were as follows:

In-service members 14560 persons (2006 : 15311)  
Continuation members 6443 persons (2006 : 6269)

	2007 R:Million	2006 R:Million
<b>Post Employment Health Care Benefits</b>		
Present value of unfunded liability	1,774	1,596
Unrecognised transitional liability	(184)	(368)
Unrecognised actuarial gain/(loss)	7	85
Net liability in Balance sheet	1,597	1,313
<b>Amounts included in the statement of financial performance</b>		
Service cost	42	51
Traditional liability recognised	184	184
Interest cost	128	136
Total included in statement of financial performance	354	370
<b>Movement in the liability recognised in the statement of financial position</b>		
Balance at the beginning of the year	1,307	1,009
Net expense recognised in the statement of financial performance	354	370
Contributions paid	(65)	(67)
	1,597	1,313

The contributions paid are actual contributions paid by the city and the unrecognised actuarial gains and losses have been adjusted accordingly to take into account the difference between the estimated contribution payments determined by the actuary and actual contributions paid to members by the City of Cape Town.

**Key financial assumptions**

Discount rate	8.0%	8.0%
Health care cost inflation rate	6.5%	6.5%
Net effective discount rate	1.4%	1.4%
Replacement Ratio	65.0%	65.0%
Expected retirement age - females	60 years	60 years
Expected retirement age - males	65 years	65 years

**Health care arrangement assumptions**

It was assumed that the Employer's health care arrangements and subsidy policy would remain as outlined in the accounting policy and that the level of benefits and contributions would remain unchanged, with the exception of inflationary adjustments. Implicit in this approach is the assumption that current levels of cross-subsidy from in-service members to retiree members within the medical scheme are sustainable and will continue.

It was further assumed that the subsidy would continue until the last survivor's death, for eligible members and their spouses and to age 21, if earlier, for dependant children.

**Continuation of Membership**

It was assumed that 100% of in-service members entitled to a post-retirement subsidy retiring from the City of Cape Town will remain on the Employer's health care arrangements.

**Family Profile**

It was assumed that 90% of in-service members will be married at retirement and that husbands will be four years older than their wives. Retirees' actual marital status was used and the potential for remarriage was ignored.

**Plan Assets**

There are currently no long-term assets to set aside off-balance sheet in respect of the Employer's post-employment health care liability.

**POST RETIREMENT PENSION BENEFITS**

For past service of employees and retired employees, the City recognises and provides for the actuarially determined present value of post retirement revenue pensions on an accrual basis using the projected unit credit method.

The number of employees who were eligible for a post retirement pension at 30 June was as follows:

Eligible employees 58 persons (2006 : 62)

Pensioners 220 persons (2006 : 226)

	2007 R '000	2006 Restated R '000
<b>Post Employment Retirement Pension Benefits.</b>		
Present value of unfunded liability	15,448	15,448
Interest costs	1,163	0
Current service costs	307	0
Actuarial gains/losses	2,068	0
Benefits paid	(2,165)	0
Net liability in balance sheet	<u>16,821</u>	<u>15,448</u>
<b>Amounts included in the statement of financial performance</b>		
Service cost	307	307
Interest costs	1,163	1,236
	<u>1,470</u>	<u>1,543</u>
<b>Movement in the liability recognised in the statement of financial position</b>		
Balance at the beginning of the year	15,448	21,133
Net expense recognised in statement of financial performance	1,470	1,543
Increase/Decrease in redundancy benefit	0	(4,656)
Contributions paid	(2,165)	(2,572)
	<u>14,753</u>	<u>15,448</u>

**Key financial assumptions**

Discount rate	8.4%	8.0%
General salary inflation rate - employees	6.2%	6.5%
Net effective discount rate - employees	2.1%	1.4%
Pension increase rate - pensioners	2.6%	2.7%
Net effective discount rate - pensioners	5.7%	5.2%

**51. CONTINGENT LIABILITY****Guarantees issued**

The Development Bank of South Africa (DBSA) has made a loan to the Gugulethu Central Market Place (the Company) of the sum of R250,000. The City of Cape Town has issued an undertaking to the DBSA to take over the obligation of the Company in terms of the loan agreement, should the Company not be in a position to repay the loan. As at 30 June 2007, the Company was in arrears with its repayment of capital and interest to the DBSA to the sum of R284,196.

**Contractual disputes**

Various contractual claims by contractors/suppliers and staff are currently in dispute and being addressed through mediation. The maximum unforeseen liability is estimated at R16,8 million.

**Staff parity**

The potential liability for staff parity is estimated at R75,5 million

**Performance bonuses**

The estimated liability for performance bonuses amounts to R19 million.

**Outstanding insurance claims**

The liability for outstanding insurance claims is estimated at R72,763 million.

**Loan agreements**

The rate of interest payable on the structured loans and finance leases is based on certain underlying assumptions relating to the lender's statutory costs and the allowability of deductions for income tax purposes in connection with the loans. In the event of changes to the Income Tax Act or any other relevant legislation which impact on the loan structure costs, the lender is required to increase or decrease the future rate of interest payable on the loan or its remaining life in order to absorb the increase or decrease in costs.

**Cape Town International Convention Centre**

An objection was lodged with SARS on 01 June 2007 in respect of the 2005 revised additional income tax assessment which was issued by SARS after a tax audit in November 2005. The outcome of this objection is uncertain at this stage as SARS have not provided any comments on the objection. The objection was lodged on the grounds of a disallowance of a tax deduction of R12,748,144 in terms of section 11(e) of the Act. The impact of the disallowance could result in taxes owed to SARS amounting to R4,420,253 for the 2005 tax year. No provision has been made for the R4,420,253 and the original method of calculation has been used in the 2006 and 2007 tax calculation. The effect of SARS disallowance in the tax deduction could result in taxes paid for the current financial year of R4,623,959. (2006 : R 4,590,002)

**Cape Town Community Housing Company (Pty) Ltd.**

At 30 June 2007, the company had a contingent liability in respect of bank guarantees, amounting to R200,630 (2006: R46,000), arising in the ordinary course of business from which it is anticipated that no material liability will arise.

The company is also in the process of defending a capital amount of R6,019,688 claim from CSM Consulting Engineers (Pty) Ltd. At present the directors are uncertain of the outcome or date of finality of the matter.

As part of the company's operations and in terms of the instalment sale contracts entered into, the company has contractual obligations to repair and maintain housing units, in respect of latent and patent defects as set out in the instalment sale agreements, for the duration of the instalment sale agreement or until the houses are transferred to the clients. At 30 June 2007, the company was committed to repair and maintain 1,797 housing units. There is also a commitment, in terms of a debenture agreement with shareholders, to perform renovations of which the funding is provided by the shareholders. The potential liability as at 30 June 2007 could not be quantified.

**Khayelitsha Community Trust****Taxation**

The trust is in the process of obtaining a tax directive from the South African Revenue Services, about the exempt tax status of the trust as a public benefit organisation as well as the income tax status of grant funding received from the City of Cape Town, which has been considered exempt for normal tax. Should the grant funding be found to be taxable, the trust would be liable for additional tax of R5,462 million. (2006 : R1,785 million). However, should the trust qualify for exempt tax status, it will not be liable for any income tax.

The cost of leasehold improvements made on land owned by the trust amounted to R89,5 million and the potential tax thereon amounts to R35,8 million.

**Value Added Tax**

At year end the trust was not registered as a VAT vendor and is corresponding with SARS about whether registration is mandatory. The potential net VAT payable in terms of the amendments to the VAT Act with effect from 01 July 2006, should the trust register for VAT, was calculated at R404,460.

**Regional Electricity Distributor (RED1)**

The City issued a bank guarantee of R658,935 as security to the master of the High Court for any outstanding debts of RED1.



**52. RELATED PARTY DISCLOSURES****Councillors**

A number of councillors of the City hold positions in other entities, where they may have significant influence over the financial or operating policies of these entities. Accordingly, the following are considered to be such entities:

Councillor	Position held in entity	Entity	Nature
Chaaban B	Lessee	Greenmarket Square	Property lease
Jelele L	Director	Masibambane Recruitmen(pty)ltd	Staff recruitment
Joko B	Member	Sizisa Ukhanyo Trading cc	Small business enterprise
Justus C	Director	Communicare	Housing developers
Lukas A	Member	Seasons Find t/a Faras	Cartering
Maxakato F	Member	Clean up your street	Community upliftment project
Msuthu N	Member	Inyameko Trading cc	Small business enterprise
Purchase F	Member	Regal Cycles cc	Small business enterprise
Qually D	Director	Muizenberg Improvent District	City improvement
Williams A	Director	Blue Downs Community Base Org.	Community upliftment project
Yiba L	Member	Sizisa Ukhanya cc	Small business enterprise

**Executive Management Team**

No inter-party business transactions took place between the City and key management personnel (City Manager and Executive Directors) and their close family members during the year under review.

Remuneration details are disclosed in note 29.

**Subsidiary Companies**

The consolidated financial statements include the financial statements of the City of Cape Town and its subsidiaries as listed below:

	Equity interest percentage 2007	Equity interest percentage 2006
Cape Town International Convention Centre Company (Pty) Ltd. *	50.18%	50.26%
South Peninsula Micro Loans - discontinued during 2005/06 financial year	discontinued	100.00%
Phillipi East Trading Centre (Pty) Ltd - discontinued during the 2005/06 fin.year	100.00%	100.00%
Khayelitsha Community Trust	100.00%	100.00%
City Improvement Districts	100.00%	100.00%
Regional Electricity Distributor One (RED1) **	100.00%	100.00%
* Shareholding in the CTICC changed due to 200 shares sold back to CONVENCO.		
** Council resolved that RED1 be voluntarily liquidated and disestablished as a municipal entity.		
<b>Joint Venture</b>		
Cape Town Community Housing Company (Pty) Ltd	50.00%	50.00%
<b>Aggregate value of interest in Joint Venture</b>		
Non-current Assets	17,163	6,190
Current Assets	23,170	27,559
Non-current Liabilities	30,344	31,929
Current Liabilities	26,768	25,372
Revenue	14,962	8,424
Expenses	8,189	12,920
Net profit/(loss)	6,773	(4,496)

ECONOMIC ENTITY		MUNICIPALITY of CAPE TOWN	
2007	2006 Restated	2007	2006 Restated
R '000	R '000	R '000	R '000

The following amounts relate to arms length transactions for the year with the subsidiary companies:

**Cape Town International Convention Centre Company (Pty) Ltd.**

Receivables	1,715	26,891
Service charges	16,101	31,153

**Khayelitsha Community Trust**

Receivables	1,420	1,420
Grant	10,023	1,719

**City Improvement Districts**

Receivables	1	2
CID Levies	44,031	37,931

**Regional Electricity Distributor One (RED1)**

Inter-company advance	362	1,719
Fees and rentals	9,058	7,033

**Cape Town Community Housing Company (Pty) Ltd (Joint Venture)**

Receivables	3,887	7,868
Service charges	35	24

**Cape Metropolitan Transport Fund (Administrator of the Fund)**

Funds on behalf of CTMTF	205,742	116,652	205,742	116,652
Grant received	41,506	69,381	41,506	69,381

ECONOMIC ENTITY			MUNICIPALITY of CAPE TOWN	
2007	2007	2006	2007	2006
R '000	R '000	Restated R '000	R '000	Restated R '000

**53. DISCONTINUED OPERATIONS**

In terms of Council resolution the below mentioned entities were discontinued during the years under review and all operations were discontinued during the respective financial years, as indicated. The financial activities for the financial years under review are as follows:

	RED1	Philippi East Trading Centre	SPM Housing Micro-Loans	Maitland Abattoir
<b>Statement of Financial Performance to date of discontinuation</b>				
Revenue	9,059	9	133	2,529
Expenditure	9,059	24	3,465	18,887
	0	(15)	(3,332)	(16,358)
Interdepartmental charges (Deficit) for the year	(9,058)	0	0	14,348
	(9,058)	(15)	(3,332)	(2,010)
<b>Statement of Financial Position at date of discontinuation</b>				
<b>NET ASSETS AND LIABILITIES</b>				
Net Assets	0	150	0	(64,972)
Accumulated surplus/(deficit)	0	165	3,332	(62,962)
Surplus/(Deficit) for the year	0	(15)	(3,332)	(2,010)
Current Liabilities	597	79	0	71,284
Creditors	597	22	0	4,199
Taxation	0	57	0	0
Advances COCT	0	0	0	67,085
Total Net Assets and Liabilities	597	229	0	6,312
<b>ASSETS</b>				
Non-current Assets	99	0	0	0
Property, Plant & Equipment	122	0	0	23,176
less: Depreciation	(23)	0	0	(23,176)
Current Assets	498	229	0	6,312
Debtors	362	1	0	7,564
less: Bad Debt provision	0	0	0	(1,252)
VAT Claimable	122	0	0	0
Cash and Cash Equivalents	14	228	0	0
Total Assets	597	229	0	6,312
<b>Cash Flow Statement at date of discontinuation</b>				
<b>Cash Flow from Operating activities</b>				
Cash Receipts	9,059	9	133	2,529
Cash Payments	(9,059)	(1)	(3,465)	(18,887)
Cash utilised in operations	0	8	(3,332)	(16,358)
<b>Cash Flow from Financing activities</b>				
Increase in advance COCT	0	0	3,332	16,358
Net increase/decrease in cash and cash equivalents	0	8	0	0

An amount of R 3,462m was refunded to the City by the South Peninsula Municipality Housing Micro-Loans Underwriting Trust, and is included in the cash payments figure as disclosed in the cash flow statement above.

**54. EVENTS AFTER BALANCE SHEET DATE****CAPE TOWN COMMUNITY HOUSING COMPANY**

The City, at its council meeting on 29 August 2007, and following a tender process, resolved to dispose of its holding of 2,0 million ordinary shares and 21,3 million sub-ordinated convertible non-voting debentures in the Cape Town Community Housing Company for an amount of R21,2 million. At year end the Housing Company had loans outstanding to the value of R19,771 million (2006 : R21,397 million) of which the City is liable for 50% thereof. The City's investment in the Housing Company was fully impaired at 30 June 2007 and is carried at a nil value.

**DISPOSAL OF MUNICIPAL PROPERTIES**

The City disposed of municipal properties for the first time by way of a programme aimed at stimulating economic development. Properties no longer required for municipal purposes are being identified, investigated and prioritised for disposal by means of a public tender process. It is expected that the programme will yield significant income.

**OTHER**

Various forensic investigations are still ongoing on audit issues raised in the previous financial year.

**APPENDIX A  
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2007**

EXTERNAL LOANS	Interest Rate	Loan Number	Redeemable Date	Balance at 30 June 2006 R'000	Received during the period R'000	Capitalised during the period R'000	Redeemed/ written off during period R'000	Balance at 30 June 2007 R'000	Carrying Value of PPE R'000	Other Costs in accordance with the MFMA R'000
<b>LOCAL REGISTERED STOCK</b>										
ABSA Investor Services	16.500%	830004515	2010	4,600				4,600	2,736	
Standard Bank Nominees	14.650%	830011508	2014	6,800				6,800	5,746	
<b>Total Local Registered Stock</b>				<b>11,400</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11,400</b>	<b>8,482</b>	<b>0</b>
<b>ANNUITY LOANS</b>										
ABSA Bank	11.150%	830000000	2010	27,487			5,799	21,688	29,408	
ABSA Bank	11.150%	830000450	2010	21,228			4,478	16,750	23,427	
Inca	15.250%	830000510	2007	56			36	20	39	
<b>Total Annuity Loans</b>				<b>48,771</b>	<b>0</b>	<b>0</b>	<b>10,313</b>	<b>38,458</b>	<b>52,874</b>	<b>0</b>
<b>OTHER LOANS</b>										
DBSA	10.590%	83001050	2018	406,994			16,959	390,035	409,508	
DBSA	12.250%	83001051	2015	233,799			12,988	220,811	241,861	
ABSA Bank	7.852%	830000440	2010	159,065		29,293		188,358	94,151	
FBC Syndicate	13.090%	830000910	2008	200,000				200,000	128,477	
Nedcor Bank	1.000%	830000920	2019	50				50	33	
Rand Merchant Bank	15.026%	830001690	2008	26,230			8,909	17,321	35,059	
Rand Merchant Bank	15.152%	830001700	2008	12,948			4,366	8,582	14,213	
Rand Merchant Bank	16.259%	830001710	2011	74,041			5,012	69,029	65,534	
Rand Merchant Bank	12.989%	830003504	2017	207,424			3,201	204,223	166,176	
First National Bank	12.545%	830000880	2013	105,963			8,684	97,279	84,593	
ABSA Bank	10.900%	830007011	2018	240,000			20,000	220,000	237,205	
First National Bank	10.077%	830009531	2018	250,000			20,000	230,000	259,014	
DBSA	5.000%	830012028	2020	56,000			4,000	52,000	54,437	
DBSA	9.420%	830012035	2020	130,667			9,334	121,333	125,268	
<b>Total Other Loans</b>				<b>2,103,181</b>	<b>0</b>	<b>29,293</b>	<b>113,453</b>	<b>2,019,021</b>	<b>1,915,529</b>	<b>0</b>
<b>FINANCE LEASES</b>										
Nedbank	14.291%	860000860	2008	66,627			1,920	64,707	41,002	
Investec	14.343%	830000870	2012	34,138			4,442	29,696	29,154	
SCMB	15.409%	830000890	2011	85,230			978	84,252	40,370	
Bankfin	8.500%		2007	5,352			3,948	1,404		
<b>Total Finance Leases</b>				<b>191,347</b>	<b>0</b>	<b>0</b>	<b>11,288</b>	<b>180,059</b>	<b>110,526</b>	<b>0</b>
<b>CONTROLLED ENTITIES</b>										
CTComm:Housing Comp.: NHFC	12.500%		2014	4,828		677	1,097	4,408		
CTComm:Housing Comp.: DIGH	7.720%		2016	1,671		93	228	1,536		
CTComm:Housing Comp.: DIGH	5.740%		2016	4,200		248	504	3,944		
City Improvement Districts: ABSA	10.000%		2007	22			22	0		
<b>Total Controlled Entities</b>				<b>10,721</b>	<b>0</b>	<b>1,018</b>	<b>1,851</b>	<b>9,888</b>	<b>0</b>	<b>0</b>
<b>TOTAL EXTERNAL LOANS</b>				<b>2,365,420</b>	<b>0</b>	<b>30,311</b>	<b>136,905</b>	<b>2,258,826</b>	<b>2,087,411</b>	<b>0</b>

## APPENDIX A 1

### STRUCTURED LOANS AND FINANCE LEASES DESCRIPTIONS AS AT 30 JUNE 2007

#### (i) **ABSA Bank (830000440)**

Structured unsecured 10 year loan. Original loan capital of R50m plus interest (variable swapped into fixed) capitalised over 10 years repayable on 30/06/2010. Deposits are made semi-annually into two sinking funds with ABSA Bank which, together with fixed interest capitalised over 10 years, will settle the loan liability on 30/06/2010.

#### (ii) **Future Syndications (830000910)**

Structured R200m 10 year loan funded by ABSA Bank (R172m), Standard Bank (R18m) and FutureBank (Nedbank) (R10m). Loan capital of R200m repayable on 17/09/2008. Interest (fixed on R190m, variable R10m, in terms of interest rate swap agreements) is payable semi-annually. Deposits are made semi-annually into a sinking fund with ABSA Bank which, together with fixed interest capitalised over 10 years, will grow to R200m and be used to settle the loan capital liability on that date. The sinking fund deposit is ceded to Future Syndications as security for the performance of the City's obligations under the loan. The City has the right to prepay the full loan, on at least 30 days notice, subject to being liable for all breakage/unwinding costs.

#### (iii) **FirstRand Bank (830001690)**

Structured R150m 15 year loan repayable annually in reducing instalments of capital and fixed rate interest, final redemption on 07/07/2008. Repayment liabilities are evidenced by a series of promissory notes issued by the City to FirstRand and later sold on to INCA. The City has the right to prepay the full loan, subject to being liable for all breakage/unwinding costs, in the event of a material reduction in the assumed benefits payable to the City under the structure.

As part of the loan structure, the City has lent the sum of R150m to FirstRand at a fixed rate of interest, repayable together with capitalised interest on 07/07/2008. In addition, the City has issued a 15 year bond to FirstRand, at the same fixed rate of interest as the City's R150m loan to FirstRand, redeemable together with compounded interest on 07/07/2008. The City does not disclose the separate asset and liability arising from these transactions on the balance sheet. It applies set-off in respect of these two legs of the structure as they meet the requirements for offsetting of IAS32 par. 42 and contra out exactly.

The City has ceded its rights under its loan to FirstRand as security for its obligations to FirstRand under the original loan and any other indebtedness.

#### (iv) **FirstRand Bank (830001700)**

Structured R75m 15 year loan repayable annually in reducing instalments of capital and fixed rate interest, final redemption on 15/12/2008. Repayment liabilities are evidenced by a series of promissory notes issued by the City to FirstRand and later sold on to INCA. The City has the right to prepay the full loan, subject to being liable for all breakage/unwinding costs, in the event of a material reduction in the assumed benefits payable to the City under the structure.

As part of the loan structure, the City lent the sum of R75m to FirstRand at a fixed rate of interest, repayable together with capitalised interest on 15/12/2008. At the same time, the City issued a 15 year bond to FirstRand, at the same fixed rate of interest as the City's R75m loan to FirstRand, redeemable together with compounded interest on 15/12/2008. The City does not disclose the separate asset and liability arising from these transactions on its balance sheet. It applies set-off in respect of these two legs of the structure as they meet the requirements for offsetting of IAS32 par. 42 and contra out exactly.

The City has ceded its rights under its loan to FirstRand as security for its obligations to FirstRand under the original loan and any other indebtedness.

#### (v) **FirstRand Bank (830001710)**

Structured R125m 15 year loan repayable semi-annually in equal instalments of capital and fixed rate interest. The City has the right to prepay the full loan, subject to being liable for all breakage/unwinding costs, in the event of a material reduction in the assumed benefits payable to the City under the structure.

As part of the loan structure, the City sold moveable water assets with a market value of R125m to FirstRand. FirstRand leased the assets back to the City over 15 years with rentals payable during the years 2009 – 2011. At the same time, the City lent R125m to FirstRand, repayable together with interest on the same dates, and in the same amounts, as the rental payable by the City under the lease agreement. The City does not disclose the separate asset and liability arising from these transactions on its balance sheet. It applies set-off in respect of these two legs of the structure as they meet the requirements for offsetting of IAS32 par. 42 and contra out exactly. The City has ceded its rights under its loan to FirstRand as security for its obligations to FirstRand under the original loan and any other indebtedness.

At the expiry of the lease, the City has the option to (a) hand back the assets to FirstRand, (b) request that the assets be sold with the City having the first right of refusal and the sales proceeds refunded to the City as a rebate of rentals, or (c), enter into a new lease for a year.

#### (vi) **FirstRand Bank (830003504)**

Structured R220m 15 year loan, R200m of which is repayable semi-annually in equal instalments of capital and fixed rate interest over 15 years, and the balance of R20m payable in one instalment, together with capitalised fixed rate interest, on 30/06/2017. Repayment liabilities relating to the R200m are evidenced by a series of promissory notes issued by the City to FirstRand and later sold on to INCA. The bullet repayment of the R20m capital and interest will be made out of the guaranteed investment portfolios of two 15 year sinking fund investment policies purchased from Momentum Group. The City has the right to prepay the full loan, on at least 45 days notice, subject to being liable for all breakage/unwinding costs.

As part of the loan structure, the City purchased two 15 year sinking fund policies from Momentum Group for an upfront premium of R220m. R20m of the premium was invested in the guaranteed investment portfolio referred to above. The balance of the premium, R200m, was invested in a linked investment (unguaranteed) portfolio. The maturity proceeds of this unguaranteed portfolio were sold in advance to FirstRand for R200m on day 1 of the policies. The City has ceded and pledged the sinking fund policies to FirstRand as security for the City's obligations to FirstRand under the policies and any other debt liability.

The City does not disclose the separate asset and liability arising from the purchase and sale of the linked investment (unguaranteed) portfolio on its balance sheet. It applies set-off in respect of these two legs of the structure as they meet the requirements for offsetting of IAS32 par. 42 and contra out exactly.

**APPENDIX A 1  
STRUCTURED LOANS AND FINANCE LEASES DESCRIPTIONS AS AT 30 JUNE 2007**

**(vii) FirstRand Bank (830009531)**

Structured R300m 15 year loan, R74.3m of which is repayable semi-annually in equal instalments of capital and fixed rate interest over 15 years, and the balance of R225.7m payable in one instalment, together with capitalised fixed rate interest, on 30/06/2018. Repayment liabilities relating to the R74.3m are evidenced by a series of promissory notes issued by the City to FirstRand and later sold on to Momentum Group. The bullet repayment of the R225.7m capital and interest will be made out of a 15 year sinking fund investment policy purchased from Momentum Group. The City has the right to prepay the full loan, on 30 days notice, subject to being liable for all breakage/unwinding costs.

As part of the loan structure, the City purchased a 15 year sinking fund policy from Momentum Group for a premium of R228.4m which was invested in an unguaranteed investment portfolio. The premium is payable semi-annually over 15 years through a series of promissory notes issued by the City to Momentum, later sold on to FirstRand and FutureGrowth. In terms of a put option agreement, the maturity proceeds of this unguaranteed portfolio were sold in advance to FirstRand for a fixed put option price of R894.6m, payable on 30/06/2018. In addition, a variable put option price is payable by FirstRand to the City over the years 2009 – 2018. The City has ceded and pledged the sinking fund policy to FirstRand as security for the City's obligations to FirstRand under the put option agreement and any other debt liability.

The City does not disclose the separate asset and liability arising from the purchase and sale of the proceeds of the sinking fund investment on its balance sheet. It applies set-off in respect of these two legs of the structure as they meet the requirements for offsetting of IAS32 par. 42 and contra out exactly.

**(viii) Nedbank (830000860)**

Sale and leaseback structured R55.3m 15 year loan funded by Nedbank through an Infrastructure Trust. Lease rentals equating to fixed rate interest are payable semi-annually over 15 years; a bullet rental amount of R55.3m is payable on 02/01/2012 out of the proceeds of a sinking fund. The City deposits semi-annually with Nedbank equal amounts which, together with compounded interest over 15 years, will equate to the original loan capital on 02/01/2012. The City has ceded its rights under the deposit agreement to Nedbank as security for repayment of the loan capital.

The City has the right to prepay the full lease, subject to being liable for all breakage/unwinding costs, in the event of a prejudicial reduction in the assumed benefits payable to the City under the structure.

At the expiry of the lease, the City has the option to (a) extend or assign the lease for a further period, or (b) repurchase the assets with the sales proceeds refunded to the City as a rebate of rentals.

**(ix) Investec (830000870)**

Sale and leaseback structured R54.8m 15 year loan funded by Investec Bank. Lease rentals equating to loan fixed rate interest plus capital are payable semi-annually over 15 years. Investec has granted the City the right to acquire the assets at the expiry of the lease at an agreed option price of R47.6 million. The City has deposited with Investec an amount which, together with compounded interest over 15 years, will equate to the option price payable on 31/12/2011. The City does not disclose the separate asset and liability arising from the sinking fund deposit and the option price on its balance sheet. It applies set-off in respect of these two legs of the structure as they meet the requirements for offsetting of IAS32 par. 42 and contra out exactly.

The City has ceded its rights under the deposit agreement to Investec as security for repayment of the lease and the option price.

The City has the right to prepay the full lease, on at least 90 days notice, subject to being liable for all breakage/unwinding costs, in the event of an increase in the lease rentals arising from a reduction in the assumed benefits payable to the City under the structure.

At the expiry of the lease, the City has the option to (a) exercise its call option to acquire the leased assets or (b) return the leased assets to Investec.

**(x) FirstRand (830000880)**

Structured R150m 15 year loan repayable semi-annually in equal instalments of capital and fixed rate interest. Repayment liabilities are evidenced by a series of promissory notes issued by the City to FirstRand and later sold on to Momentum Group. The City has the right to prepay the full loan, subject to being liable for all breakage/unwinding costs, in the event of a material reduction in the assumed benefits payable to the City under the structure.

As part of the loan structure, the City leased moveable electricity assets with a market value of R150m to FirstRand for 20 years. Rental is payable in three instalments during 1998 – 2000 with a nominal annual rental thereafter. The rentals are payable into a deposit account with FirstRand which attracts a fixed rate of interest. FirstRand leased the assets back to the City over 15 years with rentals payable during the years 2003 – 2013, out of the deposit account which will reduce to zero on 30/06/2013. The City has ceded its rights to repayment of the deposit to FirstRand as security for its obligations to FirstRand under the original loan and any other indebtedness. The City does not disclose the separate asset and liability arising from these transactions on its balance sheet. It applies set-off in respect of these two legs of the structure as they meet the requirements for offsetting of IAS32 par. 42 and contra out exactly.

**(xi) Standard Bank (830000890)**

Sale and leaseback structured R59.3m 15 year loan. The City sold moveable electricity assets to Standard Bank at the market value of R59.3m. The City invested R5.8m of the proceeds in a sinking fund deposit which, when compounded over 15 years at a fixed rate of interest, grows to the original loan capital amount of R59.3m. Standard Bank leased the assets back to the City with rentals, equating to the loan fixed rate interest, payable annually over 15 years. A bullet rental amount of R59.3m is payable on 24/06/2011 out of the sinking fund deposit. At the expiry of the lease, the City has the option to (a) hand back the assets to Standard Bank, (b) request that the assets be sold with the City having the first right of refusal and the sales proceeds refunded to the City as a rebate of rentals, or (c), enter into a new lease.

The City has the right to prepay the full lease, on 6 months notice, subject to being liable for all breakage/unwinding costs, in the event of an increase in the lease rentals arising from a reduction in the assumed benefits payable to the City under the structure.

**Note: the rates of interest payable on the above structured loans and finance leases are based on certain underlying assumptions relating to the lenders' statutory costs and the allowability of deductions by the lenders for income tax purposes in connection with these loans. In the event of changes to, or interpretation of, the Income Tax Act or any other relevant legislation which impact on the loan structure costs, the lenders have the right to increase or decrease the future rates of interest payable on the loans over their remaining lives, in order to absorb the increase or decrease in costs.**

APPENDIX B - ECONOMIC ENTITY  
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2007

	Cost				Accumulated Depreciation				Carrying Value R '000	
	Opening Balance R '000	Transfers/ Adjustments R '000	Additions R '000	Disposals R '000	Closing Balance R '000	Opening Balance R '000	Transfers/ Adjustments R '000	Additions R '000		Disposals R '000
<b>Land and Buildings</b>										
Land	136,551	12,855	9,873	(470)	156,809	(62,010)	(6,276)	67,246	0	(1,040)
Buildings	2,774,206	(16,890)	41,557	(226)	2,798,647	(1,329,329)	8,754	(99,340)	0	(1,419,915)
	<b>2,910,757</b>	<b>(4,035)</b>	<b>51,430</b>	<b>(696)</b>	<b>2,957,456</b>	<b>(1,391,339)</b>	<b>2,478</b>	<b>(32,094)</b>	<b>0</b>	<b>(1,420,955)</b>
<b>Infrastructure</b>										
Assets Under Construction	547,980	(197,464)	803,234		1,153,750	0	(6,276)	(12,605)	0	0
Drains	335,786	21,417	12,043		369,246	(146,841)	(6,12)	(148,663)	0	(160,058)
Roads	2,486,916	68,993	26,326		2,582,235	(1,144,516)	19,003	(1,274,176)	0	(1,274,176)
Beach Improvements	4,474	19,356	1,402		25,232	(147)	(16,871)	(186)	0	(17,204)
Sewerage Mains & Purif	895,175	(80,819)	22,292		836,648	(300,804)	60,566	(42,541)	0	(282,779)
Electricity Mains	436,695	730	522		437,947	(106,933)	(246)	(22,296)	0	(129,475)
Electricity Peak Load Equip	1,985,354	(16,067)	121		1,969,408	(921,780)	8,709	(67,701)	0	(980,772)
Water Mains & Purification	1,600,742	34,973	29,910		1,665,625	(695,837)	162	(54,093)	0	(749,768)
Reservoirs - Water	385,018	6,667	1,478		393,163	(197,135)	(6)	(15,837)	0	(212,978)
Water Meters and Mains	38,962	3,026	11,859		53,847	(1,462)	0	(2,276)	0	(3,738)
	<b>8,717,102</b>	<b>(139,188)</b>	<b>909,187</b>	<b>0</b>	<b>9,487,101</b>	<b>(3,515,455)</b>	<b>70,705</b>	<b>(366,198)</b>	<b>0</b>	<b>(3,810,948)</b>
<b>Community Assets</b>										
Assets Under Construction	72,444	(6,492)	493,353		559,305	0	0	0	0	0
Parks & Gardens	9,928	505	161		10,594	(2,392)	0	(243)	0	(2,635)
Libraries	116,557	927	5,095		122,579	(39,543)	1	(3,143)	0	(42,685)
Recreation Facilities	61,352	877	2,822	(1,810)	63,241	(20,856)	963	(1,861)	0	(21,754)
Civic Buildings	161,815	27,791	14,563		204,169	(82,750)	(1,051)	(14,136)	0	(97,937)
	<b>422,096</b>	<b>23,608</b>	<b>515,994</b>	<b>(1,810)</b>	<b>959,888</b>	<b>(145,541)</b>	<b>(87)</b>	<b>(19,383)</b>	<b>0</b>	<b>(165,011)</b>
<b>Heritage Assets</b>										
Painting & Art Galleries	2,772	(495)	4,390	(21)	6,646	0	0	0	0	0
	<b>2,772</b>	<b>(495)</b>	<b>4,390</b>	<b>(21)</b>	<b>6,646</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Leased Assets</b>										
Infrastructure and Other	289,201	193,268	149	(83,658)	398,960	(113,371)	(103,670)	(27,650)	34,238	(210,453)
	<b>289,201</b>	<b>193,268</b>	<b>149</b>	<b>(83,658)</b>	<b>398,960</b>	<b>(113,371)</b>	<b>(103,670)</b>	<b>(27,650)</b>	<b>34,238</b>	<b>(210,453)</b>
<b>Other Assets</b>										
Assets Under Construction	58,920	(20,891)	190,919		228,948	0	0	0	0	0
Landfill Sites	322,694	659	23,050		346,403	(4,102)	0	(63,472)	0	(67,574)
Office Equipment	119,938	554	23,893	(9,160)	135,225	(81,046)	920	(11,989)	8,173	(83,942)
Furniture & Fittings	96,351	283	10,076	(4,904)	101,806	(61,670)	25	(10,919)	4,459	(68,105)
Bins and Containers	27,337	77	560	(14)	27,960	(17,002)	0	(4,619)	15	(21,606)
Emergency Equipment	17,569	(26)	1,948	(1,173)	18,318	(11,302)	7	(1,914)	1,157	(12,052)
Motor vehicles	854,994	3,993	126,516	(63,213)	922,290	(653,935)	2,764	(44,318)	60,536	(634,953)
Fire engines	41,651	5,931	11,103	(1,351)	57,334	(28,045)	0	(3,130)	1,351	(29,824)
Refuse tankers	36,332	1,573	12,608	(3,451)	49,062	(29,608)	(671)	(2,970)	3,451	(29,798)
Computer equipment	550,645	2,985	90,465	(35,936)	608,159	(353,598)	1,489	(68,498)	33,243	(387,384)
Watercraft	456	202	658		1,316	(156)	0	(51)	0	(207)
	<b>2,128,887</b>	<b>(4,862)</b>	<b>491,340</b>	<b>(119,202)</b>	<b>2,496,163</b>	<b>(1,240,464)</b>	<b>4,514</b>	<b>(211,880)</b>	<b>112,385</b>	<b>(1,335,445)</b>
<b>Housing Rental Stock</b>										
	<b>1,032,233</b>	<b>2,926</b>	<b>6,466</b>	<b>(2,109)</b>	<b>1,039,516</b>	<b>(452,344)</b>	<b>(755)</b>	<b>(21,985)</b>	<b>1,556</b>	<b>(473,528)</b>
<b>Investment Properties</b>										
	<b>130,250</b>	<b>13</b>	<b></b>	<b></b>	<b>130,263</b>	<b>(24,772)</b>	<b>0</b>	<b>(4,389)</b>	<b></b>	<b>(29,161)</b>
<b>Intangible Assets</b>										
	<b>259,491</b>	<b>11</b>	<b>4,258</b>	<b></b>	<b>263,760</b>	<b>(139,504)</b>	<b></b>	<b>(52,302)</b>	<b></b>	<b>(191,806)</b>
<b>Total</b>	<b>15,892,789</b>	<b>71,246</b>	<b>1,983,214</b>	<b>(207,496)</b>	<b>17,739,753</b>	<b>(7,022,790)</b>	<b>(26,815)</b>	<b>(735,881)</b>	<b>148,179</b>	<b>(7,637,307)</b>
										<b>10,102,446</b>

**APPENDIX B - MUNICIPALITY of CAPE TOWN  
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2007**

	Cost						Accumulated Depreciation					
	Opening Balance R '000	Transfers/ Adjustments R '000	Additions R '000	Disposals R '000	Closing Balance R '000	Opening Balance R '000	Transfers/ Adjustments R '000	Additions R '000	Disposals R '000	Closing Balance R '000	Carrying Value R '000	
<b>Land and Buildings</b>												
Land	136,551	12,855	9,873	(470)	158,809	(82,010)	(6,276)	67,246		(1,040)	157,769	
Buildings	2,255,277	(16,890)	40,422	(226)	2,278,583	(942,337)	6,814	(80,395)		(1,015,918)	1,262,665	
	<b>2,391,828</b>	<b>(4,035)</b>	<b>50,295</b>	<b>(696)</b>	<b>2,437,392</b>	<b>(1,004,347)</b>	<b>538</b>	<b>(13,149)</b>	<b>0</b>	<b>(1,016,958)</b>	<b>1,420,434</b>	
<b>Infrastructure</b>												
Assets Under Construction	547,980	(197,464)	803,234		1,153,750	0	0			0	1,153,750	
Drains	335,786	21,417	12,043		369,246	(146,841)	(612)	(12,605)		(160,058)	209,188	
Roads	2,486,916	68,993	26,326		2,582,235	(1,144,516)	19,003	(148,663)		(1,274,176)	1,308,059	
Beach Improvements	4,474	19,356	1,402		25,232	(147)	(16,871)	(186)		(17,204)	8,028	
Sewerage Mains & Purif	895,175	(80,819)	22,292		836,648	(300,804)	60,566	(42,541)		(282,779)	553,869	
Electricity Mains	436,695	730	522		437,947	(106,933)	(246)	(22,296)		(129,475)	308,472	
Electricity Peak Load Equip	1,985,354	(16,067)	121		1,969,408	(921,780)	8,709	(67,701)		(980,772)	988,636	
Water Mains & Purification	1,600,742	34,973	29,910		1,665,625	(695,837)	162	(54,093)		(749,768)	915,857	
Reservoirs - Water	385,018	6,667	1,478		393,163	(197,135)	(6)	(15,837)		(212,978)	180,185	
Water Meters and Mains	38,962	3,026	11,859		53,847	(1,462)		(2,276)		(3,738)	50,109	
	<b>8,717,102</b>	<b>(139,188)</b>	<b>909,187</b>	<b>0</b>	<b>9,487,101</b>	<b>(3,515,455)</b>	<b>70,705</b>	<b>(366,198)</b>	<b>0</b>	<b>(3,810,948)</b>	<b>5,676,153</b>	
<b>Community Assets</b>												
Assets Under Construction	72,444	(6,492)	483,353		559,305	0	0			0	559,305	
Parks & Gardens	9,928	505	161		10,594	(2,392)		(243)		(2,635)	7,959	
Libraries	116,557	927	5,095		122,579	(39,543)	1	(3,143)		(42,685)	79,894	
Recreation Facilities	61,352	877	2,822	(1,810)	63,241	(20,856)	963	(1,861)		(21,754)	41,487	
Civic Buildings	161,815	27,791	14,563		204,169	(82,750)	(1,051)	(14,136)		(97,937)	106,232	
	<b>422,096</b>	<b>23,508</b>	<b>515,994</b>	<b>(1,810)</b>	<b>959,888</b>	<b>(145,541)</b>	<b>(87)</b>	<b>(19,383)</b>	<b>0</b>	<b>(165,011)</b>	<b>794,877</b>	
<b>Heritage Assets</b>												
Painting & Art Galleries	2,772	(495)	4,390	(21)	6,646	0	0			0	6,646	
	<b>2,772</b>	<b>(495)</b>	<b>4,390</b>	<b>(21)</b>	<b>6,646</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,646</b>	
<b>Leased Assets</b>												
Infrastructure and Other	289,201	193,268	149	(83,658)	398,960	(113,371)	(103,670)	(27,850)	34,238	(210,453)	188,507	
	<b>289,201</b>	<b>193,268</b>	<b>149</b>	<b>(83,658)</b>	<b>398,960</b>	<b>(113,371)</b>	<b>(103,670)</b>	<b>(27,850)</b>	<b>34,238</b>	<b>(210,453)</b>	<b>188,507</b>	
<b>Other Assets</b>												
Assets Under Construction	58,510	(20,891)	181,873		219,492	0	0			0	219,492	
Landfill Sites	322,694	659	23,050		346,403	(4,102)		(63,472)		(67,574)	278,829	
Office Equipment	117,542	554	23,844	(9,160)	132,780	(79,805)	920	(11,971)	8,173	(82,683)	50,097	
Furniture & Fittings	75,018	283	8,373	(4,899)	78,775	(50,194)	25	(6,839)	4,459	(52,549)	26,226	
Bins and Containers	27,337	77	560	(14)	27,960	(17,002)	15	(4,617)	15	(21,604)	6,356	
Emergency Equipment	17,569	(26)	1,885	(1,173)	18,255	(11,302)	7	(1,902)	1,157	(12,040)	6,215	
Motor vehicles	846,176	3,993	126,141	(63,115)	913,195	(648,454)	2,766	(42,833)	60,498	(629,023)	284,172	
Fire engines	41,651	5,931	11,103	(1,351)	57,334	(28,045)		(3,130)	1,351	(29,824)	27,510	
Refuse tankers	36,332	1,573	12,608	(3,451)	49,062	(29,608)	(671)	(2,970)	3,451	(29,798)	19,264	
Computer equipment	545,139	3,002	89,029	(35,925)	601,245	(349,121)	1,462	(67,575)	33,235	(381,999)	219,246	
Watercraft	456		202		658	(156)		(51)		(207)	451	
	<b>2,090,424</b>	<b>(4,845)</b>	<b>478,668</b>	<b>(119,088)</b>	<b>2,445,159</b>	<b>(1,218,789)</b>	<b>4,509</b>	<b>(205,360)</b>	<b>112,339</b>	<b>(1,307,301)</b>	<b>1,137,858</b>	
<b>Housing Rental Stock</b>												
Housing Rental Stock	1,032,233	2,926	6,466	(2,109)	1,039,516	(452,344)	(755)	(21,985)	1,556	(473,528)	565,988	
<b>Investment Properties</b>												
Investment Properties	128,616	13			128,629	(24,772)		(4,389)		(29,161)	99,468	
<b>Intangible Assets</b>												
Intangible Assets	259,468		4,258		263,726	(139,504)		(52,302)		(191,806)	71,920	
<b>Total</b>	<b>15,333,740</b>	<b>71,252</b>	<b>1,969,407</b>	<b>(207,382)</b>	<b>17,167,017</b>	<b>(6,614,123)</b>	<b>(28,760)</b>	<b>(710,416)</b>	<b>148,133</b>	<b>(7,205,166)</b>	<b>9,961,851</b>	

**APPENDIX B(1) - ECONOMIC ENTITY  
RECONCILIATION OF CARRYING VALUE OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2007**

Reconciliation of Carrying Value	PROPERTY, PLANT AND EQUIPMENT										INVESTMENT PROPERTY	INTANGIBLE ASSETS
	Land and Buildings R'000	Infrastructure R'000	Community R'000	Heritage R'000	Other R'000	Leased Assets R'000	Housing R'000	Total R'000	R'000	R'000		
<b>Carrying values at 1 July 2006</b>	<b>1,519,418</b>	<b>5,201,647</b>	<b>276,555</b>	<b>2,772</b>	<b>888,423</b>	<b>175,830</b>	<b>579,889</b>	<b>8,644,534</b>	<b>105,478</b>	<b>119,987</b>		
Cost	2,910,757	8,717,102	422,096	2,772	2,128,887	289,201	1,032,233	15,503,048	130,250	259,491		
Accumulated depreciation	(1,391,339)	(3,515,455)	(145,541)	0	(1,240,464)	(113,371)	(452,344)	(6,858,514)	(24,772)	(139,504)		
Acquisitions	51,430	909,187	515,994	4,390	491,340	149	6,466	1,978,956		4,258		
Capital under Construction							0					
Depreciation based on cost	(32,094)	(366,198)	(19,383)	0	(211,684)	(27,650)	(21,985)	(678,994)				
Carrying value of disposals	(696)	0	(1,810)	(21)	(6,817)	(49,420)	(553)	(59,317)				
Cost	(696)	0	(1,810)	(21)	(119,202)	(83,658)	(2,109)	(207,496)				
Accumulated depreciation	0	0	0	0	112,385	34,238	1,556	148,179				
Impairment losses	1,567	0	0	0	0	0	0	0				
Transfers	(3,124)	(68,483)	23,521	(495)	(544)	89,598	9,579	(5,841)	13	11		
<b>Carrying Values at 30 June 2007</b>	<b>1,536,501</b>	<b>5,676,153</b>	<b>794,877</b>	<b>6,646</b>	<b>1,160,718</b>	<b>188,507</b>	<b>565,988</b>	<b>9,929,390</b>	<b>101,102</b>	<b>71,954</b>		
Cost	2,957,456	9,487,101	959,888	6,646	2,496,163	398,960	1,039,516	17,345,730	130,263	263,760		
Accumulated depreciation	(1,420,955)	(3,810,948)	(165,011)	0	(1,335,445)	(210,453)	(473,528)	(7,416,340)	(29,161)	(191,806)		
<b>Carrying values at 1 July 2005</b>	<b>1,337,949</b>	<b>4,494,908</b>	<b>194,363</b>	<b>1,272</b>	<b>671,585</b>	<b>254,110</b>	<b>572,803</b>	<b>7,526,990</b>	<b>104,298</b>	<b>172,289</b>		
Cost	2,262,909	7,693,990	327,825	1,272	1,880,769	337,124	1,007,875	13,511,764	124,616	259,491		
Accumulated depreciation	(924,960)	(3,199,082)	(133,462)	0	(1,209,184)	(83,014)	(435,072)	(5,984,774)	(20,318)	(87,202)		
Acquisitions	110,173	1,031,507	94,695	2,067	269,581	0	19,902	1,527,925				
Capital under Construction	0	0	0	0	0	0	0	0				
Depreciation based on cost	(109,249)	(340,958)	(12,025)	0	(151,145)	(18,658)	(20,206)	(652,241)				
Carrying value of disposals	(338)	0	0	(1)	(2,521)	0	(2,622)	(5,482)				
Cost	(490)	0	0	(1)	(67,310)	0	(6,445)	(74,246)				
Accumulated depreciation	152	0	0	0	64,789	0	3,823	68,764				
Impairment losses	0	(51)	(478)	0	100,923	(59,435)	(1,023)	(1,074)	6,592			
Transfers	180,883	16,241	0	(566)	0	0	11,035	248,603				
<b>Carrying Values at 30 June 2006</b>	<b>1,519,418</b>	<b>5,201,647</b>	<b>276,555</b>	<b>2,772</b>	<b>888,423</b>	<b>176,017</b>	<b>579,889</b>	<b>8,644,721</b>	<b>105,478</b>	<b>119,987</b>		
Cost	2,910,757	8,717,102	422,096	2,772	2,128,887	289,388	1,032,233	15,503,235	130,250	259,491		
Accumulated depreciation	(1,391,339)	(3,515,455)	(145,541)	0	(1,240,464)	(113,371)	(452,344)	(6,858,514)	(24,772)	(139,504)		



APPENDIX B(1) - MUNICIPALITY OF CAPE TOWN  
RECONCILIATION OF CARRYING VALUE OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2007

Reconciliation of Carrying Value	PROPERTY, PLANT AND EQUIPMENT							INVESTMENT PROPERTY	INTANGIBLE ASSETS
	Land and Buildings R'000	Infrastructure R'000	Community R'000	Heritage R'000	Other R'000	Leased Assets R'000	Housing R'000		
<b>Carrying values at 1 July 2006</b>	<b>1,387,481</b>	<b>5,201,647</b>	<b>276,555</b>	<b>2,772</b>	<b>871,635</b>	<b>175,830</b>	<b>579,889</b>	<b>8,495,809</b>	<b>119,964</b>
Cost	2,391,828	8,717,102	422,096	2,772	2,090,424	289,201	1,032,233	14,945,656	259,468
Accumulated depreciation	(1,004,347)	(3,515,455)	(145,541)	0	(1,218,789)	(113,371)	(452,344)	(6,449,847)	(139,504)
Acquisitions	50,295	909,187	515,994	4,390	478,668	149	6,466	1,965,149	4,258
Capital under Construction	(12,777)	(366,198)	(19,383)	0	(205,360)	(27,650)	(21,985)	(653,353)	(52,302)
Depreciation based on cost	(696)	0	(1,810)	(21)	(6,749)	(49,420)	(553)	(59,249)	(4,389)
Carrying value of disposals	(696)	0	(1,810)	(21)	(119,088)	(83,658)	(2,109)	(207,382)	
Cost	0	0	0	0	112,339	34,238	1,556	148,133	
Accumulated depreciation	(373)	0	0	0	(495)	89,598	(7,408)	(7,781)	
Impairment losses	(3,496)	(68,483)	23,521				9,579	49,888	4,013
Transfers									
<b>Carrying Values at 30 June 2007</b>	<b>1,420,434</b>	<b>5,676,153</b>	<b>794,877</b>	<b>6,646</b>	<b>1,137,858</b>	<b>188,507</b>	<b>585,988</b>	<b>9,790,463</b>	<b>71,920</b>
Cost	2,437,371	9,487,101	959,888	6,646	2,445,159	398,960	1,039,516	16,774,641	263,726
Accumulated depreciation	(1,016,938)	(3,810,948)	(165,011)	0	(1,307,301)	(210,453)	(473,528)	(6,984,199)	(191,806)
<b>Carrying values at 1 July 2005</b>	<b>1,337,949</b>	<b>4,494,908</b>	<b>194,363</b>	<b>1,272</b>	<b>671,585</b>	<b>254,110</b>	<b>572,803</b>	<b>7,526,990</b>	<b>172,266</b>
Cost	2,262,909	7,693,990	327,825	1,272	1,880,769	337,124	1,007,875	13,511,764	259,468
Accumulated depreciation	(924,960)	(3,199,082)	(133,462)		(1,209,184)	(83,014)	(435,072)	(5,984,774)	(87,202)
Acquisitions	108,356	1,031,507	94,695	2,067	276,936	0	19,902	1,533,463	
Capital under Construction	0	0	0	0	0	0	0	0	
Depreciation based on cost	(74,690)	(340,958)	(12,025)	0	(152,472)	(18,658)	(20,206)	(619,009)	
Carrying value of disposals	(338)	0	0	(1)	(2,521)	0	(2,622)	(5,482)	
Cost	(490)	0	0	(1)	(67,310)		(6,445)	(74,246)	
Accumulated depreciation	152	0	0	0	64,789		3,823	68,764	
Impairment losses	0	(51)	(478)	0	78,107		(1,023)	(1,074)	
Transfers	16,204	16,241		(566)		(59,622)	11,035	60,921	958
<b>Carrying Values at 30 June 2006</b>	<b>1,387,481</b>	<b>5,201,647</b>	<b>276,555</b>	<b>2,772</b>	<b>871,635</b>	<b>175,830</b>	<b>579,889</b>	<b>8,495,809</b>	<b>119,964</b>
Cost	2,391,828	8,717,102	422,096	2,772	2,090,424	289,201	1,032,233	14,945,656	259,468
Accumulated depreciation	(1,004,347)	(3,515,455)	(145,541)	0	(1,218,789)	(113,371)	(452,344)	(6,449,847)	(139,504)

APPENDIX C

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2007

	Cost										Accumulated Depreciation			Carrying Value R '000	Budget / Additions 2006 R '000
	Opening Balance R '000	Additions R '000	Disposals R '000	Transfers R '000	Closing Balance R '000	Opening Balance R '000	Additions R '000	Disposals R '000	Transfers R '000	Closing Balance R '000	Transfers R '000	Closing Balance R '000			
Executive and Council	14,698	9,729	(985)	(7,420)	16,022	(7,142)	(2,337)	941	-99	(8,637)		(8,637)	7,385	14,803	
Finance and Administration	1,620,329	150,551	(61,838)	403,166	2,112,208	(952,199)	(150,082)	89,206	(66,395)	(1,079,470)		(1,079,470)	1,032,738	144,995	
Planning and Development	290,534	46,950	(2,423)	(2,552)	332,509	(87,600)	(12,171)	2,348	151	(97,272)		(97,272)	235,237	77,653	
Health	128,853	17,527	(1,458)	41	144,963	(42,392)	(4,574)	1,401	16	(45,549)		(45,549)	99,414	18,914	
Community & Social Services	455,080	38,572	(1,457)	(31,472)	460,723	(191,128)	(11,510)	1,392	4,055	(197,191)		(197,191)	263,532	59,925	
Housing	1,256,426	171,752	(2,973)	(68,715)	1,356,490	(471,898)	(19,024)	2,008	(749)	(489,663)		(489,663)	866,827	214,838	
Public Safety	438,602	51,347	(10,951)	25,060	504,058	(221,021)	(23,449)	10,858	912	(232,700)		(232,700)	271,358	79,665	
Sport and Recreation	895,416	474,541	(6,418)	(351,063)	1,012,476	(370,951)	27,624	5,319	250	(337,758)		(337,758)	674,718	615,328	
Environmental Protection	1,479	3,009	(46)	(2,376)	2,066	(388)	(238)	22	185	(419)		(419)	1,647	5,693	
Waste Management	1,848,391	95,278	(4,542)	(1,345)	1,937,782	(553,756)	(138,692)	4,450	4,717	(683,281)		(683,281)	1,254,501	98,444	
Road Transport	3,088,343	255,533	(10,034)	38,947	3,372,789	(1,354,995)	(160,037)	9,916	3,663	(1,501,453)		(1,501,453)	1,871,336	508,247	
Water	2,341,837	327,068	(89,814)	92,508	2,671,599	(1,054,603)	(92,320)	6,107	1,363	(1,139,453)		(1,139,453)	1,532,146	362,949	
Electricity	2,913,925	327,550	(14,441)	(319)	3,226,715	(1,282,673)	(123,416)	14,163	(4)	(1,391,930)		(1,391,930)	1,834,785	343,364	
Abattoir	23,177	0	(2)	(23,175)	0	(23,177)	0	2	23,175	0		0	0	0	
Tourism	16,650	0	0	(33)	16,617	(200)	(190)	0	0	(390)		(390)	16,227	0	
C T International Convention Centre	555,199	12,879	0	0	568,078	(407,681)	(25,069)	0	1,940	(430,810)		(430,810)	137,268	20,500	
Cape Town Comm.Housing Comp.	725	60	0	(1)	784	(524)	(75)	0	0	(599)		(599)	185	0	
Khayelitsha Community Trust	1,634		0	0	1,634	0	0	0	0	0		0	1,634	0	
City Improvement Districts	1,384	852	(114)	(5)	2,117	(460)	(299)	46	5	(708)		(708)	1,409	0	
RED One	107	16	0	0	123	(2)	(22)	0	0	(24)		(24)	99	0	
<b>TOTAL</b>	<b>15,892,789</b>	<b>1,983,214</b>	<b>(207,496)</b>	<b>71,246</b>	<b>17,739,753</b>	<b>(7,022,790)</b>	<b>(735,831)</b>	<b>148,179</b>	<b>(26,815)</b>	<b>(7,637,307)</b>		<b>(7,637,307)</b>	<b>10,102,446</b>	<b>2,565,318</b>	

Note 1: The balance as at 30 June 2007 for certain assets includes Electricity and Bulk Water assets held under finance leases with a cost value of R188,507 million.

Note 2: Encumbered Assets: Certain parcels of land, the value of which is included in this appendix, have been made available to the Cape Town Community Housing Company (CTCHC).

## APPENDIX D

## SEGMENTAL ECONOMIC ENTITY INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

2006 Restated Actual Income R '000	2006 Restated Actual Expenditure R '000	2006 Restated Surplus/ (Deficit) R '000		2007 Actual Income R '000	2007 Actual Expenditure R '000	2007 Surplus/ (Deficit) R '000
3,020,672	990,748	2,029,924	Rates	4,208,577	1,018,932	3,189,645
3,993	191,515	(187,522)	Executive & Council	4,747	221,844	(217,097)
1,854,883	1,675,700	179,183	Finance & Administration	1,099,453	1,205,511	(106,058)
144,504	299,156	(154,652)	Planning & Development	141,917	309,185	(167,268)
127,427	313,078	(185,651)	Health	140,434	314,005	(173,571)
20,589	204,607	(184,018)	Community & Social Services	23,586	551,550	(527,964)
282,036	475,762	(193,726)	Housing	222,986	366,077	(143,091)
218,838	738,386	(519,548)	Public Safety	227,244	871,643	(644,399)
23,707	526,565	(502,858)	Sport & Recreation	47,652	282,057	(234,405)
14	2,214	(2,200)	Environmental Protection	496	63,628	(63,132)
871,837	878,762	(6,925)	Waste Management	912,949	843,847	69,102
727,218	604,622	122,596	Waste Water Management	886,937	728,160	158,777
33,543	626,474	(592,931)	Road Transport	48,332	623,704	(575,372)
1,551,986	1,578,332	(26,346)	Water	1,758,658	1,600,123	158,535
2,906,876	2,783,509	123,367	Electricity	3,156,486	2,971,828	184,658
17,385	19,395	(2,010)	Discontinued Operations	0	0	0
(114)	58	(172)	Other: Tourism	272	40,698	(40,426)
<b>11,805,394</b>	<b>11,908,883</b>	<b>(103,489)</b>	Sub Total	<b>12,880,726</b>	<b>12,012,792</b>	<b>867,934</b>
(2,417,212)	(2,417,212)	0	Less : Inter-Departmental Charges	(2,577,891)	(2,577,891)	0
<b>9,388,182</b>	<b>9,491,671</b>	<b>(103,489)</b>	Total COCT	<b>10,302,835</b>	<b>9,434,901</b>	<b>867,934</b>
(3,014)	(245,328)	242,314	Adjustments at consolidation	0	(11,143)	11,143
<b>9,385,168</b>	<b>9,246,343</b>	<b>138,825</b>		<b>10,302,835</b>	<b>9,423,758</b>	<b>879,077</b>
<b>CONTROLLED ENTITIES</b>						
82,215	430,608	(348,393)	Cape Town International Convention Centre Company (Pty) Ltd	107,469	88,945	18,524
8,424	12,264	(3,840)	Cape Town Community Housing Company (Pty) Ltd	7,830	1,067	6,763
133	3,465	(3,332)	South Peninsula Micro Loans	0	0	0
5	11	(6)	Phillipi East Trading Centre (Pty) Ltd	9	24	(15)
3,857	3,333	524	Khayelitsha Community Trust	1,021	835	186
39,845	35,895	3,950	City Improvement Districts	45,701	43,112	2,589
7,126	7,126	0	RED One	9,059	9,059	0
<b>141,605</b>	<b>492,702</b>	<b>(351,097)</b>	Total Controlled Entities	<b>171,089</b>	<b>143,042</b>	<b>28,047</b>
(79,594)	(79,594)	0	Less : Inter-Company Charges	(69,229)	(69,229)	0
<b>9,447,179</b>	<b>9,659,451</b>	<b>(212,272)</b>	Total Economic Entity before taxation	<b>10,404,695</b>	<b>9,497,571</b>	<b>907,124</b>
		162,849	Share of deficit of associate, accounted for under the equity method.			(4,574)
		(266)	Taxation			(7)
		<b>(49,689)</b>	<b>Total</b>			<b>902,543</b>

**APPENDIX E(1)  
ACTUAL REVENUE AND EXPENDITURE VERSUS BUDGET (ECONOMIC ENTITY) FOR THE YEAR ENDED 30 JUNE 2007**

	Actual R '000	Budget R '000	Variance R '000	Variance %	Explanation of Significant Variances greater than 10%
<b>REVENUE</b>					
Property rates	2,466,585	2,566,157	99,572	3.88%	
Service charges	5,026,093	5,201,590	175,497	3.37%	
Regional Services Levies	137,481	110,000	(27,481)	-24.98%	RSC Levies abolished w.e.f. 01 July 2006. Declarations received from 01 July 2006.
Rental of letting stock and facilities	143,483	224,700	81,217	36.14%	Lower income due to revenue recognition.
Interest receivable	504,069	339,733	(164,336)	-48.37%	Higher interest earned on cash investments due to under spending on capital budget.
Fines	180,753	153,204	(27,549)	-17.98%	LABAT launched a intensive fine recovery program, including a media campaign.
Licenses and permits	26,895	24,695	(2,200)	-8.91%	
Income for agency services	104,960	111,983	7,023	6.27%	
Government grants and subsidies	1,513,331	2,606,079	1,092,748	41.93%	Due to change in accounting treatment (Application of IAS 20).
Other income	220,397	225,017	4,620	2.05%	Recoveries from developers were more than budgeted.
Public contributions and donated PPE	33,957	1	(33,956)	-3395600.00%	
Gains on disposal of property, plant and equipment	46,691	42,700	(3,991)	-9.35%	
<b>Total Revenue</b>	<b>10,404,695</b>	<b>11,605,859</b>	<b>1,201,164</b>	<b>10.35%</b>	
<b>EXPENDITURE</b>					
Employee related costs	3,037,163	3,064,592	(27,429)	-0.90%	
Remuneration of councillors	66,486	65,224	1,262	1.93%	
Impairment costs	56,277	739,012	(682,735)	-92.38%	Additional provision made at year end.
Collection costs	143,634	147,562	(3,928)	-2.66%	
Depreciation and amortised expense	475,956	797,041	(321,085)	-40.28%	
Repairs and maintenance	969,353	916,426	52,927	5.78%	
Interest paid	283,642	290,369	(6,727)	-2.32%	
Bulk purchases	1,998,112	1,989,077	9,035	0.45%	
Contracted services	536,071	550,384	(14,313)	-2.60%	
Grants and subsidies paid	69,848	82,179	(12,331)	-15.01%	
General expenses - other (including abnormal expenses)	1,840,379	2,303,289	(462,910)	-20.10%	Under expenditure as a result of provisions written back.
Loss on disposal of property, plant and equipment	869	111	758	682.88%	
Loss on valuation of derivatives	19,781	1	19,780	1978000.00%	
<b>Total Expenditure</b>	<b>9,497,571</b>	<b>10,945,267</b>	<b>(1,447,696)</b>	<b>-13.23%</b>	
<b>NET SURPLUS FOR THE YEAR before taxation</b>	<b>907,124</b>	<b>660,592</b>	<b>(246,532)</b>	<b>-37.32%</b>	

APPENDIX E(2)

ACTUAL VERSUS BUDGET (ECONOMIC ENTITY) - ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2007

	Actual R '000	Total Additions R '000	Budget R '000	Variance R '000	Variance %	Explanation of Significant Variances greater than 5% versus Budget
Executive and Council	9,729	9,729	14,803	5,074	34.28%	Due to tender in dispute.
Finance and Administration	150,551	150,551	144,995	(5,556)	-3.83%	Due to additional capital requirements for 2010
Planning and Development	46,950	46,950	77,653	30,703	39.54%	Due to implementation delays
Health	17,527	17,527	18,914	1,387	7.33%	Disputes regarding final accounts.
Community & Social Services	38,572	38,572	59,925	21,353	35.63%	Under performance of major projects
Housing	171,752	171,752	214,838	43,086	20.06%	Due to rental programme restructuring
Public Safety	51,347	51,347	79,665	28,318	35.55%	Implementation delays
Sport and Recreation	474,541	474,541	615,328	140,787	22.88%	Inability of contractors to deliver services.
Environmental Protection	3,009	3,009	5,693	2,684	47.15%	Contractor did not deliver within the prescribed timelines.
Waste Management	95,278	95,278	98,444	3,166	3.22%	Delay in awarding contracts
Road Transport	255,533	255,533	508,247	252,714	49.72%	Mainly due to external funding not received.
Water	327,068	327,068	362,949	35,881	9.89%	Delay in awarding contracts
Electricity	327,550	327,550	343,364	15,814	4.61%	
<b>CONTROLLED ENTITIES</b>						
Cape Town International Convention Centre (Pty) Ltd	12,879	12,879	20,500			
Cape Town Community Housing Company (Pty) Ltd	60	60	0			
Phillipi East Trading Centre (Pty) Ltd	0	0	0			
Khayelitsha Community Trust	0	0	0			
City Improvement Districts	852	852	0			
RED One	16	16	0			
<b>TOTAL</b>	<b>1,983,214</b>	<b>1,983,214</b>	<b>2,565,318</b>	<b>575,411</b>	<b>22.43%</b>	

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APPENDIX F  
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF THE MFMA

NAME OF GRANT	FUNDER	QUARTERLY RECEIPTS												QUARTERLY EXPENDITURE					TOTAL	
		September R'000	December R'000	March R'000	June R'000	Total R'000	September R'000	December R'000	March R'000	June R'000	Total R'000									
Amenities & Recreation	PAWC ISLP	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	22	(22)	
	PAWC OTHER	0	0	0	1,500	1,500	0	0	0	0	0	0	0	0	0	0	0	1,260	1,801	(301)
	PAWC SOCIAL SERVICES	0	0	1,000	0	1,000	0	0	0	0	0	0	0	0	0	0	0	51	691	309
	PAWC SPORT & RECREATION	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	247	984	(1,256)	
	PAWC TRANSPORT & PUBLIC WORKS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	6,378	6,378	23,622
City Health	PAWC HEALTH	3,573	2,463	14,601	1,562	22,199	2,062	5,378	7,337	7,169	21,946	253								
Emergency Services	PAWC OTHER	0	0	1,500	0	1,500	0	0	0	0	0	0	0	0	0	0	0	2,000	2,000	(2,000)
City Police	PAWC OTHER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2,000	2,000	(2,000)
	PAWC TRANSPORT & PUBLIC WORKS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	12	12	(12)
Open Space Nature Conservation	PAWC HUMAN SETTLEMENT PROGRAM	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	PAWC OTHER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Social Development	PAWC ISLP	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	PAWC OTHER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	PAWC SOCIAL SERVICES	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Economic Development & Tourism	PAWC HUMAN SETTLEMENT PROGRAM	228	0	0	1,408	1,636	301	0	0	0	0	0	0	0	0	0	0	0	0	0
	PAWC ISLP	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	PAWC OTHER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Planning & Environment	PAWC HOUSING	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	PAWC HUMAN SETTLEMENT PROGRAM	714	642	1,260	400	3,016	233	1,223	513	351	2,320	696								
	PAWC OTHER	250	1,595	252	671	2,768	420	496	220	929	2,065	703								
	STATE - DWAF	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	STATE DEPT OTHER	2,130	550	199	0	2,879	8	609	502	822	1,941	938								
Public Housing	PAWC HOUSING	91,034	62,433	(590)	9,062	161,939	22,433	27,869	10,217	12,207	72,726	89,213								
	PAWC ISLP	12,104	0	0	0	12,104	2,563	1,552	158	315	4,588	7,516								
	PAWC OTHER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
PROV. HOUSE DEV. BOARD	PAWC HOUSING	13,228	31,852	21,629	18,680	85,389	22,486	25,053	15,051	19,576	82,166	3,223								
	STATE HOUSING	0	0	1,000	0	1,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transport Roads SWater	PAWC MTAB	7,407	7,762	7,776	18,561	41,506	7,407	7,762	7,776	18,561	41,506	945								
	PAWC OTHER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Electricity	DEPT. MINERAL ENERGY	0	2,924	1,737	0	4,661	1,443	2,697	1,284	2,512	7,936	(3,275)								
Support Services	MUNICIPAL INFRASTRUCTURE GRANTS	20,000	110,308	33,692	29,340	193,340	51,348	49,831	51,214	28,742	181,135	12,205								
Support Services	NATIONAL TREASURY	5,976	4,107	31,844	0	41,927	3,162	6,256	6,177	19,463	35,058	6,869								
Support Services	PAWC AGRICULTURE	4,560	0	0	0	4,560	2,810	642	342	497	4,291	269								
Support Services	PAWC EDUCATION	400	0	0	0	400	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Support Services	PAWC HOUSING	0	530	0	0	530	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Support Services	PAWC OTHER	0	0	0	0	0	43	87	70	0	200	(200)								
Support Services	PAWC SPORT & RECREATION	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Support Services	STATE: DEPT. SPORT AND RECREATION	0	0	98,256	83,201	181,457	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Water Service	STATE - DWAF	0	1,755	1,315	0	3,070	0	1	1,030	563	1,594	1,476								
		161,604	256,921	215,471	165,789	799,785	118,776	131,985	105,300	227,901	583,962	215,823								

**APPENDIX 6**  
**ANALYSIS OF PROVISIONS AS AT 30 JUNE 2007**

	For period 30 June 2006				For period 30 June 2007			
	Opening Balance R'000	Contribution R'000	Transfers R'000	Closing Balance R'000	Opening Balance R'000	Contribution R'000	Transfers R'000	Closing Balance R'000
Ambulance Incentive	713	0	0	713	713	0	0	713
Insurance claim	44,675	21,800	-64,628	1,847	1,847	1,038	-1,847	1,038
Medical Aid	60,000	0	11,000	71,000	71,000	5,000	0	76,000
SARS	26,370	38,426	-7,186	57,610	57,610	205	-57,610	205
Performance bonus	8,097	1,116	-7,097	2,116	2,116	0	-762	1,354
COVID Claims	12,607	1,260	-11,488	2,379	2,379	2,460	-2,379	2,460
Legal fees	0	600	0	600	600	4,028	-600	4,028
Landfill sites	0	0	20,000	20,000	20,000	7,623	-20,000	7,623
Revenue Pension	2,125	0	875	3,000	3,000	2,700	-3,000	2,700
Staff Leave	217,723	21	-36,803	180,941	180,941	38,766	0	219,707
Long service leave benefits	0	0	0	0	0	18,940	0	18,940
	372,310	63,223	-95,327	340,206	340,206	80,760	-86,198	334,768

**Auditor-General's Audit  
Report on City's  
Consolidated Annual  
Financial Statements for  
2006/07**





**Report of the Auditor General on the  
consolidated financial statements of**

**The City of Cape Town for the year  
ended**

**30 June 2007**

**REPORT OF THE AUDITOR-GENERAL TO THE COUNCIL AND THE WESTERN CAPE PROVINCIAL PARLIAMENT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE CITY OF CAPE TOWN FOR THE YEAR ENDED 30 JUNE 2007**

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**REPORT ON THE FINANCIAL STATEMENTS**

**Introduction**

1. I have audited the accompanying consolidated financial statements of the City of Cape Town which comprise the consolidated and separate statement of financial position at 30 June 2007, consolidated and separate statement of financial performance, consolidated and separate statement of changes in net assets and consolidated and separate cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the accounting officer's report, as set out on pages 4 to 53.

**Responsibility of the accounting officer for the financial statements**

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by the National Treasury as set out in accounting policy note 1 and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA). This responsibility includes:
  - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
  - selecting and applying appropriate accounting policies
  - making accounting estimates that are reasonable in the circumstances.

**Responsibility of the Auditor-General**

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996, read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

6. An audit also includes evaluating the: 606
- appropriateness of accounting policies used
  - reasonableness of accounting estimates made by management
  - overall presentation of the financial statements.
7. Paragraph 11 et seq. of the Statement of Generally Recognised Accounting Practice, GRAP 1 *Presentation of financial statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is still in the process of being developed, I have determined that my audit of any disclosures made by the City of Cape Town in this respect will be limited to reporting on non-compliance with this disclosure requirement.
8. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Basis of accounting**

9. The municipality's policy is to prepare financial statements on the basis of accounting determined by the National Treasury, as set out in accounting policy note 1.

### **Opinion**

10. In my opinion the financial statements present fairly, in all material respects, the consolidated financial position of the City of Cape Town as at 30 June 2007 and its consolidated financial performance and cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1 and in the manner required by the MFMA.

### **Emphasis of matters**

Without qualifying my audit opinion, I draw attention to the following matters:

#### **Highlighting matters affecting the financial statements**

City of Cape Town

11. As set out in accounting policy note 1, the Minister of Finance approved a deviation from the basis of accounting applicable to the municipality in terms of *General Notice 552 of 2007*, issued in *Government Gazette No. 30013 of 29 June 2007*.
12. In the financial year under review the gross outstanding consumer debtors balance as at 30 June as disclosed in note 18 on page 31 of the financial statements, has decreased from R5,084 billion in 2006 to R4,083 billion in 2007, after writing off debt amounting to R1,296 billion as irrecoverable during the year under review. This represented a growth in the debtors balance of 6,5% (2006: 12%) reflected by an increase in debtors days' if the bad debt write off is disregarded.

13. Time theft – Included in note 44 on page 42 of the financial statements was an amount of R263 000 paid in respect of time theft. This amount pertained to payments made to four former city officials over a period during which they were not employed by the city. 607
14. Duplicate wage payment – A payment totalling R527 368, included in note 44 on page 42 of the financial statements, in respect of wages for personnel working on a one-off project was duplicated.
15. Arrear staff debtors – The recoverability of arrear staff debtors that was assessed as doubtful related to the overpayment of leave encashments totalling R466 359 at the end of June 2007. As the write-off of these arrear debtors as irrecoverable may constitute fruitless and wasteful expenditure as per section 32 of the MFMA, disclosure thereof was made in note 44 on page 42 of the financial statements.

#### Cape Town International Convention Centre (CONVENCO)

16. As disclosed in note 3 of CONVENCO'S individual financial statements, consolidated financial statements were not prepared, as the results of the subsidiary company, Cape Town International Convention Centre Operating Company (Pty) Ltd (OPCO), are reflected in the financial statements of CONVENCO in terms of an agreement with OPCO.
17. As disclosed in note 15 of CONVENCO'S individual financial statements, an objection to the disallowance of a tax deduction was lodged with the South African Revenue Services (SARS). The outcome of this matter cannot be determined at present, and no provision for any liability that may result has been made in the financial statements.

#### **Basis of accounting**

##### Khayelitsha Community Trust

18. In accordance with an exemption received from National Treasury, the consolidated financial statements only include the results of the Khayelitsha Community Trust as a separate municipal entity and not the consolidated results of the Trust and its related entities. The Trust's investments in corporate statutory entities are accounted for as investments at cost in the financial statements of the Trust and in the consolidated financial statements of the City of Cape Town. The audit opinion expressed relates only to the results of the separate financial statements of the Trust included in the City's consolidated results. The summarised financial results of the Trust's related subsidiaries are indicated on page 14 of the financial statements.

#### **OTHER MATTERS**

I draw attention to the following matters that are ancillary to my responsibilities in the audit of the financial statements:

## **Non-compliance with applicable legislation**

City of Cape Town

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19. Deviations from section 66(d) and section 38(a) of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA) were found, including employees without signed contracts of employment, employees without performance agreements and, in certain instances, employees without letters of appointment.

RED one

20. The entity did not comply with section 126(2) of the MFMA which requires the accounting officer to submit annual financial statements, within 2 months after the end of the financial year, for auditing. Financial statements were submitted on 7 December 2007.

Khayelitsha Community Trust

21. The trust is listed as a municipal entity of the City of Cape Town in terms of section 31 of the MSA. As a result, the requirements of the MFMA became applicable on the trust with effect from 1 July 2004. The trust did not comply with the following requirements of the MFMA:

- Section 93 – no chief executive officer during year under review.
- Sections 95 to 100 – no written internal control systems.
- Sections 95(c)(ii) and 165(1) – no internal audit function.
- Section 121 – no annual report for the 2004-05 or 2005-06 financial years.

Philippi East Trading Centre (Pty) Ltd

22. The entity did not comply with the following requirements of the MFMA:
- Section 166(1) – no audit committee.
  - Section 95(c)(ii) and 165(1) – no internal audit function.
  - Section 93 – no chief executive officer during the year under review.

## **Matters of governance**

City of Cape Town

23. As stated in paragraph 2 of the report of the chief financial officer on page 6 of the financial statements the city only spent R1,98 billion of its approved capital expenditure budget of R2,57 billion, resulting in an under-spending of approximately 23% (2006: 28% being R1,53 billion spent of an approved budget of R2,13 billion).

Khayelitsha Community Trust

24. In terms of good corporate governance principles, the audit committee should comprise of non-trustees with appropriate skills and expertise for the proper functioning of the audit committee. The appointment of trustee members to the audit committee could compromise the independency and impartiality of the audit committee.

25. Sections 62(1)(c)(i) and 95(c)(i) of the MFMA states that the accounting officer must ensure that the municipality and municipal entity respectively, has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes of the matters indicated, as they relate to the five components of internal control. In some instances deficiencies existed in more than one internal control component.

<b>Reporting item</b>	<b>Control environment</b>	<b>Assessment of risks</b>	<b>Control activities</b>	<b>Information and communication</b>	<b>Monitoring</b>
<b>Emphasis of matter</b>					
Highlighting matters affecting the financial statements	X		X		X
<b>Other matters</b>					
Non-compliance with applicable legislation	X		X		
Matters of governance	X		X		
Investigations in progress or completed					X

**Control activities**

26. The effectiveness of control over business and accountancy processes was not adequate, which resulted in an increase in the debtors balance of 6,5% excluding the write-off of bad debts amounting to R1,296 billion as detailed in paragraph 12.

**Control environment**

City of Cape Town

27. The entity did not establish all the key elements of a control environment to achieve sound financial management in the payroll and human resources directorates. This resulted in the fruitless and wasteful expenditure reported in paragraphs 13 to 15.

28. The entity did not establish all the key elements of a control environment to achieve sound financial management as reported in paragraphs 21 and 24.

Philippi East Trading Centre (Pty) Ltd

29. The entity did not establish all the key elements of a control environment to achieve sound financial management as reported in paragraph 22.

**Monitoring controls**

30. The monitoring of controls, such as project management where the anticipated cash flows were not properly identified over the term of the project and delays in project completion that were not identified on a timely basis to facilitate the efficient reallocation of resources to other projects, was not effective.

**Investigations in progress or completed**

31. The prior year audit of payroll and operating expenditure indicated instances of irregular expenditure amounting to approximately R314,7 million. Disclosure of the individual items, together with council action in terms of section 32(2)(b) of the MFMA, was made in note 44 on page 41 of the financial statements. SCOPA established three subcommittees to investigate these matters with the view to resolving these. SCOPA at a meeting held on 22 November 2007 resolved to recommend to the council its support for the approval and condonation of the expenditure as per the council minutes of 7 December 2006, with the exception of six payments. Three of the payments amounting to R3,3 million were still subject to forensic investigation while it was resolved that three other payments amounting to R3,6 million be referred for full forensic investigation. Council at a meeting held on 5 December 2007 supported the afore-mentioned recommendation of SCOPA.
32. The City has commissioned forensic investigations into several possible fraudulent and/or irregular acts by officials and suppliers. The monetary amount of the 10 highest priority cases exceed R33 million.

**Unaudited supplementary schedules**

33. The supplementary schedules set out on pages 54 to 63 do not form part of the financial statements and are presented as additional information. I have not audited these schedules and accordingly I do not express an opinion on them.

**APPRECIATION**

34. The assistance rendered by the staff of the City of Cape Town during the audit is sincerely appreciated.

*Auditor-General*

Cape Town

27 December 2007



**A U D I T O R - G E N E R A L**



Management comments  
and corrective action on  
matters raised in the report  
of the Auditor-General on  
City's Consolidated  
Financial Statements for  
2006/07

**MANAGEMENT COMMENTS AND CORRECTIVE ACTION TO BE INSTITUTED ON THE MATTERS RAISED IN THE REPORT OF THE AUDITOR-GENERAL TO THE COUNCIL ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE CITY OF CAPE TOWN FOR THE YEAR ENDED 30 JUNE 2007 IN TERMS OF SECTION 121(4)(e) OF THE MUNICIPAL FINANCE MANAGEMENT ACT, NO 56 of 2003**

The unqualified audit report contains certain issues that were reported by the Auditor-General. For ease of reference the paragraphs are similarly numbered commencing from paragraph 11 (emphasis of matters)

**Highlighting a matter affecting the Financial Statements**

11. Noted
12. Debt Management actions will continue to be instituted against the debtors who do not respond to final demands, warning letters or have reneged on their arrangements to pay their arrears over an extended period.  
  
In addition, balances are analysed in detail and appropriate measures such as restricted / discontinued supplies of water and electricity services and legal actions including the sale in execution of immovable property are instituted.  
  
Debtors are also encouraged to apply for additional indigent assistance and for rates rebates.
13. The City's internal control procedures in place had identified the issues which are currently being investigated and remedial actions are being taken.
14. Comments noted. Additional control measures have been implemented for all individual ad hoc projects. The use of third parties to manage special project labour payments is being considered and also the creation of a special section to control these payments. The balances have been analysed into amounts considered recoverable and for write-off respectively. A report for the write-off has been submitted to MAYCO. MAYCO resolved that this matter be referred to SCOPA for consideration and a recommendation to Council.
15. The audit finding is noted and the necessary steps will be taken in terms of section 62 of the MFMA to authorise the expenditure.
16. The Cape Town International Convention Centre (CONVENCO) is the sole shareholder of the Cape Town International Convention Centre Operating Company (Pty) Ltd (OPCO). In terms of an agency agreement dated November 2000 entered into between the Cape Town International Convention Centre Company (Pty) Ltd and the Cape Town International Convention Centre Operating Company (Pty) Ltd (OPCO), the subsidiaries company results are reflected in the CONVENCO financial statements. The Shareholding Management Department feels that the financial statements as prepared accurately portray the commercial ventures of the Convention Centre as a whole.
17. Due to the current evidence supporting the CONVENCO objection to SARS regarding the 2005 revised additional income tax assessment, the potential liability to CONVENCO, should the tax assessment be upheld, has been recorded as a Contingent Liability.

**Basis of Accounting**

18. Noted.

### Non-compliance with applicable legislation

19. The deviations from the Systems Act are noted. Steps will be put in place to resolve unsigned contracts of employment, unsigned performance agreements and the lack of employment letters. The fixed term contracts will be reversed and contracts brought into line with the SALGBC Collective agreements and arbitration rulings. Performance bonuses will be phased out and be replaced by the new remuneration policy.
20. The City prepared the Annual Financial Statements for RED1 as at the 30 June 2007 in terms of the contractual arrangements originally concluded between the City and the RED. While these financial statements were submitted timeously to the Chair of the Board of RED1 and the previous CEO, there was confusion regarding the status of the Directors due to the liquidation process being undertaken. As the liquidation had not yet been registered by the Registrar of Companies and the liquidator accepted by the Master of the High Court, the Directors were deemed to still be responsible for the financial statements. The financial statements were eventually signed on 7 December 2007.

Although followed up numerous times, it was not possible to receive signed financial statements by the due date – being 31 August 2007. This matter was reported in accordance with section 128 of the MFMA by the City to the Council, the Western Cape Provincial Treasury and the Auditor-General.

21. The City has allocated some funding to KCT to assist with administrative arrangements and ensured that a Chief Executive Officer has been appointed (with effect from 1 October 2007). The Chief Executive Officer will ensure that the necessary internal controls are developed. At this time the risk of not having internal controls in place is completely mitigated by a legal firm holding the KCT funds in a Trust Account and applying the internal controls and subjecting the fund to the internal and external audit through the normal business processes employed by the legal firm.

The City has assisted the KCT to develop an annual report for the 2005/06 financial year. This report was not published due to the fact that it needed the support of the financial statements to make sense of the information contained in the report. The audit on these financial statements has only recently been completed due to a dispute by the Office of the Auditor-General over the way the City was requesting its municipal entity to report on the financial results of operations for consolidation within the City's consolidated financial statements. The Accountant General supported the City in the accounting process followed.

The 2006/07 Annual Report will be published.

22. The PETC has been dormant for the past year and a decision has been taken to liquidate the Company. It was therefore considered an unnecessary expense, which could even be considered as fruitless and wasteful expenditure, to employ a dedicated Chief Executive Officer and running an internal audit function and an Audit Committee to oversee the dormant state of this Company.

### Matters of Governance

23. Monitoring systems are in place to ensure that progress is reported to Council. Facility has been introduced for the carry over of funds for projects not completed in a budget year. A task team has also been appointed to identify obstacles to the capital budget implementation and render training programs to enhance the overall operational efficiency of departments.

24. While the complications of administering a Trust as a Municipal Entity have been briefly outlined in the comment on paragraph 21 above, the City has attempted to implement the necessary procedures prescribed by the Municipal Finance Management Act. Thus, the Trustees are equated to the Board of a Company and have been allocated oversight and fiduciary responsibilities. The Trustees are not employees of the Municipal Entity and the same principles in appointing the Board Members of a Company to the Audit Committee have been applied when appointing the Trustees to the Audit Committee of KCT. As far as the City is concerned, the requirements of section 166 of the MFMA have been fulfilled and there is extremely limited possibility of compromising the independency and partiality of the Audit Committee as the greater Khayelitsha Community, being the beneficiaries of the activities of the KCT, will be monitoring and evaluating the outcomes achieved by the Trust and holding the Trustees accountable.

#### **Internal Control**

25. Noted.

#### **Control Activities**

26. Refer management comments in paragraph 12.

#### **Control Environment**

27. Refer management comments in paragraphs 13 to 15.  
28. Refer management comments in paragraphs 21 and 24.  
29. Refer management comments in paragraph 22.

#### **Monitoring Controls**

30. Refer management comments in paragraph 23.

#### **Investigations in progress or completed**

31. Council resolved to accept the recommendations made by SCOPA in regard to the issues being investigated by SCOPA except for six payments amounting to R6,9 million which have been referred for full forensic investigations. Except for the six, the issues are considered to be resolved.  
32. The investigations are still in process.

#### **Un-audited supplementary schedules**

33. Noted

**MANAGEMENT COMMENTS AND CORRECTIVE ACTION TO BE INSTITUTED ON THE MATTERS RAISED IN THE REPORT OF THE AUDITOR-GENERAL TO THE COUNCIL ON THE FINANCIAL STATEMENTS OF THE CITY OF CAPE TOWN FOR THE YEAR ENDED 30 JUNE 2007 IN TERMS OF SECTION 121(4)(e) OF THE MUNICIPAL FINANCE MANAGEMENT ACT, NO 56 of 2003**

The unqualified audit report contains certain issues that were reported by the Auditor-General. For ease of reference the paragraphs are similarly numbered commencing from paragraph 11 (emphasis of matters)

**Highlighting a matter affecting the Financial Statements**

11. Noted
12. Debt Management actions will continue to be instituted against the debtors who do not respond to final demands, warning letters or have reneged on their arrangements to pay their arrears over an extended period.

In addition, balances are analysed in detail and appropriate measures such as restricted / discontinued supplies of water and electricity services and legal actions including the sale in execution of immovable property are instituted.

Debtors are also encouraged to apply for additional indigent assistance and for rates rebates.

13. The City's internal control procedures in place had identified the issues which are currently being investigated and remedial actions are being taken.
14. Comments noted. Additional control measures have been implemented for all individual ad hoc projects. The use of third parties to manage special project labour payments is being considered and also the creation of a special section to control these payments. The balances have been analysed into amounts considered recoverable and for write-off respectively. A report for the write-off has been submitted to MAYCO. MAYCO resolved that this matter be referred to SCOPA for consideration and a recommendation to Council.
15. The audit finding is noted and the necessary steps will be taken in terms of section 62 of the MFMA to authorise the expenditure.

**Non-compliance with applicable legislation**

16. The deviations from the Systems Act are noted. Steps will be put in place to resolve unsigned contracts of employment, unsigned performance agreements and the lack of employment letters. The fixed term contracts will be reversed and contracts brought into line with the SALGBC Collective agreements and arbitration rulings. Performance bonuses will be phased out and be replaced by the new remuneration policy.

**Spending on Capital Budget**

17. Monitoring systems are in place to ensure that progress is reported to Council. Facility has been introduced for the carry over of funds for projects not completed in a budget year. A task team has also been appointed to identify obstacles to the capital budget implementation and render training programs to enhance the overall operational efficiency of departments.

**Material corrections made to the financial statements submitted for auditing**

18. The revision of the Financial Statements due to the adjustment of the figure provided for revenue recognition is due to the interpretation of the Auditor-General of GAMAP 9.17 and Circular 9/06 of SAICA, which differs from that of the City. The City's interpretation of GAMAP 9.17 is that any uncertainty of the collectability of amounts included in revenue should be recognised as an expense rather than as an adjustment of the revenue amount. Since there are differing interpretations of GAMAP 9.17 the City will approach National Treasury for their directive on the accounting standard.

The additional disclosure in relation to Property, Plant and Equipment is due to an oversight in the original compilation of the Financial Statements.

**Internal Control**

19. Noted.

**Control activities**

20. Refer management comments in paragraph 12.

**Control Environment**

21. Refer management comments in paragraph 13 to 15.

**Monitoring Controls**

22. Refer management comments in paragraph 17.

**Investigations in progress or completed**

23. Council resolved to accept the recommendations made by SCOPA in regard to the issues being investigated by SCOPA except for six payments amounting to R6,9 million which have been referred for full forensic investigations. Except for the six, the issues are considered to be resolved.
24. The investigations are still in process.

**Un-audited supplementary schedules**

25. Noted

**Reporting on performance information**

26. Noted.

**Responsibilities of the accounting officer**

27. Noted.

**Responsibility of the Auditor-General**

28. Noted.
29. Noted.
30. Noted.

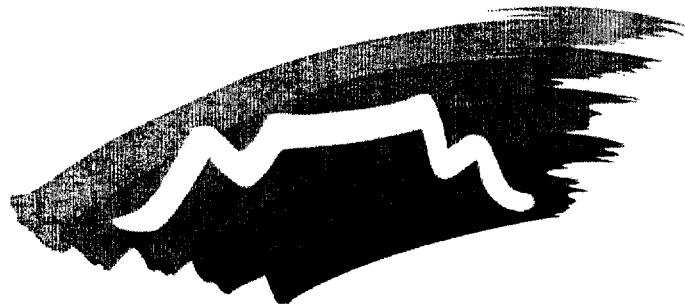
**Non-compliance with the MSA**

31. Noted and corrective measures are in the process of being implemented.

# City's Annual Financial Statements for 2006/07



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



**ANNUAL FINANCIAL  
STATEMENTS**

**for the year ended**

**30 JUNE 2007**

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## GENERAL INFORMATION

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MAYOR	Alderman H Zille
DEPUTY MAYOR	Councillor C Williams
SPEAKER	Councillor JD Smit
CHIEF WHIP	Councillor AM Serritslev

### MEMBERS OF THE MAYORAL COMMITTEE

Alderman H Zille	Executive Mayor of the <b>Mayoral Committee</b>
Councillor GCR Haskin	Mayoral Committee Member and Chairperson of the <b>Amenities and Sport Portfolio</b>
Councillor B Walker	Mayoral Committee Member and Chairperson of the <b>Corporate Services and Human Resources Portfolio</b>
Councillor SP Grindrod	Mayoral Committee Member and Chairperson of the <b>Economic, Social Development and Tourism Portfolio</b>
Councillor I Neilson	Mayoral Committee Member and Chairperson of the <b>Finance Portfolio</b>
Councillor M Fienies	Mayoral Committee Member and Chairperson of the <b>Health Portfolio</b>
Councillor D Plato	Mayoral Committee Member and Chairperson of the <b>Housing Portfolio</b>
Councillor M Nieuwoudt	Mayoral Committee Member and Chairperson of the <b>Planning and Environment Portfolio</b>
Councillor D Ximbi	Mayoral Committee Member and Chairperson of the <b>Safety and Security Services Portfolio</b>
Councillor L Roelf	Mayoral Committee Member and Chairperson of the <b>Trading Services and Infrastructure Portfolio</b>
Councillor E Thompson	Mayoral Committee Member and Chairperson of the <b>Transport, Roads and Stormwater Portfolio</b>

### MEMBERS OF THE AUDIT COMMITTEE

Aklaaq Mahmood	Chairperson
Bertina Engelbrecht	Deputy Chairperson
Andre Barkhuizen	Member (Resigned 24 May 2007)
Mervyn Burton	Member
Bulelani Mahlangu	Member
Ray Schur	Member

<b>AUDITORS</b>	Office of the Auditor-General Business Connexion Building Ring Road, Century Boulevard <b>Century City, 7441</b>	P O Box 110 <b>Cape Town</b> 8000
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<b>BANKERS</b>	ABSA Bank 1 <sup>st</sup> Floor Tijgerpark IV Willie Van Schoor Drive <b>Tyger Valley, 7530</b>	P O Box 4453 <b>Tyger Valley</b> 7536
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<b>REGISTERED OFFICE</b>	12 Hertzog Boulevard <b>Cape Town</b> 8000	P O Box 655 <b>Cape Town</b> 8000
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<b>CITY MANAGER</b>	Achmat Ebrahim
<b>CHIEF FINANCIAL OFFICER</b>	Mike Richardson

## COUNCIL MEMBERS OF THE CITY OF CAPE TOWN

## COUNCILLOR/ALDERMAN

Abdullah, R	Groenewald, E	Mbaliswana, M G	Sasman, D P
Abrahams, A	Gutuza, FS	Mcgluwa, J J	Sass, G M
Abrahams, A N	Haskin, GCR	McKenzie, C L	Sawant, E
Amira, D	Hassiem, W	Mdluli, V V	Schäfer, D A
Anderson-Jardine, L O	Haywood, M	Mgayiya, N P	Schwella, W
Arendse, M G	Heber, B	Mgodeli, P	Serritslev, A M
Arendse, P S	Hermans, J	Mgxekeni, T M	Sidinana, L T
Arendse, S W P	Hill, P A D	Middleton, J H	Sikhutshwa, T R
Ariefdien, M G	Hlazo, M W	Mini, G B	Siljeur, G R
Bala-Mjobo, B V	Holderness, N	Mkutswana, M A	Simons, J M
Baskiti, M	Ipser, C W	Mngxuneni, P M	Sims, S
Bayat, S	Iversen, I	Mnqasela, M	Smit, D
Beerwinkel, C F	Jackson, I R	Mocke, D	Smit, J D
Bent, N L	Jacobs, B M	Mofoko, N M	Smith, D R
Benya, L	Jacobs, J	Mokoena, J M	Smith, J
Bergh, A V	Jacobs, N A	Morkel, G N	Solizwe, M T
Berry, E A	Jaftha, W D	Mpongo, Kululwa	Sonnenberg, E J
Bevu, T N	Jama, J S	Mrawu, R	Sotashe, X R
Billie, N E	Jelele, L D	Msuthu, N M	Steenkamp, F R
Blaai, B C	Jespersen, G A	Mthiya, T B	Stemela, H P
Booi, P T	Joko, B	Murudker, M	Tabisher, C
Bottoman, T N	Jonas, A S	Mxolose, W S	Thee, J W P
Brady, W E	Jones, M	Ncedana, M	Thomas, C R
Bredenhand, J C	Justus, C R	Neilson, I D	Thompson, E L
Brenner, H I	Kallie, A	Nieuwoudt, M J	Thompson, T B
Britz, M T	Kearns, F	Njamela, JG	Timm, G
Brynard, C A	Kent, M E A	Nkwele, W A	Traut, A
Burger, J H H	Kinahan, O M	Ntamo, G T	Trout, T V
Carstens, E M	Klaas, M N	Ntloko, H N	Truter, B
Cavanagh, G V	Kleinsmith, G	Nyameka, N	Tshambula, D
Chaaban, BJ	Koty, P N	Nyanga, X	Twigg, G G
Chapple, P H	Kwayinto, E N	O'Connell, R A	Tyhalisisu, V K T
Christians, D J	Labase, M M	Oliver, M J	van Dalen, P
Claasen, C P V	Labuschagne, C	Omar, A R	van der Bijl, W
Claassen, H M	Landingwe, N J	Orrie, A	van Rensburg, L J
Clayton, C C	Lategan, K H	Otto, A	van Rensburg, M J
Cortje-Alcock, B A	Lee, B E H	Pascoe, G I	van Wyk, J
Daniels, C J	Le Roux, B	Pearce, Y	Venter, J D
Dase, N	Ludidi, M T	Pick, U E	Vlotman, B
Dudley, D K	Lukas, A	Pieterse, D	Vos, J
Dunn, L R	Maboe, B E	Pietersen, E	Walker, V M
Else, D	Mafilika, B	Plato, D	Watkins, B R W
Erasmus, J F	Magwentshu, N D	Pretorius, I J	Willemse, J A
Esbach, B M	Makanda, M	Pringle, S B	Williams, A
Fienies, M M	March, G W	Purchase, F	Williams, C
Figlan, A M	Martin, F J	Qually, D L	Williams, D C
Gabriel, N A	Matha, M S	Rau, R	Xazana, R
Gabriel, P J	Matiwane, M P	Raymond, F H L	Ximbi, D L
Gexa, N G	Matshikiza, A B	Ridder, J C	Yiba, L P L
Gophe, X O	Matshoba, M O	Robinson, A C	Zille, O H
Gouws, P J H	Mavungavunga, V N	Roelf, L E	Zuma, B A
Green, A M	Mawela, X G	Ross, N D	
Grindrod, S P	Maxakato, F H	Rothman, L J	



CITY OF CAPE TOWN | ISIXEKO SASEKAPA | STAD KAAPSTAD

**ANNUAL FINANCIAL STATEMENTS**

for the year ended

30 June 2007

***APPROVAL OF FINANCIAL STATEMENTS***

I am responsible for the preparation of these annual financial statements, which are set out on pages 10 to 60 in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the City.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 30 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

**ACHMAT EBRAHIM**  
CITY MANAGER

DATE: 31 AUGUST 2007

## REPORT OF THE CHIEF FINANCIAL OFFICER

### 1. INTRODUCTION

The City again delivered a strong set of financial results for the year ended 30 June 2007 despite the increased demands made on the City's financial resources.

The City continued its endeavour to improve service delivery by increasing the capital implementation program from 71% in the previous year to 77% in the year under review.

The debtor arrears is again a source of concern notwithstanding the marginal improvement in the collection rate from 95,15% in the previous year to 96,1% in the year under review.

As a gesture of incentive Council approved a once-off writing-off of a historical accumulation of arrear debt to the value of R1,4 billion plus interest to clear old irrecoverable debt.

The financial activities of the year are reviewed in the sections of this report.

### 2. OPERATING RESULTS

The overall summarized operating results for the City as at 30 June 2007 are shown below. The Statement of Financial Performance reflects a summary of income and expenditure, whilst the segmental operating results per service are shown in Appendix D to the annual financial statements.

	2006	2007			2006 to 2007
	Actual R'000	Actual R'000	Budget R'000	Variance R'000	Growth %
<b>REVENUE</b>					
Property rates	2,290,488	2,475,508	2,566,157	90,649	8.08
Service charges	4,365,372	4,927,799	5,119,781	191,982	12.88
RSC levies and Grants in lieu of RSC Levies	1,027,420	1,106,347	1,078,837	(27,510)	7.68
Government grants and subsidies	549,226	543,659	813,434	269,775	(1.01)
Interest earned	423,476	493,946	332,425	(161,521)	16.64
Other	732,200	755,576	731,595	(23,981)	3.19
	<b>9,388,182</b>	<b>10,302,835</b>	<b>10,642,229</b>	<b>339,394</b>	<b>9.74</b>
<b>EXPENSES</b>					
Employee-related costs	2,718,393	3,010,652	3,041,384	30,732	10.75
Impairment of debtors	951,908	392,448	729,412	336,964	(58.77)
Impairment of other assets	246,402	8,901	8,000	(901)	(96.39)
Depreciation and amortization expense	330,039	450,321	417,911	(32,410)	36.44
Interest paid	349,325	283,630	289,245	5,615	(18.81)
Bulk purchases	1,778,884	1,998,112	1,989,077	(9,035)	12.32
Repairs and Maintenance	803,972	963,530	911,781	(51,749)	19.85
Other expenses	2,312,748	2,327,307	3,048,528	721,221	(0.63)
	<b>9,491,671</b>	<b>9,434,901</b>	<b>10,435,338</b>	<b>1,000,437</b>	<b>(0.60)</b>
<b>Surplus for the year</b>	<b>(103,489)</b>	<b>867,934</b>	<b>206,891</b>		
Statement of Changes in Net Assets	(151,242)	(467,766)	236,857		
<b>Net results for the year</b>	<b>(254,731)</b>	<b>400,168</b>	<b>443,748</b>		
Accumulated Surplus at beginning of year	1,126,284	871,553			
<b>Accumulated Surplus at end of year</b>	<b>871,553</b>	<b>1,271,721</b>			

Actual revenue has increased by approximately 10%, whilst expenditure decreased by approximately 1% between the respective financial years.

A comparison of actual results to the approved budget, and explanations of material differences, are set out in the annual financial statements as per appendix E(1).

Included in the statement of changes in net assets is a contribution of approximately R860 million made to the following funds and reserves.

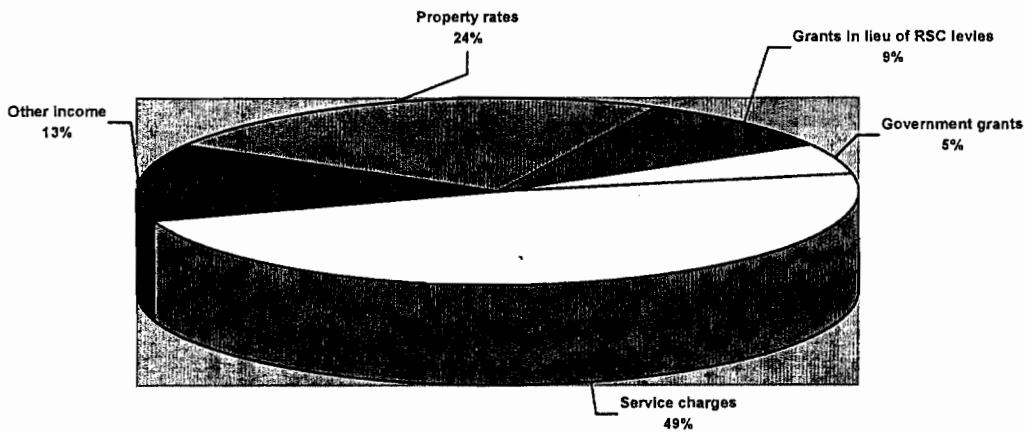
	R'000
Contribution to Capital Replacement Reserve	809,496
Contribution to the Housing Statutory Fund	9,619
Contribution to the Self Insurance Reserve	40,968

**2.1 Operating Revenue**

The major revenue streams that supported the programmes and activities of the Municipality were:

- Property Rates;
- Service Charges made up as follows
  - Electricity sales
  - Water sales
  - Waste water management (sewerage and sanitation)
  - Waste management (solid waste);
- Government grants; and
- Other

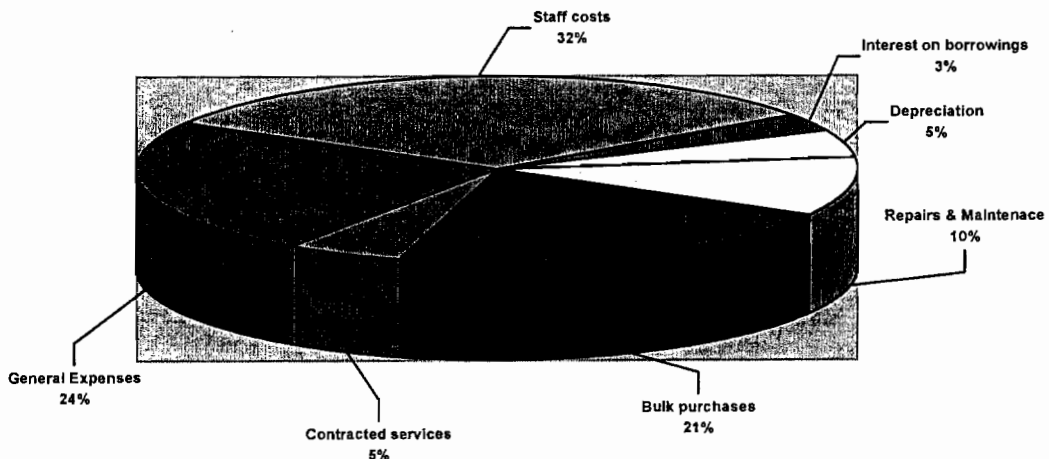
The City experienced a total revenue growth of 9.74% on the amounts realized in the previous financial year but which was nevertheless approximately 10.14% below the amount targeted in this year's budget. Collection levels expressed as a percentage of monthly billings have stabilized above the 95,15% mark for the major part of the year. As at June 2007 the moving annual average was 96,1%. The following graph indicates the main categories of income.



Further detail of service charges is contained in note 22 of the financial statements.

**2.2 Operating Expenditure**

The following graph indicates the main categories of expenditure for the year under review. The pro-active management control and containment of cost increases remains a key priority of the City. Staff costs is still the main category of expenditure and increased from 30% to approximately 32% of total expenditure.



Further detail is contained in notes 29 to 36 to the financial statements.

### 3. OPERATING RESULTS PER SERVICE

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

#### 3.1 Rates and General Services

Rates and General Services	Actual 2007 R'000	Budget 2007 R'000	Variance 2007 R'000	Actual 2006 R'000
Income	5,942,710	6,038,946	96,236	5,465,441
Expenditure	5,502,757	5,770,838	268,081	5,587,896
Surplus (deficit) for the year	439,953	268,108	(171,845)	(122,455)
Statement of changes in net assets	(437,117)	152,723	589,840	129,705
Net results for the year	2,836	420,831	417,995	7,250

The lower than expected net results in relation to budgeted amounts was mainly due to a contribution made to the Capital Replacement Reserve for the 2010 soccer stadium.

#### 3.2 Housing Service

Housing Service	Actual 2007 R'000	Budget 2007 R'000	Variance 2007 R'000	Actual 2006 R'000
Income	222,986	355,193	132,207	282,036
Expenditure	366,077	540,035	173,958	475,762
Deficit for the year	(143,091)	(184,842)	(41,751)	(193,726)
Statement of changes in net assets	29,614	81,187	51,573	(46,243)
Net results for the year	(113,477)	(103,655)	9,822	(239,969)

The higher than expected net results in relation to budgeted amounts was mainly due to an additional contribution having been made to the bad debt provision.

#### 3.3 Trading Services

##### Electricity Service

Electricity Service	Actual 2007 R'000	Budget 2007 R'000	Variance 2007 R'000	Actual 2006 R'000
Income	3,156,486	3,155,765	(721)	2,906,876
Expenditure	2,971,828	3,026,971	55,143	2,783,509
Surplus for the year	184,658	128,794	(55,864)	123,367
Statement of changes in net assets	(31,355)	15,207	46,562	(138,791)
Net results for the year	153,303	144,001	(9,302)	(15,424)

The lower than expected expenditure levels is mainly due to the bad debt provision having been written back during the year as a result of improved debtor payment ratios.

#### 3.4 Waste Management (Solid Waste)

Waste Management	Actual 2007 R'000	Budget 2007 R'000	Variance 2007 R'000	Actual 2006 R'000
Income	912,949	952,565	39,616	871,837
Expenditure	843,847	935,512	91,665	878,762
Surplus for the year	69,102	17,053	(52,049)	(6,925)
Statement of change in net assets	(25,908)	(23,871)	2,037	(36,573)
Net results for the year	43,194	(6,818)	(50,012)	(43,498)

The lower than expected expenditure levels is mainly due to the bad debt provision having been written back during the year as a result of improved debtor payment ratios and also amounts over-budgeted for depreciation.



### 3.5 Water Service (Water & Waste Water Management)

Water Service	Actual 2007 R'000	Budget 2007 R'000	Variance 2007 R'000	Actual 2006 R'000
Income	2,645,595	2,573,821	(71,774)	2,279,204
Expenditure	2,328,283	2,596,043	267,760	2,182,954
Surplus for the year	317,312	(22,222)	(339,534)	96,250
Statement of changes in net assets	(3,000)	11,611	14,611	(59,340)
Net results for the year	314,312	(10,611)	(324,923)	36,910

The higher than expected surplus for the year in relation to budget was due to consumption levels being higher than anticipated and also due to the bad debt provision having been written back during the year as a result of improved debtor payment ratios.

## 4. CAPITAL EXPENDITURE AND FINANCING

Capital expenditure incurred during the year amounted to R1,969 billion which represented 77.38% (2006: 71.4%) of the approved capital budget. Of the amount spent, 54.62% was funded from own funds and 45.38% from external sources. Although the total amount expended reflects an increased trend of 6.0%, expenditure still represents a considerably lower than planned implementation rate and is an area of concern. Additional measures have now been put in place to address the under-spending. In terms of the stipulations of the MFMA for improved service delivery, an amount of R421 million was rolled over from this financial year as a supplement to the capital budget of 2007/08.

Capital Expenditure per Service	Actual 2007 R'000	Budget 2007 R'000	Variance Actual/ Budget %	Actual 2006 R'000
Rates and General	1,047,759	1,525,223	(31.30)	659,583
Housing	171,752	214,838	(20.05)	184,730
Electricity	327,550	343,364	(4.60)	271,106
Water Service (Water & Waste Water Management)	327,068	362,949	(9.90)	261,250
Waste Management (Solid Waste)	95,278	98,444	(3.22)	143,973
	<b>1,969,407</b>	<b>2,544,818</b>	<b>(22.61)</b>	<b>1,520,642</b>

The aforementioned fixed assets were financed from the following sources.

Source of Finance	Actual 2007 R'000	Budget 2007 R'000	Variance Actual/ Budget %	Actual 2006 R'000
Capital Replacement Reserve	538,415	586,607	(8.21)	224,804
External Finance Fund	893,913	1,126,420	(20.64)	790,842
Contributions, Grants and Donations	502,605	810,261	(37.96)	504,442
Revenue	34,474	21,530	60.12	554
	<b>1,969,407</b>	<b>2,544,818</b>	<b>(22.61)</b>	<b>1,520,642</b>

A complete analysis of capital expenditure (budgeted and actual) per functional area is included in Appendix C and E2 whilst Appendices B and B1 contain detail according to asset class. More details regarding external loans used to finance fixed assets are shown in Appendix A.

## 5. EXTERNAL LOANS, INVESTMENTS AND CASH

During the year under review, loans of R135 million were repaid, whilst interest to the value of R29,3 million was capitalized.

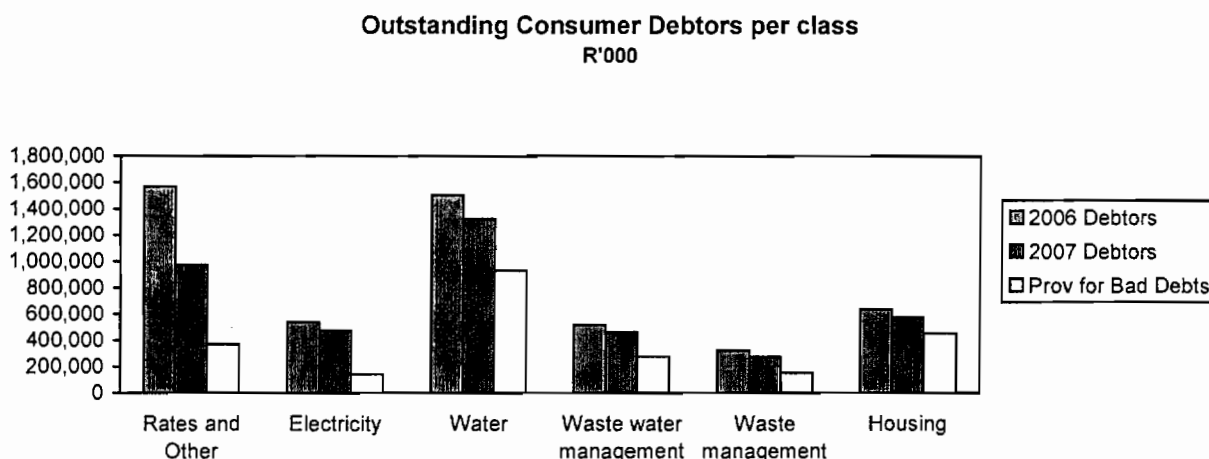
Long term investments as at 30 June 2007 amounted to R491,3 million of which R426,5 million was set aside for the repayment of loans. Cash and cash equivalents increased by R476.5 million to R2,53 billion. Additional information regarding loans, investments and cash and cash equivalents provided in notes 4, 15, 20 and Appendix A to the financial statements.

## 6. CONSUMER DEBTORS

Outstanding consumer debtors at 30 June 2007 were R4,08 billion. The amounts included in the consumer debtor balances considered to be doubtful are covered by a provision for bad debts of R2,33 billion which represents 57,07% of the total. An amount of R1,3 billion was written-off during the year under review. This amount written-off pertains to pre 2003 debtor arrears.

Additional information regarding consumer debtors is contained in Note 18.

The outstanding consumer debtors as at 30 June 2007 are represented graphically below, reflecting also the coverage by the bad debts reserve.



## 7. REGIONAL ELECTRICITY DISTRIBUTOR (RED1)

During December 2006 the National Energy Regulator of SA (Nersa) resolved not to extend RED1's license as a distributor of electricity supply but that the license as distributor be returned to the City of Cape Town as from 1 January 2007.

Further to this development, Council resolved on 28 March 2007 that RED1 be voluntarily liquidated and disestablished as a municipal entity in terms of the Municipal Systems Act.

As at the date of these financial statements the dissolution is not yet complete and the City issued a bank guarantee of R658 935,04 as security to the Master of the High Court for any outstanding debts of RED1.

## 8. APPLICATION OF ACCOUNTING STANDARDS

During the 2005/06 financial year many of the high capacity municipalities were not able to comply with S122(3) of the MFMA resulting in some being issued with qualified audit reports. In consequence of this, National Treasury issued Circular 44 dated 25 July 2007 providing for extended timeframes for full compliance. Local Authorities making use of the concessions provided in this circular would need to make application for itemised exemptions.

The City resolved not to exercise this concession provided by National Treasury since it had already reached material compliance in the previous financial year and was issued with an unqualified audit report.

In the 2006/07 financial year under review the City has once again produced a set of financial statements materially compliant with the accounting standards.

## 9. IRREGULAR EXPENDITURE

The irregular expenditure reported in the financial year 2005/06 and referred to SCOPA by Council is still being investigated and discussed within sub-committees appointed by SCOPA to determine the potential of any recoverability.

## 10. EXPRESSION OF APPRECIATION

I wish to convey my sincere appreciation to Her Worship the Executive Mayor, Mayoral Committee, the Chairperson and the members of the Finance Portfolio Committee, the Audit Committee, SCOPA, City Manager and Executive Management Team for their support and co-operation received during the year.

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

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



**MIKE RICHARDSON**  
CHIEF FINANCIAL OFFICER

**CITY of CAPE TOWN**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2007**

	Note	2007 R '000	2006 Restated R '000
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net assets</b>		<b>3,161,374</b>	<b>2,367,790</b>
Housing Development Fund	1	532,225	501,627
Reserves	2	1,357,428	994,610
Capital Replacement Reserve		807,493	530,846
Self-insurance Reserve		549,935	463,764
Accumulated Surplus		1,271,721	871,553
<b>Non-current liabilities</b>		<b>8,377,423</b>	<b>7,883,266</b>
Deferred Income	3	4,374,396	4,122,397
Long-term liabilities	4	2,038,052	2,217,222
Non-current provisions	5	1,964,975	1,543,647
<b>Current liabilities</b>		<b>3,835,840</b>	<b>3,414,389</b>
Consumer deposits	6	214,449	176,982
Provisions	7	333,209	337,888
Payables	8	2,372,860	2,115,127
Unspent conditional grants and receipts	9	587,409	438,763
VAT	10	117,027	208,152
Current portion of long-term liabilities	4	210,886	137,477
<b>Total Net Assets and Liabilities</b>		<b><u>15,374,637</u></b>	<b><u>13,665,445</u></b>
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>10,765,256</b>	<b>9,475,792</b>
Property, plant and equipment	11	9,790,463	8,495,809
Investment property	12	99,468	103,844
Intangible assets	13	71,920	119,964
Investments	15	491,267	409,154
Long-term receivables	16	279,185	294,287
Interest rate derivatives	46	32,953	52,734
<b>Current assets</b>		<b>4,609,381</b>	<b>4,189,653</b>
Assets classified as held-for-sale	14	980	0
Inventory	17	159,471	131,601
Consumer debtors	18	1,752,553	1,818,946
Other debtors	19	145,585	162,352
Current portion of long-term receivables	16	19,773	22,287
Cash and cash equivalents	20	2,531,019	2,054,467
<b>Total Assets</b>		<b><u>15,374,637</u></b>	<b><u>13,665,445</u></b>

## CITY of CAPE TOWN

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2007

BUDGET			ACTUAL	
2006	2007		2007	2006
R '000	R '000	Note	R '000	Restated R '000
<b>REVENUE</b>				
2,182,783	2,566,157	21	2,475,480	2,290,488
4,466,243	5,119,781	22	4,927,799	4,365,372
970,699	110,000	23	137,510	1,027,420
174,094	224,700	24	145,257	154,873
300,246	332,425	25	493,946	423,476
118,912	153,204		180,753	174,977
22,978	24,695		26,895	25,280
90,000	111,983		104,960	104,263
1,440,412	* 1,782,271	26	1,512,496	549,226
135,169	174,313	27	217,091	221,606
0	0	28	33,957	4,913
43,000	42,700		46,691	46,288
<b>9,944,536</b>	<b>10,642,229</b>		<b>10,302,835</b>	<b>9,388,182</b>
<b>EXPENDITURE</b>				
2,759,427	3,041,384	29	3,010,652	2,718,393
50,935	65,133	30	65,938	51,801
341,840	737,412	31	64,697	595,893
65,189	147,562		143,634	59,140
704,799	* 417,911	32	450,321	330,039
987,649	911,781		963,530	803,972
383,798	289,245	33	283,630	349,325
1,859,232	1,989,077	34	1,998,112	1,778,884
509,373	509,472		491,248	534,657
70,252	82,179	35	79,871	66,370
2,129,832	2,244,071	36	1,862,643	2,192,032
12	111		844	3,321
0	0	46	19,781	7,844
<b>9,862,338</b>	<b>10,435,338</b>		<b>9,434,901</b>	<b>9,491,671</b>
<b>82,198</b>	<b>206,891</b>		<b>867,934</b>	<b>(87,131)</b>
<b>0</b>	<b>0</b>		<b>0</b>	<b>(16,358)</b>
<b>82,198</b>	<b>206,891</b>		<b>867,934</b>	<b>(103,489)</b>
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>				

\*(Budget adjusted due to the implementation of AC 134)

CITY of CAPE TOWN

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2007

	Housing Development Fund R '000	Capital Replacement Reserve R '000	Capitalisation Reserve R '000	Government Grants and Reserve R '000	Donations and Public Contributions R '000	Self-Insurance Reserve R '000	Accumulated Surplus R '000	Total R '000
<b>2006</b>								
Balance at 1 July 2005	554,970	371,376	2,787,869	1,357,584	83,214	346,759	1,126,284	6,628,056
Changes in accounting policy note 37			(2,787,869)	(1,357,584)	(83,214)			(4,228,667)
Restated balance at 01 July 2005	554,970	371,376	0	0	0	346,759	1,126,284	2,399,389
Restated net result for the year							(103,489)	
Surplus at 30 June 2006 - previously reported							1,973	1,973
Changes in accounting policy note 37							(157,759)	(157,759)
Correction of prior year error - note 38						71,890	52,297	124,187
Transfer to Capital Replacement Reserve	(16,932)	367,343					(367,343)	0
Property, plant and equipment purchased		(207,873)					224,805	0
Contribution to Insurance Reserve	(36,411)					45,115	(45,115)	0
Transfer to Housing Development Fund							36,411	0
Restated balance at 30 June 2006	501,527	530,846	0	0	0	463,764	871,553	2,367,790
<b>2007</b>								
Net surplus for the year								
Transfer to Capital Replacement Reserve		809,496					867,934	867,934
Property, plant and equipment purchased	(5,566)	(532,849)					(809,496)	0
Contribution to Insurance Reserve						86,171	538,415	0
Transfer to Housing Development Fund	36,164						(160,521)	(74,350)
Balance at 30 June 2007	532,225	807,493	0	0	0	549,935	1,271,721	3,161,374

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**CITY of CAPE TOWN**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007**

	Note	2007 R '000	2006 Restated R '000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from ratepayers, government and other		10,553,076	9,305,851
Cash paid to suppliers and employees		(8,044,969)	(7,204,481)
Cash generated from operations	39	2,508,107	2,101,370
Interest received		242,154	203,121
Interest paid		(224,606)	(327,437)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>2,525,655</b>	<b>1,977,054</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(1,969,407)	(1,533,463)
Proceeds on disposal of property, plant and equipment		55,195	49,713
Increase in assets held for sale		(980)	-
Decreases in non-current receivables		17,616	39,197
Decrease/(Increase) in investments		(83,233)	(61,791)
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b>(1,980,809)</b>	<b>(1,506,344)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
New loans raised (Interest capitalised)		29,293	236,387
Loans repaid		(135,054)	(379,718)
Increase in consumer deposits		37,467	15,296
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>(68,294)</b>	<b>(128,035)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	40	<b>476,552</b>	<b>342,675</b>
Cash and cash equivalents at the beginning of the year		2,054,467	1,711,792
<b>Cash and cash equivalents at the end of the year</b>		<b>2,531,019</b>	<b>2,054,467</b>

## ***ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007***

### **1. BASIS OF PRESENTATION**

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005.

These standards are summarized as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GAMAP 4	The Effects of Changes in Foreign Exchange Rates
GAMAP 6	Consolidated Financial Statements and Accounting for Controlled Entities
GAMAP 7	Accounting for Investments in Associates
GAMAP 8	Financial Reporting of Interests in Joint Ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, Plant and Equipment
GAMAP 19	Provisions, Contingent Liabilities and Contingent Asset

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The Minister of Finance has, in terms of General Notice 552 of 2007, exempted compliance with certain of the above-mentioned standards and aspects or parts of these standards. The City has opted not to apply any of the exemptions for the 06/07 financial year which is consistent with the basis of preparation adopted for the 05/06 financial year.

A summary of the significant accounting policies, which have been consistently applied, except for the following:

- The City made certain retrospective changes to its application of certain accounting standards. The changes were:
  - Investments available for sale have been reclassified as investment property to the value of R4 million (2006: R4 million).
  - IT software items have been reclassified from property, plant and equipment to intangible assets to the value of R71,9 million (2006: R120 million) and the related depreciation from depreciation to amortisation. The City has identified and recorded software that was previously included as part of Property, plant and equipment as a separate intangible asset because it was not considered an integral part of the related hardware.
- The City has adopted AC134. As a result, capital grants and receipts relating to the creation of fixed assets are included in non-current liabilities as deferred income, and are credited to the Statement of Financial Performance on a straight-line basis over the expected useful lives of the related asset. In terms of the MFMA Circular 18, the City previously recognised the full extent of conditional grants and receipts related to capital as revenue in the Statement of Financial Performance once the criteria, conditions or obligations embodied in the agreement have been met. An amount of R4,625 million



(2006: R4,386 million) has been reclassified from reserves to non-current liabilities. Further details are given in the Statement of Changes in Net Assets and note 3 and 37.

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

- **Operating Lease Commitments – City as Lessor**  
The City has entered into commercial property leases on its investment property portfolio. The City has determined that it retains all the significant risks and rewards of ownership of these properties and so accounts for them as operating leases.
- **Pension and Other Post Employment Benefits**  
The cost of defined benefit pension plans and other employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.
- **Revenue recognition**  
The calculation in respect of the recognition of revenue is based on past debtor payment ratio trends and was performed per service identifiable categories across all classes of debtors.

## 2. HOUSING FUNDS

The Housing Development Fund was established in terms of the Housing Act (Act No 107 of 1997).

### 2.1 Housing Development Fund

Sections 15(5) and 16 of the Housing Act, (Act 107 of 1997), which came into operation on 1 April 1998, required that the City maintain a separate housing operating account. This legislated separate operating account is known as the Housing Development Fund.

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

The following provisions are set for the creation and utilization of the Housing Development Fund:

- The Housing Development Fund is cash backed, and invested in accordance with the investment policy of the City.
- The proceeds in this fund are utilized for housing developments in accordance with the national housing policy and also for housing development projects approved by the MEC for housing.
- Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets.
- Interest earned on the investments of the fund is disclosed as interest earned in the Statement of Financial Performance.

### 2.2 Unrealised Housing Proceeds

In order to comply with Section 14(4) (d) (i) and (ii) of the Housing Act, (Act 107 of 1997) where all net proceeds need to be paid into the Housing Development Fund, it was necessary to create a holding account which represents the unrealised funds due by long-term housing selling developments and sponsored loan debtors. This account is reduced when debtors are billed for their current loan repayments.

## 3. RESERVES

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

### 3.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other property, plant and equipment, from internal sources, amounts are transferred from the accumulated surplus to the CRR in terms of delegated powers. The following provisions are set for the creation and utilisation of the CRR:

- The cash funds which back up the CRR are invested until utilised. The cash may only be invested in accordance with the investment policy of the City.
- The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment and may not be used for the maintenance of these items.
- Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR and the accumulated surplus is credited by a corresponding amount.
- If a profit is made on the sale of assets other than land, the profit on these assets is reflected in the Statement of Financial Performance and is then transferred, via the Statement of Changes in Net Assets, to the CRR, provided that it is cash backed. Profit on the sale of land is not transferred to the CRR as it is regarded as revenue.

### 3.2 Insurance Reserve

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

Reinsurance premiums paid to external re-insurers are regarded as an expense and are shown as such in the Statement of Financial Performance. The net surplus or deficit on the insurance operating account is transferred to or from the insurance reserve via the Statement of Changes in Net Assets.

The balance of the self-insurance reserve is invested in short term cash investments. Interest earned on the insurance reserve is recorded as interest earned in the Statement of Financial Performance and is transferred to the Insurance reserve via the Statement of Changes in Net Assets as a contribution.

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

### 3.3 Compensation for Occupational Injuries and Diseases (COID) Reserve

The City has been exempted from making contributions to the Compensation Commissioner for Occupational Injuries and Diseases in terms of Section 84 of the COID Act.

The certificate of Exemption issued by the Commissioner and as prescribed by the Compensation for Occupational Injuries and Diseases Act (No. 130 of 1993), requires that the City deposit cash and/or securities with the Commissioner, the market values of which in aggregate, shall not be less than the capitalised value of the of the continuing liability of the City as at 31 December of each year.

The continuing liability is that of annual pensions, the capitalized value of which is determined on the basis of an actuarial determination prescribed by the Commissioner. A COID Reserve has been established to equate to the value of the continuing liability. The market value of the securities is determined annually by the Commissioner and the City is required to meet any shortfall in the aggregate value of the securities as at 31 December. Monthly pensions are funded by transferring funds out of the reserve to the expense account in the Statement of Financial Performance.

## 4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment or at fair value where assets have been acquired by grant or donation.

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Land is also not depreciated as it is deemed to have an indefinite life.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the assets are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the originally assessed standard of performance, then it is regarded as repairs and maintenance and is expensed.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### 4.1 Depreciation rates

Depreciation is calculated on cost, using the straight-line method, over the estimated useful lives of the assets. The depreciation rates are based on the following estimated useful lives:

	Years		Years
<b>Infrastructure</b>		<b>Other</b>	
Roads and Paving	10-30	Buildings	20 - 30
Pedestrian Malls	30	Specialist vehicles	10 - 15
Electricity	20-30	Other vehicles	5-9
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	7-10
Housing	30	Watercraft	15
		Bins and containers	5
<b>Community</b>		Specialized plant and	
Improvements	30	Equipment	10-15
Recreational Facilities	20-30	Other plant and	
Security	5	Equipment	2-5
		Landfill Sites	30

Assets under construction work are carried at cost. Depreciation commences when the asset is ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The City has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for the estimated costs of closure and rehabilitation during, and at the end of the life of the landfill sites where a constructive obligation exists. Rehabilitation costs capitalised to the cost of the landfill site, are written off on a straight-line basis over the estimated useful lives of the site.

#### 4.2 Investment properties

Investment properties are held to earn rental income and for capital appreciation and are stated at cost less accumulated depreciation. Investment properties are written down for impairment where considered necessary. Investment property excludes owner-occupied property which is used in the production or supply of goods or services or for administrative purposes or property held to provide a social service.

Investment property, other than vacant land, is depreciated on the straight-line basis over the useful lives of the assets estimated at 20 to 30 years.

#### 4.3 Intangible assets

An intangible asset is defined as an identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes.

The City recognises computer development software costs as intangible assets if the costs are clearly associated with an identifiable and unique system controlled by the City and have a probable benefit exceeding one year. Direct costs include software development employee costs and an appropriate portion

of relevant overheads. However, computer software costs associated with maintaining computer software programs and the acquisition of software licences are recognised as an expense as incurred.

Direct computer software development costs recognised as assets are amortised on the straight-line basis over the useful lives of the assets estimated at 3 to 5 years.

## 5. INVESTMENTS

Financial assets and financial liabilities are recognised on the City's statement of financial position when the City has become a party to contractual provisions of the instrument.

### 5.1 Investments in Financial Instruments

- *Held to maturity (HTM) investments* are financial assets with fixed or determinable payments and fixed maturity where the City has the positive intent and ability to hold the investment to maturity.
- *Loans and receivables originated by the enterprise* are financial assets that are created by providing money, goods or services directly to a debtor.
- *Financial assets at fair value through profit or loss* are financial assets that meet either of the following conditions:
  - they are classified as held for trading, or
  - upon initial recognition they are designated as at fair value through the statement of financial performance.
- *Available for sale investments* are financial assets that are designated as available for sale or are not classified as,
  - loans and receivables,
  - held to maturity investments, or
  - financial assets at fair value through the statement of financial performance.

**Initial Measurement** of financial instruments is *at cost, which is the fair value* of the consideration given or received. The fair value is usually the transaction price or market price. In terms of AC 133:67 *transaction costs* are included in the initial measurement of financial assets except for financial assets at fair value through profit and loss on which transaction costs are recognised in the statement of financial performance. Transaction costs include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges and transfer taxes and duties. Transaction costs do not include debt premium or discount, financing costs or allocations of internal administrative or holding costs.

**Subsequent Measurement** of financial assets.

- HTM investments and loans and receivables originated by the City and not held for trading are subsequently recognized at amortized cost using the effective interest rate method. Amortized cost is defined in AC 133:11 as the amount at which the financial asset was measured at initial recognition minus principal repayments, plus or minus the cumulative amortization of any difference between that initial amount and the maturity amount, and minus any write-down for impairment or uncollectability.
- Financial assets at fair value through profit or loss, and available for sale investments are measured at fair value without any deduction for transaction costs. Fair value is determined using valuation techniques which discount future cash flows attributable to the financial assets.

The carrying amounts of such investments are reduced to recognize any decline, other than a temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the statement of financial performance.

### 5.2 Investment in Controlled Entities

Investments in controlled entities under ownership control or effective control of the City are carried at cost and are classified as available for sale investments. Separate consolidated financial statements will be prepared to account for the City's share of net assets and post-acquisition results of these investments.

The carrying amounts of such investments are reduced to recognize any decline, other than one of a temporary nature, in the value of individual investments. This reduction in carrying value is recognized in the statement of financial performance.

### 5.3 Interests in Joint Ventures

A joint venture is a contractual arrangement whereby the City and other parties undertake an economic activity that is subject to joint control. Interests in joint ventures are stated at cost and are classified as available for sale investments. Separate consolidated financial statements will be prepared to account for the City's share of net assets and post-acquisition results of these investments

The carrying amounts of such investments are reduced to recognize any decline, other than one of a temporary nature, in the value of individual investments. This reduction in carrying value is recognised in the statement of financial performance.

## 6. INVENTORIES

Inventories consist of raw materials, work in progress, consumables and finished goods, which are valued at the lower of cost, determined on the weighted average basis, and net realisable value. Where it is held for distribution or consumption at no charge or for a nominal amount, inventories are valued at the lower of cost and current replacement value.

Cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Redundant and slow moving inventories are identified and written down to their estimated net realisable values. Consumables are written down according to their age, condition and utility.

## 7. ACCOUNTS RECEIVABLE

Initially accounts receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of trade receivables is established when there is objective evidence that the City will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

## 8. TRADE AND OTHER PAYABLES

Trade and other payables are stated at their nominal value.

## 9. REVENUE RECOGNITION

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the City and these benefits can be measured reliably. Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

9.1 Revenue from rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable.

A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

- 9.2 Service charges relating to solid waste, sanitation and sewage are levied in terms of the approved tariffs.
- 9.3 Service charges relating to Electricity and Water are based on consumption. Meters are read on a periodic basis and revenue is recognised when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed and are based on the consumption history. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period.
- 9.4 Fines constitute both spot fines and summonses. Revenue from spot fines is recognised when payment is received, and the revenue from the issuing of summonses is only recognised when collected by the Courts. Due to the various legal processes that can apply to summonses and the inadequate information received from the Courts, it is not possible to measure this revenue when the summons is issued.
- 9.5 Various services are provided on a prepayment basis in which case no formal billing takes place and revenue is recognised when received.
- 9.6 Income in respect of housing rental and instalment sale agreements is accrued monthly.
- 9.7 Interest earned on investments is recognised in the Statement of Financial Performance on a time proportionate basis that takes into account the effective yield on the investment. Interest may be transferred from the accumulated surplus to the Housing Development Fund or the Insurance Reserve.
- Interest earned on the following investments is not recognised in the Statement of Financial Performance:
- Interest earned on Trust Funds is allocated directly to the fund and is not recognised in the Statement of Financial Performance.
  - Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.
- 9.8 Dividends are recognised when the City's right to receive payment is established.
- 9.9 Income for agency services is recognized on a monthly basis once the income collected on behalf of agents has been quantified. The income is recognized in terms of the agency agreement.
- 9.10 Donations are recognized on a cash receipt basis or where the donation is in the form of property, plant and equipment, when the risks or rewards of ownership have transferred to the City.
- 9.11 Income from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is probable.
- 9.12 Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- The City has transferred to the buyer the significant risks and rewards of ownership of the goods.
  - The City retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
  - The amount of revenue can be measured reliably.
  - It is probable that the economic benefits or service potential associated with the transaction will flow to the City.
  - The costs incurred or to be incurred in respect of the transaction can be measured reliably.

**10. OFFSETTING**

Financial assets and liabilities are offset and the net amount reported on the balance sheet when there is a legally enforceable right to set-off the recognised amount and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

**11. CONDITIONAL GRANTS AND RECEIPTS**

Income received from conditional grants, donations and subsidies are recognised to the extent that the City has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised and funds invested until it is utilised.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the City's interest it is recognised as interest earned in the statement of financial performance.

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

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

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

Income is reclassified as deferred income under non-current liabilities in the statement of financial position to the extent that the criteria, conditions or obligations have been met and is credited to the statement of financial performance on a straight-line basis over the expected useful lives of the related asset.

**12. PROVISIONS**

A provision is recognized when the City has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the statement of financial performance as a finance cost as it occurs.

**13. CASH AND CASH EQUIVALENTS**

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of twelve months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprises of cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

**14. EMPLOYEES BENEFITS****14.1 Retirement Benefit Plans**

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the



current and prior periods. Defined benefit plans are post-employment benefit plans other than defined contribution plans.

The City provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities.

#### 14.2 Post Retirement Pension Funds

Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff Provident Funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various Pension Funds. The City contributes monthly to the Funds. These contributions are charged to the operating account when employees have rendered the service entitling them to the contribution. Actuarial valuation of the liability is performed on an annual basis. The projected unit credit method has been used to value the liabilities.

The liability in respect of current pensioners is regarded as fully accrued and is therefore not split between a past (or accrued) and future in service element. The liability is recognised at the fair value of the obligation together with adjustments for the unrecognised actuarial gains and losses and past service costs.

Actuarial gains or losses are accounted for using the "*corridor method*". Actuarial gains and losses are eligible for recognition in the statement of financial performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme. Actuarial valuations are performed annually.

#### 14.3 Medical Aid: Continued Members

The City provides post retirement benefits by subsidising the medical aid contributions of certain retired staff. According to the rules of the medical aid funds, with which the City is associated, a member (who is on the current conditions of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is liable for 30% of the medical aid membership fee, and the City for the remaining 70%. Under an accrued rights position agreed to by Council, the age of internally appointed staff under the City's new conditions of service determines, on a sliding scale basis, the post-retirement subsidy for medical aid. External appointments do not qualify for post retirement medical aid subsidy.

These contributions are charged to the operating account when employees have rendered the service entitling them to the contribution. In addition the City will contribute annually for the next five years, with effect from 1 July 2003, towards funding the unrecognised transitional liability which was calculated on the projected unit credit actuarial valuation method (AC 116).

The liability in respect of current pensioners is regarded as fully accrued and is therefore not split between a past (or accrued) and future in service element. The liability is recognised at the fair value of the obligation together with adjustments for the unrecognised actuarial gains and losses and past service costs.

Actuarial gains or losses are accounted for using the "*corridor method*". Actuarial gains and losses are eligible for recognition in the statement of financial performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme. Actuarial valuations are performed annually.

#### 14.4 Short-term and long-term employee benefits

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The City recognises the expected cost of performance bonuses only when the City has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

The City provides long-term incentives to eligible employees payable on completion of years of employment. The City's liability is based on an actuarial valuation. The projected unit credit method has been used to



value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

## 15. LEASES

### 15.1 The City as Lessee

15.1.1 Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the City.

Assets subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the assets is depreciated at appropriate rates on the straight-line basis over the estimated useful lives of the assets. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

15.1.2 Operating leases are those leases which do not fall within the scope of the above definition. Payments made under operating leases are charged to the statement of financial performance on a straight-line basis over the period of the lease.

### 15.2 The City as Lessor

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease.

## 16. BORROWINGS

Interest-bearing external loans and bank overdrafts are recorded net of direct issue costs. Finance charges, including premiums payable, are accounted for on an accrual basis. Borrowings are initially recognised at fair value, net of transaction costs. Subsequently, they are measured at amortised cost using the effective interest rate method.

## 17. DERIVATIVE FINANCIAL INSTRUMENTS

The City has entered into interest rate swap agreements in order to manage the floating interest rate risk attached to certain of its external borrowings. These derivatives are classified as held for trading financial instruments. Upon initial recognition, the City measures these derivatives at fair value through profit or loss. Subsequently, they are re-measured at fair value and carried on the balance sheet as assets when the fair value is positive and liabilities when the fair value is negative.

## 18. GRANTS-IN-AID

The City transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the City does not:

- o Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- o Expect to be repaid in future; or
- o Expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events giving rise to the transfer occurred.

## 19. VALUE ADDED TAX

The City accounts for Value Added Tax on the payment basis.

**20. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted for expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

**21. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), and the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

**22. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

**23. FOREIGN CURRENCY TRANSACTIONS**

Transactions in foreign currencies are initially accounted for at the rate of exchange ruling on the date of the transaction. Trade creditors denominated in foreign currency are reported at balance sheet date by applying the exchange rate at that date. Exchange differences arising on the settlement of creditors or on reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or as expenses in the period in which they arise.

**24. COMPARATIVE INFORMATION**

When the presentation or classification of items in the annual financial statements are amended, prior period comparative amounts are reclassified and restated. The nature and reasons for the reclassification and restatement are disclosed.

	2007	2006
	R '000	Restated R '000
<b>1. HOUSING DEVELOPMENT FUND</b>		
<b>Realised Housing Proceeds</b>		
Balance at beginning of the year	207,244	251,675
Income	68,647	60,997
Land Sales	651	9,797
Repayments Long-Term Debtors	45,713	41,673
Repayments Public Organisations	2,884	3,088
Service Contributions	6,068	0
Subsidy Refunds and Other	13,331	6,439
Add: Interest	9,619	5,457
Less : Expenditure	29,674	92,729
Funding Capital Projects	5,566	16,932
Funding Operating Projects	24,108	75,797
Less : Non Cash transfer to provision for impairment	11,480	18,156
<b>Balance at the end of the year</b>	<b>244,356</b>	<b>207,244</b>
Realised Housing Proceeds are fully funded and invested in ring fenced financial instruments.		
<b>Unrealised Housing Proceeds</b>		
Balance at beginning of the year	294,383	303,295
Less : Loans realised	22,774	22,217
Long-term Housing Loans	21,284	19,008
Long-term Loans Public Organisations	1,490	3,209
Transfer to / from provision for impairment	16,260	13,305
<b>Balance at the end of the year</b>	<b>287,869</b>	<b>294,383</b>
Unrealised Housing Proceeds represent loan repayments not yet due in terms of the debtors loan agreement.		
<b>TOTAL</b>	<b>532,225</b>	<b>501,627</b>
<b>2. RESERVES</b>		
Capital Replacement Reserve	807,493	530,846
Insurance Reserve	549,935	463,764
Self-insurance Reserve	521,502	439,380
COVID	28,433	24,384
<b>Total Reserves</b>	<b>1,357,428</b>	<b>994,610</b>
The Capital Replacement Reserve and the Self-Insurance Reserve are fully funded and invested in ring-fenced financial instruments.		
<b>3. DEFERRED INCOME</b>		
Assets financed from Capitalisation Reserve	2,367,805	2,532,606
Assets financed from Government Grants	2,110,972	1,739,709
Assets financed from Public Contributions	150,531	114,111
	4,629,308	4,386,426
Less : Current portion transferred to payables	(254,912)	(264,029)
<b>Total Deferred Income</b>	<b>4,374,396</b>	<b>4,122,397</b>
<b>Reconciliation of movement</b>		
<b>Balance at beginning of the year</b>	<b>4,386,426</b>	<b>4,228,667</b>
Additions during the year	502,605	504,443
Income recognised during the year	(259,723)	(346,684)
<b>Balance at end of the year</b>	<b>4,629,308</b>	<b>4,386,426</b>
Less: current portion	(254,912)	(264,029)
<b>Non-current portion</b>	<b>4,374,396</b>	<b>4,122,397</b>
Deferred income represents grants received from government, and capital contributions from customers, to construct and acquire capital assets.		

	2007	2006
	R '000	Restated R '000
<b>4. LONG-TERM LIABILITIES</b>		
Local Registered Stock Loans	11,400	11,400
Annuity Loans	38,458	48,771
Other Loans	2,019,021	2,103,181
Finance Leases	180,059	191,347
Sub-total	2,248,938	2,354,699
Less: Current portion transferred to current liabilities	210,886	137,477
Annuity Loans	11,464	10,312
Other Loans	188,825	119,171
Finance Leases	10,597	7,994
<b>Total Long-term liabilities (Refer to Appendix A for more detail)</b>	<b>2,038,052</b>	<b>2,217,222</b>

The capitalised lease liabilities are secured by items of leased plant with a carrying value of R188,507 million. R426,474 million (2006: R349,949 million) has been invested in specific ring-fenced deposit accounts for the repayment of long-term liabilities. Refer note 15 and 41 for more detail.

#### Determination of fair value

The fair value of the long-term liabilities was determined by discounting their cash flows from the reporting date to their final maturity dates at rates equal to the prevailing rates of return for financial instruments having substantially the same terms and characteristics.

The fair value of long-term liabilities held at amortised cost amounted to R2,390 million (2006: R2,540 million)

The obligations under finance leases are scheduled below:

	Minimum lease payments		Present value of minimum lease payments	
	2007	2006	2007	2006
	R '000	R '000	R '000	R '000
Amounts payable under finance leases:				
Payable within one year	38,350	36,335	10,597	7,994
Payable within two to five years	251,787	222,070	169,462	121,487
Payable after five years	0	71,212	0	61,866
	290,137	329,617	180,059	191,347
Less: Future finance obligations	(110,078)	(138,270)	0	0
<b>Present value of lease obligations</b>	<b>180,059</b>	<b>191,347</b>	<b>180,059</b>	<b>191,347</b>
Less: Amounts due for settlement within 12 months			(10,597)	(7,994)
<b>Amount due for settlement after 12 months</b>			<b>169,462</b>	<b>183,353</b>

Refer to Appendix A1 for descriptions of structured loans and finance leases.

#### 5. NON-CURRENT PROVISIONS

Rehabilitation of Landfill sites	272,513	289,569
Post Retirement Medical Aid Benefits	1,520,680	1,241,630
Post Retirement Pension Benefits	12,052	12,448
Long Service Leave Benefits	159,730	0
<b>Total Non-current Provisions</b>	<b>1,964,975</b>	<b>1,543,647</b>

##### Landfill Sites

In terms of the licensing stipulations of the landfill refuse sites, the City will incur rehabilitation costs of R280 million to restore the sites. Provision has been made for this amount based on the net present value of cost. The provision has been determined on the basis of a recent independent study. The cost factors derived from the study by a firm of consulting engineers have been applied and projected at an inflation rate of 5,6% and discounted to present value at the average borrowing cost of 11,42%.

##### Post Retirement Medical Aid Benefit

The total liability in respect of post-retirement medical benefits amounts to R 1 774,10 million as at 30 June 2007 (2006 : R1 595,97 million). Provision for R1 596,68 million has been made (non-current R1 520,68 million, current R76,0 million) - refer note 7 and 47.

##### Post Retirement Pension Benefits

An actuarial valuation has been performed of the City's unfunded liability in respect of Revenue Pension benefits to eligible employees, retirees and retrenched employees to whom the Municipality must contribute until they reach retirement age. The unfunded liability in respect of past service has been estimated at R14,8 million of which R12,1 million relates to the non current portion - refer note 47.

##### Long Service Leave Benefits

The long service leave benefits provision relates to vested leave benefits to which employees may become entitled upon completion of ten years service and every five years thereafter. The provision is utilised when employees are entitled to these awards.

## Reconciliation of movement in non-current provisions

	Long Service Leave Benefits	Landfill Sites	Post Retirement Medical Aid Benefits	Post Retirement Pension Benefits
	R '000	R '000	R '000	R '000
<b>As at 30 June 2007</b>				
Balance at beginning of the year	0	289,569	1,241,630	12,448
Transfer from (to) current	(18,940)	0	(70,098)	(2,166)
Contributions to (from) provisions	178,670	(17,056)	349,148	1,770
<b>Balance at end of the year</b>	<b>159,730</b>	<b>272,513</b>	<b>1,520,680</b>	<b>12,052</b>
<b>As at 30 June 2006</b>				
Balance at beginning of the year	0	0	949,330	19,008
Transfer from current	0	(20,000)	(11,000)	(875)
Contributions to provisions	0	309,569	303,300	(5,685)
<b>Balance at end of the year</b>	<b>0</b>	<b>289,569</b>	<b>1,241,630</b>	<b>12,448</b>
			<b>2007</b>	<b>2006</b>
			<b>R '000</b>	<b>Restated R '000</b>

## 6. CONSUMER DEPOSITS

Electricity and Water	<b>214,449</b>	<b>176,982</b>
Guarantees held in lieu of electricity and water deposits were R27,0m (2006 : R25,5m)		

## 7. PROVISIONS

Ambulance Incentive	713	713
COVID Short term portion	2,460	2,379
Insurance claims	1,038	1,847
Legal Fees	4,028	600
Landfill sites	7,623	20,000
Post Retirement Medical Aid Benefits	76,000	71,000
SARS	0	57,535
Post Retirement Pension Benefits	2,700	3,000
Staff Leave	219,707	180,814
Long Service Leave Benefits	18,940	0
<b>Total Provisions (refer Appendix G for more detail)</b>	<b>333,209</b>	<b>337,888</b>

**Ambulance Incentive**

An incentive amount was negotiated with the unions to be provided for ambulance staff as compensation for their willingness to be transferred to the Provincial Administration Western Cape.

**Insurance Claims**

Provision has been made for outstanding insurance claims as at 30 June 2007 out of the Insurance Reserve.

**Legal Fees**

Legal costs relating to the process of defending City of Cape Town in Labour Appeal Court and Labour Court cases of which the court dates have already been set.

**Landfill sites**

Current portion of long-term provision, which is due - refer note 5 for more detail.

**Post Retirement Medical Aid Benefits**

Current portion of long-term provision, which is due - refer note 5 for more detail.

**SARS**

A settlement with SARS has been reached and the matter has now been resolved.

**Post Retirement Pension Benefits**

Current portion of long-term provision, which is due - refer note 5 for more detail.

**Staff leave**

Annual leave accrues to employees on a monthly basis subject to certain conditions. The provision is an estimate of the amount due to staff as at the financial year end.

**Long Service Leave Benefits**

Current portion of long-term provision, which is due - refer note 5 for more detail.

	2007	2006
		Restated
	R '000	R '000
<b>8. PAYABLES</b>		
Trade creditors	1,195,172	964,644
Payments received in advance	459,622	487,531
RSC Levies	22,658	56,264
Accrued interest	59,024	22,144
Inter-company advances	214,278	118,371
Third party payments	121,041	159,089
Deferred income	254,912	264,029
Other creditors	46,153	43,055
<b>Total Creditors</b>	<b>2,372,860</b>	<b>2,115,127</b>

Guarantees held in lieu of retentions were R7,06 million

#### 9. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

##### Conditional Grants from other spheres of Government

	2007	2006
	R '000	R '000
National Government	237,444	147,300
PAWC - other	254,694	197,722
<b>Other Conditional Receipts</b>	<b>95,271</b>	<b>93,741</b>
Public contributions	95,271	93,741
<b>Total Conditional Grants and Receipts</b>	<b>587,409</b>	<b>438,763</b>

These amounts are separately invested in terms of section 12 of the MFMA. Refer note 26 and 28 for more detail of grants from National and Provincial Government.

#### 10. VAT

VAT Payable	264,163	300,177
VAT Receivable	(147,136)	(92,025)
<b>Net VAT Payable</b>	<b>117,027</b>	<b>208,152</b>

VAT is payable on the payment basis. Only once payment is received from debtors is VAT paid over to South African Revenue Services.

#### 11. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated Depreciation	Carrying Value
	R '000	R '000	R '000
<b>As at 30 June 2007</b>			
Land and Buildings	2,437,392	1,016,958	1,420,434
Infrastructure	9,487,101	3,810,948	5,676,153
Community	959,888	165,011	794,877
Heritage	6,646	0	6,646
Leased Assets	398,960	210,453	188,507
Housing Rental Developments	1,039,516	473,528	565,988
Other	2,445,159	1,307,301	1,137,858
<b>Total Property, Plant and Equipment</b>	<b>16,774,662</b>	<b>6,984,199</b>	<b>9,790,463</b>
<b>As at 30 June 2006</b>			
Land and Buildings	2,391,828	1,004,347	1,387,481
Infrastructure	8,717,102	3,515,455	5,201,647
Community	422,096	145,541	276,555
Heritage	2,772	0	2,772
Leased Assets	289,201	113,371	175,830
Housing Rental Developments	1,032,233	452,344	579,889
Other	2,090,424	1,218,789	871,635
<b>Total Property, Plant and Equipment</b> (Refer to Appendix B and B1 for more detail)	<b>14,945,656</b>	<b>6,449,847</b>	<b>8,495,809</b>

Certain parcels of land, the value of which is included in land and buildings, have been made available to the Cape Town Community Housing Company.

The lease property, plant and equipment is encumbered as set out in Note 4. Provision has been made for the estimated costs of restoring refuse landfill sites, included in other assets, as described in Note 5.

The City is required to measure the residual value of an item of property, plant and equipment. Management has determined that all of its infrastructural assets have no active market value and the value of the amount at the end of its life would therefore be nil or insignificant.

During the current financial year the City reviewed the estimated useful lives and residual values of property, plant and equipment. The review resulted in a reduction of R8,4 million in the current year's depreciation and amortisation charge.

**12. INVESTMENT PROPERTY**

	Cost	Accumulated Depreciation	Carrying Value
	R '000	R '000	R '000
<b>As at 30 June 2007</b>			
Vacant Land	38,388	0	38,388
Land and Buildings	90,241	29,161	61,080
	<b>128,629</b>	<b>29,161</b>	<b>99,468</b>
<b>As at 30 June 2006</b>			
Vacant Land	38,320	0	38,320
Land and Buildings	90,296	24,772	65,524
	<b>128,616</b>	<b>24,772</b>	<b>103,844</b>

Rental income has been received on various properties during the year. Fair value is determined from property sales statistics, and is the basis for property valuations for rating purposes.

Property valuations are conducted by independent valuers. The last General Valuation was performed during the year under review and will be implemented with effect from 1 July 2007. These valuations were used as basis for disclosure. The fair value of the investment properties amounted R287,535 million (R 171,722 million)

**13. INTANGIBLE ASSETS**

	Cost	Accumulated Amortisation	Carrying Value
	R '000	R '000	R '000
<b>As at 30 June 2007</b>			
Computer Software	263,726	191,806	71,920
<b>As at 30 June 2006</b>			
Computer Software	259,468	139,504	119,964
		2007	2006
		R '000	Restated R '000

**14. ASSETS CLASSIFIED AS HELD-FOR-SALE**

Land held for sale	980	0
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Various properties have been presented as held for sale following a Council decision to dispose of properties no longer required for municipal purposes. The disposing of municipal properties takes place within a programme aimed at stimulating economic development. These transactions are expected to yield income of approximately R200 million and should be concluded by 30 June 2008.

**15. INVESTMENTS****15.1 Held to maturity****Listed**

RSA Government stock at amortised cost	26,024	20,909
Eskom stock at amortised cost	1,512	1,474
<b>Total listed investments</b>	<b>27,536</b>	<b>22,383</b>

The fair value of the listed held to maturity investments is estimated at R 27,9 million (2006: R 22,9 million)

**Unlisted****Bank Deposits**

Fixed Deposits: Sinking fund deposits for redemption of long-term loan liabilities - refer note 4	426,474	349,949
Other fixed Deposits	2,380,595	1,926,842
Less: Provision for impairment	(14,800)	(14,800)
<b>Total unlisted investments</b>	<b>2,792,269</b>	<b>2,261,991</b>

The fair value of the unlisted held to maturity investments is estimated at R 2 882 million (2006: R 2 369 million)

**Total held to maturity**

<b>Total held to maturity</b>	2,819,805	2,284,374
Less: current portion maturing within next twelve months - refer note 20	(2,367,307)	(1,914,517)
<b>Total held to maturity (non current)</b>	<b>452,498</b>	<b>369,857</b>

	2007 R '000	2006 Restated R '000
<b>15.2 Available for sale</b>		
<b>Unlisted</b>		
<b>Investment in municipal entities at cost:</b>		
Cape Town International Convention Centre Company (Pty) Ltd	284,000	284,000
Less: Provision for impairment - refer note 31	(245,231)	(244,703)
	<u>38,769</u>	<u>39,297</u>
Objective indicators of impairment of the City's investment in Convenco exist, which oblige the City to calculate an impairment loss. The cost of the City's investment in Convenco, R284 million, has been compared with its share of the present value of Convenco's estimated future cash flows (R77.3 million) discounted at a market related rate of interest and an amount of R245.2 million has been recognised as an impairment loss.		
Regional Electricity Distributor One (RED 1)	<u>0</u>	<u>0</u>
The City holds 5 ordinary shares of R1 each		
<b>Investment in joint venture company:</b>		
Cape Town Community Housing Company (Pty) Ltd	0	0
Original investment at cost	26,289	25,697
Less : Amounts previously written off	(10,000)	(10,000)
Less : Provision for impairment - refer note 31	(16,289)	(15,697)
<b>Other investment at cost</b>	<u>0</u>	<u>0</u>
<b>Total available for sale</b>	<u>38,769</u>	<u>39,297</u>
The fair value of the unlisted available for sale investments is estimated at R 38,8 million (2006: R 39,3 million)		
<b>Total Investments</b>	<u><u>491,267</u></u>	<u><u>409,154</u></u>

**Determination of fair value**

The fair value of the listed investments was determined by reference to their quoted market price at the reporting date.

The fair value of the unlisted investments was determined by discounting their future cash flows from the reporting date to their maturity dates at rates equal to the prevailing rates of return for financial instruments having substantially the same terms and characteristics.

**16. LONG-TERM RECEIVABLES**

Loans to employees	8,899	17,474
Sporting bodies	2,124	2,325
Public Organisations	34,743	36,233
	253,127	258,148
Housing selling development loans	295,003	316,284
Less: Provision for impairment	(41,876)	(58,136)
Other : Road widening and Epping Fresh Market Credit Facility	65	2,394
	298,958	316,574
Less : Current portion transferred to current receivables	19,773	22,287
Loans to employees	4,455	6,456
Sporting bodies	188	201
Public Organisations	1,414	1,377
Housing selling development loans	13,703	11,918
Other: Road widening and Epping Fresh Market Credit Facility	13	2,335
<b>Total Non-Current Loans</b>	<u><u>279,185</u></u>	<u><u>294,287</u></u>
<b>Reconciliation of impairment provision</b>		
Balance at beginning of the year	58,136	71,441
Transfers to/(from) provisions	(16,260)	(13,305)
<b>Balance at 30 June</b>	<u><u>41,876</u></u>	<u><u>58,136</u></u>

**Loans to employees**

Staff were entitled to various loans, such as car and computer loans, which attract interest at 8% to 17% per annum, and are repayable over a maximum period of 6 years. These loans were granted before the implementation of the MFMA and the last of the loans are repayable by 2010.



**Sporting Bodies**

Loans were made to sporting bodies to facilitate the development of sporting facilities. These loans attract interest at a rate of 4% to 19% per annum and are repayable over a maximum period of 20 years.

**Public Organisations**

Loans to public organisations were granted in terms of the National Housing policy. The applicable interest rate and loan repayment periods are determined by the Minister of Housing. At present these loans attract interest at 1%(buildings) and 11%(infrastructure) and are repayable over 30 years.

**Housing Selling Development Loans**

Housing loans were granted to qualifying individuals in terms of the National Housing policy. These loans attract interest at a rate which is currently 13,5% per annum and are repayable over 20 years.

**Road Widening**

A loan was made to a ratepayer for the amount due by him in respect of the construction of a road. This loan attracts interest at a rate of 15% per annum and is repayable over a maximum period of 10 years.

**Epping Fresh Produce Market Credit**

Certain accredited buyers at the Epping Market were allowed to buy fresh produce on credit. After the Epping Market was sold by the City, the debtors negotiated with the City and approval was given for the repayment of the debt in monthly instalments.

	2007	2006
	R '000	Restated R '000
<b>17. INVENTORY</b>		
Consumable stores	114,780	90,630
Medical supplies	1,419	2,832
Spare parts	1,819	1,822
Meters	15,319	14,247
Water	4,945	4,401
Other goods held for resale (plants, compost, 240l refuse bins)	21,189	17,669
<b>Total Inventory</b>	<b>159,471</b>	<b>131,601</b>

Inventory to the value of R7,109 million (2006: R3,686 million) was written-off during the year.

**18. CONSUMER DEBTORS**

	Gross Balances	Provision for Impairment	Net Balance
	R'000	R'000	R'000
<b>As at 30 June 2007</b>			
Service debtors	3,509,275	(1,874,940)	1,634,335
Rates and Other	955,501	(368,432)	587,069
Trade: Electricity	475,365	(141,861)	333,504
Water	1,321,872	(932,043)	389,829
Waste Management (solid waste)	276,410	(151,577)	124,833
Waste Water Management (sewerage and sanitation)	461,170	(277,981)	183,189
RSC Levies	18,957	(3,046)	15,911
Housing Rental Developments	225,659	(188,146)	37,513
Public Organisations Housing Loans	4,319	(1,435)	2,884
Housing Selling Developments	343,759	(265,938)	77,821
<b>Total</b>	<b>4,083,012</b>	<b>(2,330,459)</b>	<b>1,752,553</b>
<b>As at 30 June 2006</b>			
Service debtors	4,450,214	(2,822,491)	1,627,723
Rates and Other	1,525,858	(628,735)	897,123
Trade: Electricity	536,152	(277,395)	258,757
Water	1,503,978	(1,248,515)	255,463
Waste Management (solid waste)	323,130	(256,629)	66,501
Waste Water Management (sewerage and sanitation)	518,315	(408,171)	110,144
RSC Levies	42,781	(3,046)	39,735
Housing Rental Developments	307,325	(236,596)	70,729
Public Organisations Housing Loans	6,157	(4,745)	1,412
Housing Selling Developments	320,384	(201,302)	119,082
<b>Total</b>	<b>5,084,080</b>	<b>(3,265,134)</b>	<b>1,818,946</b>

## Analysis of Consumer Debtors Age in Days

	Total R'000	Current R'000	31 - 60 R'000	61 - 90 R'000	91 - 180 R'000	+180 R'000
<b>As at 30 June 2007</b>						
Rates and Other	955,500	198,101	40,583	74,146	267,908	374,762
Electricity	475,365	253,763	16,698	28,360	54,660	121,884
Water	1,321,872	199,913	49,070	114,153	194,857	763,879
Waste Management	276,410	71,592	13,714	22,985	41,125	126,994
Waste Water Management	461,170	94,567	22,324	44,302	70,905	229,072
RSC Levies	18,957	0	0	0	0	18,957
Housing Rental Developments	225,659	46,517	8,308	8,292	19,022	143,520
Housing Selling Developments	348,079	34,436	3,443	1,900	8,966	299,334
<b>Total</b>	<b>4,083,012</b>	<b>898,889</b>	<b>154,140</b>	<b>294,138</b>	<b>657,443</b>	<b>2,078,402</b>

	Total R'000	Current R'000	31 - 60 R'000	61 - 90 R'000	91 - 180 R'000	+180 R'000
<b>As at 30 June 2006</b>						
Rates and Other	1,525,858	195,005	44,177	38,299	113,518	1,134,859
Electricity	536,152	206,625	36,787	15,345	37,060	240,335
Water	1,503,978	141,043	66,694	46,726	138,345	1,111,170
Waste Management	323,130	44,135	12,694	9,672	31,400	225,229
Waste Water Management	518,315	67,187	24,398	18,559	50,866	357,305
RSC Levies	42,781	1,394	2,365	3,070	2,895	33,057
Housing Rental Developments	307,325	27,569	6,979	7,125	15,233	250,419
Housing Selling Developments	326,541	20,528	3,045	3,183	10,888	288,897
<b>Total</b>	<b>5,084,080</b>	<b>703,486</b>	<b>197,139</b>	<b>141,979</b>	<b>400,205</b>	<b>3,641,271</b>

	2007 R '000	2006 Restated R '000
<b>Reconciliation of impairment provision</b>		
Balance at beginning of the year	3,265,134	2,391,426
Contributions to provisions	384,263	953,745
Transfers to/from provisions	6,232	13,303
Bad debts written-off	(1,325,170)	(93,340)
<b>Balance at 30 June</b>	<b>2,330,459</b>	<b>3,265,134</b>

## 19. OTHER DEBTORS

Payments made in advance	6,128	6,796
Rate and general	66,579	31,754
Property rentals	28,450	21,363
Sporting bodies	418	1,770
Miscellaneous accounts	49,720	86,357
Government subsidies	16,583	46,151
	167,878	194,191
Less : Provision for impairment	(22,293)	(31,839)
<b>Total Other Debtors</b>	<b>145,585</b>	<b>162,352</b>

## Reconciliation of impairment provision

Balance at beginning of the year	31,839	31,839
Transfers to/from provisions	22,293	0
Bad debts written-off	(31,839)	0
<b>Balance at 30 June</b>	<b>22,293</b>	<b>31,839</b>

	2007	2006	
	R '000	Restated R '000	
<b>20. CASH AND CASH EQUIVALENTS (BANK AND CASH)</b>			
The Municipality has the following bank accounts: -			
Main Bank account	40-5658-4470	128,788	121,375
Salary Bank account	40-5658-4496	0	0
Cashier's Bank account	40-5658-4527	0	0
General Income Bank account	40-5658-4569	0	0
RSC Levies Bank account	40-5542-0263	0	0
RSC Levies Agents Bank account	40-5961-0446	0	0
Market Bank account (holding account)	40-5089-3435	0	0
Traffic Fines Bank account	62073198816	35	44
		<u>128,823</u>	<u>121,419</u>
All accounts are with ABSA except the traffic fines account which is with First National Bank. All account balances are cleared on a daily basis to the main account. The Market bank account is currently a holding account to facilitate the receipt of sundry debtor payments.			
Bank statement balance at beginning of year		<u>121,419</u>	<u>93,545</u>
Bank statement balance at end of year		<u>128,823</u>	<u>121,419</u>
Cash book balance at beginning of year		<u>139,950</u>	<u>113,545</u>
Petty Cash / Float		255	266
Cash		128,823	121,419
Cash in transit		34,634	18,265
<b>Cash book balance at end of year</b>		<u>163,712</u>	<u>139,950</u>
<b>Investments:</b> Current portion matures within next twelve months - refer note 15.		<u>2,367,307</u>	<u>1,914,517</u>
<b>TOTAL CASH AND CASH EQUIVALENTS</b>		<u><b>2,531,019</b></u>	<u><b>2,054,467</b></u>
<b>21. PROPERTY RATES</b>			
<b>Actual</b>			
Residential	}	2,435,452	2,291,278
Commercial			
State			
Penalties		68,622	105,135
		<u>2,504,074</u>	<u>2,396,413</u>
<b>Less</b>		(28,594)	(105,925)
Income forgone *		(28,594)	(26,267)
Revenue Recognition		0	(79,658)
<b>Total Property Rates</b>		<u><b>2,475,480</b></u>	<u><b>2,290,488</b></u>
<b>Valuations</b>			
Rateable Properties		202,631,892	196,984,074
Non-Rateable Properties		8,455,071	9,427,676
<b>Total Property Valuations</b>		<u><b>211,086,963</b></u>	<u><b>206,411,750</b></u>
* Income forgone can be defined as any income that the City is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.			
<b>Valuations as at July</b>			
Residential		139,473,863	128,734,488
Commercial		54,928,744	61,388,230
Agriculture		1,093,898	1,000,602
State		14,108,047	13,835,987
Municipal		1,482,411	1,452,443
<b>Total Property Valuations</b>		<u><b>211,086,963</b></u>	<u><b>206,411,750</b></u>

A general valuation on land and buildings is performed every four years. The last general valuation came into effect on 1 July 2002. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. Rates are levied on an annual basis with the final date for payment being 30 September. Interest at prime plus 1% per annum and a collection fee is levied on rates. The new general valuation will be implemented on 1 July 2007.

	2007	2006
	R '000	Restated R '000
<b>22. SERVICE CHARGES</b>		
Sale of Electricity	2,897,307	2,653,863
Sale of Water	1,018,297	1,059,056
Waste Management	475,515	440,272
Waste Water Management	637,906	570,445
Other	197,917	184,855
	<u>5,226,942</u>	<u>4,908,491</u>
Less	(299,143)	(543,119)
Revenue Recognition	(261,440)	(476,007)
Income forgone	(37,703)	(67,112)
<b>Total Service Charges</b>	<u><b>4,927,799</b></u>	<u><b>4,365,372</b></u>
<b>23. REGIONAL SERVICE LEVIES</b>		
RSC Levies was abolished as from 1 July 2006. The liability for RSC Levies which accrued before 1 July 2006 remained payable.		
Regional Service Levies - turnover	112,975	842,348
Regional Services Levies - remuneration	24,535	173,774
	<u>137,510</u>	<u>1,016,122</u>
Less : Revenue Recognition	0	11,298
<b>Total Regional Service Levies</b>	<u><b>137,510</b></u>	<u><b>1,027,420</b></u>
<b>24. RENTAL OF LETTING STOCK AND FACILITIES</b>		
Rental agreements	198,596	189,939
Hire / Rentals	21,873	22,984
	<u>220,469</u>	<u>212,923</u>
Less : Revenue Recognition	(75,212)	(58,050)
<b>Total Rentals</b>	<u><b>145,257</b></u>	<u><b>154,873</b></u>
<b>25. INTEREST RECEIVABLE</b>		
Interest receivable - external investments	306,581	241,837
Interest receivable - outstanding debtors	187,365	181,639
<b>Total Interest Receivable</b>	<u><b>493,946</b></u>	<u><b>423,476</b></u>
<b>26. GOVERNMENT GRANTS AND SUBSIDIES</b>		
Equitable share	295,542	254,216
RSC levy replacement	968,837	0
MIG projects	181,135	227,428
Provincial Health subsidies	106,368	105,759
Metropolitan Transport Advisory Board	41,506	69,356
National projects	146,605	45,858
Provincial projects other	214,716	307,868
Other	17,367	8,323
	<u>1,972,076</u>	<u>1,018,808</u>
Less: Deferred income	(459,580)	(469,582)
<b>Total Government Grant and Subsidies</b>	<u><b>1,512,496</b></u>	<u><b>549,226</b></u>
<b>Equitable Share</b>		
These grants are used to subsidise the provision of basic services to indigent communities.		
<b>RSC Levy Grant</b>		
A Grant has been received which replaces the RSC levies.		
<b>MIG projects</b>		
Balance unspent at beginning of year	0	(17,951)
Regrouping adjustment	25,461	0
Current year receipts	(193,340)	(186,244)
Adjustments	(147)	2,228
Conditions met - transferred to revenue	181,135	227,428
Amounts still to be claimed	(13,109)	(25,461)
<b>Conditions still to be met - transferred to liabilities (refer note 9)</b>	<u><b>0</b></u>	<u><b>0</b></u>
This grant was used to fund the construction of infrastructural assets for the City. Other than the amount unspent, the conditions of the grant have been met. No funds have been withheld.		

	2007	2006
	R '000	Restated R '000
<b>Provincial Health Subsidies</b>		
Balance unspent at beginning of year	0	0
Current year receipts - included in public health vote (see Appendix D)	(106,368)	(105,759)
Conditions met - transferred to revenue	106,368	105,759
<b>Conditions still to be met - transferred to liabilities</b>	<b>0</b>	<b>0</b>

The City renders services on behalf of the PAWC and is refunded partially for expenditure incurred. This grant has been used to fund clinic services. The conditions of the grant have been met. There were no delays in payment of the subsidies nor were any amounts withheld.

**Provincial projects and MTAB**

Balance unspent at beginning of year	(197,722)	(163,114)
Regrouping adjustment	25,141	16,584
Current year receipts	(371,451)	(405,414)
Interest earned	(6,361)	(5,998)
Adjustments	49,142	(26,799)
Conditions met - transferred to revenue	256,223	377,224
Amounts still to be claimed	(9,666)	9,795
<b>Conditions still to be met - transferred to liabilities (refer note 9)</b>	<b>(254,694)</b>	<b>(197,722)</b>

The City received various grants from PAWC for projects. Other than the amounts unspent, the conditions of the grants have been met. No funds have been withheld.

**National Government projects**

Balance unspent at beginning of year	(147,300)	(121,265)
Regrouping adjustment	119	1,182
Current year receipts	(234,995)	(76,672)
Interest earned	(3,260)	(113)
Adjustments	1,387	3,710
Conditions met - transferred to revenue	146,605	45,858
<b>Conditions still to be met - transferred to liabilities (refer note 9)</b>	<b>(237,444)</b>	<b>(147,300)</b>

These grants received from National Government are for operating and capital expenditure such as budget reform, restructuring, urban renewal and other. Excluding the amounts unspent, the conditions of the grants have been met. See appendix F.

**27. OTHER INCOME**

Insurance recoveries	528	1,273
Bulk infrastructure levies	91,106	82,945
City Improvement District (CIDS)	40,850	45,431
Gain on foreign exchange	0	40
Skills Development levy	14,311	22,622
Other income	70,296	71,132
	217,091	223,443
Less : Revenue Recognition	0	(1,837)
	<b>217,091</b>	<b>221,606</b>

**28. PUBLIC CONTRIBUTIONS**

Public contributions: Consumer connections	40,121	30,346
Other	36,861	9,428
	<b>76,982</b>	<b>39,774</b>
Less: Deferred income	(43,025)	(34,861)
	<b>33,957</b>	<b>4,913</b>

**Public contributions and other third party funds**

Balance unspent at beginning of year	(93,741)	(68,422)
Regrouping adjustment	972	4,811
Current year receipts	(88,449)	(66,995)
Interest earned	(1,330)	(930)
Adjustments	10,295	574
Conditions met - transferred to revenue	76,982	39,774
Amounts still to be claimed	0	(2,553)
<b>Conditions still to be met - transferred to liabilities (refer note 9)</b>	<b>(95,271)</b>	<b>(93,741)</b>

The City receives grants from various private vendors for operating and capital projects. Included in these funds are monies held on behalf of third parties. Other than the amounts unspent, the conditions of the grants have been met. No funds have been withheld.

	2007 R '000	2006 Restated R '000
<b>29. EMPLOYEE RELATED COSTS</b>		
Salaries and Wages	2,176,578	2,059,727
Social contributions - UIF, pensions and medical aid	563,244	524,882
Travel, motor car, accommodation, subsistence and other allowances	213,780	204,989
Housing benefits and allowances	43,025	44,325
Overtime payments	146,108	117,136
Performance bonus - net contribution	0	(7,139)
Long service leave benefits	180,322	0
	3,323,057	2,943,920
Expenditure Recharged	(312,405)	(225,527)
Recharged to repairs and maintenance	(296,131)	(207,266)
Recharged to capital projects	(16,274)	(18,261)
<b>Total Employee Related Costs</b>	<b>3,010,652</b>	<b>2,718,393</b>

**Remuneration of Executives**

	Total R'000	Annual Salary R'000	Performance Bonus R'000	Car Allowance R'000	Social Contribution R'000
<b>2007</b>					
City Manager	1,218	922	152	50	94
Finance	955	621	91	117	126
Health (from September 2006)	959	633	96	125	105
Integrated Human Settlement Services	682	507	0	23	152
Service Delivery Integration (from November 2006)	1,104	767	121	85	131
Economic and Social Dev. (from November 2006)	664	513	0	60	91
Safety and Security (from November 2006)	601	551	0	0	50
Community Development	973	703	80	84	106
Corporate Services	948	674	90	68	116
Strategy & Planning	840	685	149	6	0
Transport, Roads & Stormwater (from Nov 2006)	553	516	0	0	37
Utility Services	1,021	768	91	48	114
Chief Audit Executive	816	667	72	69	8
Executive Management Unit (until January 2007)	492	479	0	0	13
	11,826	9,006	942	735	1,143
<b>2006</b>					
Municipal Manager (until February 2006)	935	563	186	93	93
Finance	1,053	755	167	110	21
Chief Operations Officer ( until May 2006 )	935	888	31	16	0
City Secretariat	1,087	718	172	83	114
Community Development	950	713	29	93	115
Corporate Support Services ( until May 2006)	984	922	46	16	0
Corporate Support Services ( June 2006)	95	74	0	10	11
Executive Management Unit	888	833	39	9	7
Strategy & Development	965	909	42	14	0
Transport, Roads & Planning	1,114	717	179	95	123
Services & Infrastructure	693	560	0	65	68
Chief Audit Executive	881	782	39	56	4
	10,580	8,434	930	660	556

	2007	2006
	R '000	Restated R '000
<b>30. REMUNERATION OF COUNCILLORS</b>		
Executive Mayor	778	595
Deputy Executive Mayor	583	501
Speaker	596	509
Mayoral Committee Members	5,204	3,875
Sub Council Chairpersons	11,924	6,131
Chief Whip	558	443
Councillors	39,358	34,058
Councillors' medical aid contributions	245	1,087
Councillors' pension contributions	6,692	4,602
<b>Total Councillors' Remuneration</b>	<b>65,938</b>	<b>51,801</b>
<b><i>In-kind Benefits</i></b>		
The Executive Mayor, Deputy Executive Mayor, Speaker, Chief Whip and Mayoral Committee members are employed full-time and have access to Council's vehicles for official functions.		
Sub Council Chairpersons and full time Councillors are provided with an office, administrative and secretarial support at the cost of Council.		
The Executive Mayor has two full-time bodyguards and all Councillors have access to security in terms of the Councillors' security policy.		
Councillors are provided with work stations / ward offices which are appropriately equipped. Computers are provided to councillors either in their offices or at their homes.		
<b>31. IMPAIRMENT COSTS</b>		
Impairment of consumer and other debtors	55,796	349,491
Impairment of investment in subsidiary and joint venture	1,120	245,328
Provision for value impairment of investments was made resulting from assessments in terms of future economic benefits for the recovery of carrying values. Refer note 15.		
Impairment of property, plant and equipment	7,781	1,074
Provision for impairment was made due to the decommissioning of land and buildings.		
<b>Total Impairment costs</b>	<b>64,697</b>	<b>595,893</b>
<b>32. DEPRECIATION AND AMORTISATION EXPENSE</b>		
Depreciation of property, plant and equipment	653,353	619,009
Depreciation of investment property	4,389	5,412
Amortisation of intangible assets	52,302	52,302
	<b>710,044</b>	<b>676,723</b>
Less: Deferred income recognised	(259,723)	(346,684)
<b>Total Depreciation and Amortisation expense</b>	<b>450,321</b>	<b>330,039</b>
<b>33. INTEREST PAID</b>		
Long-term liabilities	254,797	309,385
Finance leases	28,833	39,940
<b>Total Interest on External Borrowings</b>	<b>283,630</b>	<b>349,325</b>
<b>34. BULK PURCHASES</b>		
Electricity	1,768,416	1,609,564
Water	229,696	169,320
<b>Total Bulk Purchases</b>	<b>1,998,112</b>	<b>1,778,884</b>
<b>35. GRANTS AND SUBSIDIES PAID</b>		
Ad Hoc	825	1,722
Community Upliftment	4,494	5,953
Destination Marketing Organisation	32,000	30,000
Economic Promotion and Job Creation	2,467	1,675
Educational Institutions and Health Forums	1,784	2,167
Khayelitsha Community Trust	10,023	0
Health and HIV/Aids/TB	793	232
Programmes, Conferences & Events	8,056	4,725
S A National Parks	3,270	6,340
Senior Citizens and Disabled	303	406
Social Arts & Culture and other	5,655	727
Sporting Bodies	2,971	1,813
Wesgro	7,230	10,610
<b>Total Grants and Subsidies</b>	<b>79,871</b>	<b>66,370</b>

	2007	2006
	R '000	Restated R '000
<b>36. GENERAL EXPENSES</b>		
Chemicals	59,106	54,574
Communication and publication	18,714	41,722
Computer services and software	16,074	14,290
Consultants	21,555	69,589
Contributions - Medical aid provision	354,148	370,370
Electricity - Eskom payments	28,126	29,649
Fuel	105,398	107,033
Furniture and Fittings	34,360	30,374
Hire charges	79,044	73,964
Legal fees	22,181	24,326
Levy: Skills development	24,105	22,974
Licences and permits	47,606	59,089
Loss on foreign exchange	229	474
Materials and consumables	41,603	43,552
MIDS/CIDS	38,789	43,414
Minor Tools and Equipment	6,856	2,293
Pharmaceutical supplies	22,865	24,432
Postage and courier	17,864	22,687
Printing and stationary	47,194	33,865
Rental	26,830	32,580
Scrapping of Inventory	7,109	3,686
Security services	128,575	95,787
Sewerage services - disposals external	24,988	30,454
Telecommunications	84,831	83,664
Training	27,465	18,209
Transformation	0	45,804
Insurance : claims	21,805	23,837
Insurance : underwriting	22,460	25,161
Indigent relief	202,691	186,032
Operating grants and donations - Projects	161,990	188,165
Contributions transfer and other	214,704	426,171
	<u>1,909,265</u>	<u>2,228,221</u>
Expenditure Recharged	(46,622)	(36,189)
Recharged to repairs and maintenance	(44,977)	(33,414)
Recharged to capital projects	(1,645)	(2,775)
<b>Total General Expenses</b>	<u><u>1,862,643</u></u>	<u><u>2,192,032</u></u>

**37. CHANGES IN ACCOUNTING POLICY**

Capital grants and receipts had previously been recognised as revenue once the conditions attached to the grant as contemplated in Circular 18 had been met. Circular 44 has since been issued which requires the guidelines contained in AC 134 to be followed. Capital grants and receipts has accordingly been restated to give recognition to income on a straight line basis over the useful lives of the assets.

\* AC134 Accounting for government grants

**Effect on Statement of Financial Position**

Increase in non-current liabilities-Deferred Income

4,386,426

**Effect on Statement of Financial Performance**

Decrease in revenue-government grants and subsidies and accumulated surplus

(157,759)

**Effect on Statement of changes in Net Assets**

Decrease in reserves

4,228,667



	2007 R '000	2006 Restated R '000
<b>38. CORRECTION OF ERROR-PRIOR YEAR ADJUSTMENTS</b>		
<b>Bulk Water Purchases</b>		
Decrease in bulk water purchase due to credits relating to 2006 incorrectly credited in 2007. Decrease in payables.	0	1,871
<b>Inventory</b>		
Refuse bins incorrectly recognised as expenditure instead of inventory. Decrease in general expenses and increase in inventory.		10,430
<b>Interest rate derivatives</b>		
SWAP 4 ABSA R50 million loan previously not taken into account. Decrease in loss on valuation of derivative and increase in capitalised derivative asset.	0	9,128
<b>Performance bonuses</b>		
Correction of performance bonuses incorrectly treated as a provision. Decrease in employee related costs and provisions.	0	21,607
<b>Operating leases</b>		
Operating leases smoothing adjustments not previously accounted for. Increase in general expenses and increase in current portion of long term liabilities.	0	(211)
<b>Assets</b>		
Capitalisation of assets under R5 000 incorrectly expensed. Increase in PPE, decrease in general expenses.	0	12,821
Depreciation on assets under R5 000 that were incorrectly expensed. Increase in depreciation and amortisation expense and decrease in general expenses.	0	(1,327)
<b>N2 Gateway</b>		
Expenses relating to the 2006 financial year were paid in the 2007 year and the financial statements were adjusted to reflect the expenditure in the correct financial year.		(2,022)
<b>Deficit from operations</b>	<u>0</u>	<u>52,297</u>
<b>38.1 Reclassification of prior year comparatives (Revenue Recognition)</b>		
Property Rates (refer note 21)	0	62,694
Service Charges (refer note 22)	0	68,340
Rental of Letting Stock (refer note 24)	0	9,086
Other Income (refer note 27)	0	116,031
Impairment costs	0	(256,151)
<b>Deficit from operations</b>	<u>0</u>	<u>0</u>
The City restated its revenue derived from trading activities in accordance with GAMAP 9 and Circular 9 of SAICA to recognise revenue only when it is probable that future economic benefits or service potential will materialise. This resulted in an adjustment made in the prior year to the respective revenue and impairment cost line items in the Statement of Financial Performance.		
<b>38.2 Movement in reserves</b>		
Insurance reserve	<u>0</u>	<u>71,890</u>
These adjustments relate to creditors raised erroneously and the incorrect utilisation of funds for expenditure.		

	2007	2006
	R '000	Restated R '000
<b>39. CASH GENERATED BY OPERATIONS</b>		
Surplus for the year	867,934	(103,489)
Adjustment for :-	132,640	1,955,657
- Insurance reserve	(74,350)	71,890
- Depreciation	710,044	676,723
- Impairment	7,781	1,074
- Impairment of investments	1,120	245,328
- Gain and loss on disposal of property, plant and equipment	(45,847)	(42,967)
- Loss on valuation of derivatives	19,781	7,844
- Contribution to provisions – current	416,649	302,478
- Contribution to impairment provision	(944,221)	873,708
- Deferred income	251,999	(106,270)
- Investment income	(493,946)	(423,476)
- Interest paid	283,630	349,325
<b>Operating surplus before working capital changes:</b>	<b>1,000,574</b>	<b>1,852,168</b>
Increase in inventories	(27,870)	(13,906)
(Increase) / Decrease in debtors	1,252,860	(341,095)
Increase in other debtors	26,313	(36,103)
Increase in unspent conditional grants and receipts	148,646	68,011
Increase in creditors	198,709	535,851
Increase / (Decrease) in net VAT	(91,125)	36,444
<b>Cash generated by operations</b>	<b>2,508,107</b>	<b>2,101,370</b>
<b>40. CASH AND CASH EQUIVALENTS</b>		
Balance at the end of the year	2,531,019	2,054,467
Balance at the beginning of the year	2,054,467	1,711,792
<b>Net increase in cash and cash equivalents (Refer note 20)</b>	<b>476,552</b>	<b>342,675</b>
<b>41. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION</b>		
Long-term liabilities raised (refer Appendix A)	0	200,000
Used to finance property, plant and equipment	1,734,538	1,342,855
2005/2006 and prior years	840,584	1,342,855
2006/2007	893,954	0
Total EFF (overdrawn)	(1,734,538)	(1,142,855)
Cash set aside for the repayment of long-term liabilities - refer note 4 and 15	426,474	349,949
<b>Cash overdrawn</b>	<b>(1,308,064)</b>	<b>(792,906)</b>

External loans have been utilised in accordance with the Municipal Finance Management Act. The City's cash flow budget takes into account the cash flow requirement to ensure that external loans can be repaid on redemption date. Capital expenditure during the year under review was temporarily financed out of revenue. A bridging finance facility of R300 million has been put in place and is available for use together with the R400 million balance of a R600 million term loan concluded in 2005/2006

2007	2006
R '000	Restated R '000

**42. IRREGULAR EXPENDITURE**

## Reconciliation of irregular expenditure

Opening balance	326,760	23,607
Irregular expenditure current year	1,256	314,760
Approved by Council	(326,760)	(11,607)
Transfer to receivables for recovery	0	0
Closing balance	<b>1,256</b>	<b>326,760</b>

Incident	Disciplinary steps / criminal proceedings	2007 R '000	2006 Restated R '000
Misappropriation of inventory at stores	Criminal proceedings taken and reported to SAPS. Council resolution dated 28 September 2005.	0	1,039
Alleged irregular hire of plant and equipment	Criminal proceedings taken and reported to SAPS. Council resolution dated 7 December 2006.	0	12,000
Cell phone allowances of Councillors	The Chief Whip and a select committee of Councillors to enter into further discussions with the Auditor-General on the regularisation of the presumed unauthorised allowances. Council resolution dated 25 October 2006	0	3,389
Reimbursement of travelling allowances of Councillors	After consultation with the MEC the issues have been referred to MAYCO for consideration. Council resolution dated 25 October 2006	0	6,665
Outstanding PAYE paid on behalf of Councillors	Council resolution dated 25 October 2006	0	514
Contracts not provided during the 2004/05 audit	No contracts could be provided. Council resolution dated 7 December 2006	0	1,094
Severance packages paid without approved policy	No policy or Council approval was available to verify the validity of these payments. Council resolution dated 7 December 2006	0	45,963
Transport allowances	No policy existed to grant these allowances. Council resolution dated 7 December 2006.	0	700
Performance bonus paid to City Manager	Discrepancies between performance evaluation results and ratings according to summary of performance appraisal. The validity and accuracy of amount could not be verified. Council resolution dated 7 December 2006.	0	186
Performance bonus paid to Executive Directors	No performance contracts existed for two Executive Directors and the determination of the benefits were not properly approved. The validity and accuracy of amounts could not be verified. Council resolution dated 7 December 2006.	0	743
Performance bonus paid to relevant Directors, Sub-Council Co-ordinators and certain managers without relevant evaluation	No performance evaluations was performed for these employees and an across the board rating approved by the City Manager was used. No council approval or delegated authority could be obtained. Council resolution dated 7 December 2006.	0	2,490
Supply chain management policy not followed in procurement of services - no tender could be submitted.	Report in terms of section 32 of MFMA to be submitted to SCOPA. Council resolution dated 7 December 2006.	0	261,152
No quotations could be submitted regarding certain expenditure	Report in terms of section 32 of MFMA to be submitted to SCOPA. Council resolution dated 7 December 2006.	0	2,388
Regulatory framework for supply chain management and Council's policy on payment of travel not followed	Report in terms of section 32 of MFMA to be submitted to SCOPA. Council resolution dated 7 December 2006.	0	44
Council approved the submissions on the various dates specified in the above table regarding the irregular expenditure except for the items specified as having been reviewed on 7 December 2006 and referred to SCOPA for further investigation in accordance with Section 32 (2)b of the MFMA.		0	(11,607)
Time theft	Under investigation by internal audit.	263	0
Duplicate wage payment	Report to Council being prepared.	527	0
Arrear staff debtors	Report to Council being prepared.	466	0
<b>Estimated irregular expenditure</b>		<b>1,256</b>	<b>326,760</b>

2007	2006
	Restated
R '000	R '000

#### 43. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

##### Supply Chain Management Regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

##### Incident

Social crime prevention	0	270
Earthmoving Equipment repairs	0	272
Emergency pipeline repairs	0	3,027
Extension of consultants: Potsdam wastewater treatment works	0	30,000
Driving License Testing Centre: Phillipi	0	49
Appointment of Consultants	63,790	0
Information Technology Upgrade	7,547	0
Upgrading of Electricity Services	14,448	0
Extension of contract	22,639	0
Upgrading of Road Infrastructure	3,078	0
Supply and delivery of plant and equipment	754	0
Others	104,788	0

##### Total amount condoned by Council

<b>217,044</b>	<b>33,618</b>
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	SALGA Contributions R '000	Audit Fees R '000	PAYE UIF R '000	Pension and Medical Aid R '000
<b>As at 30 June 2007</b>				
Opening balance	0	243	27,578	74,829
Council subscriptions	6,000	14,033	394,852	911,493
Amount paid - current year	(6,000)	(12,579)	(361,884)	(832,151)
Amount paid - previous years	0	(243)	(27,578)	(74,850)
<b>Balance unpaid (included in creditors)</b>	<b>0</b>	<b>1,454</b>	<b>32,968</b>	<b>79,321</b>
<b>As at 30 June 2006</b>				
Opening balance	0	265	29,614	65,833
Council subscriptions	6,840	11,748	388,022	903,119
Amount paid - current year	(6,840)	(11,505)	(360,444)	(828,290)
Amount paid - previous years	0	(265)	(29,614)	(65,833)
<b>Balance unpaid (included in creditors)</b>	<b>0</b>	<b>243</b>	<b>27,578</b>	<b>74,829</b>

##### VAT

VAT output payables and VAT input receivables are shown in note 10. All VAT returns have been submitted by the due date throughout the year.

##### COUNCILLOR'S ARREAR CONSUMER ACCOUNTS

The Councillors below had arrear accounts outstanding for more than 90 days as at 30 June 2007 and have made signed arrangements to pay amounts outstanding.

	Total	Outstanding <90 days	Outstanding > 90 days
	R	R	R
<b>As at 30 June 2007</b>			
L O Anderson-Jardine	11,866		11,866
W Brady	7,736		7,736
A M Figlan	4,558		4,558
W Hassiem	156,960		156,960
I R Jackson	2,177		2,177
W D Jaftha	28,153		28,153
N D Magwetsu	4,130		4,130
R P Mravu	2,790		2,790
M Muruduker	97,670		97,670
M Ncedana	493		493
A R Omar	3,293		3,293
J W P Thee	5,213		5,213
T V Trout	3,826		3,826
<b>Total signed arrangements</b>	<b>328,865</b>	<b>0</b>	<b>328,865</b>

## COUNCILLOR'S ARREAR CONSUMER ACCOUNTS

The Councillors below had arrear accounts outstanding for more than 90 days as at 30 June 2006:-

As at 30 June 2006	Total	Outstanding <90 days	Outstanding > 90 days
	R	R	R
B A Zuma (Jeremiah)	300	300	0
B V Bala	200	200	0
F H Maxakato	2,026	618	1,408
G G Twigg	2,289	1,542	747
J F Erasmus	3,753	3,639	114
J Pascoe	105	105	0
J T Mokoena	145	141	4
J W P Thee	200	194	6
L R Dunn	1,390	1,390	0
M Mbaliswano	113	0	113
M Murudker	206,148	194,323	11,824
M Ncedana	2,011	162	1,849
M T Mgxekeni	283	283	0
N Jacobs	215	91	124
N P Mgayiya	4,716	1,258	3,458
N T Bottoman	3,087	2,926	161
P M Motyi	128	37	91
P Mgcoleli	817	651	167
V V Mdluli	1,151	1,000	151
W Hassiem	23,547	16,876	6,671
<b>Total Councillor Arrear Consumer Accounts</b>	<b>252,625</b>	<b>225,736</b>	<b>26,889</b>

In addition, the councillors below were in arrears as at 30 June 2006 and have made signed arrangements to pay amounts outstanding.

Account in dispute	Total	Outstanding <90 days	Outstanding > 90 days
	R	R	R
A M Figlan	10,903		10,903
B V Bala	2,948		2,948
C Carstens	5,066		5,066
C P V Claasen	2,992		2,992
D J Christians	5,549		5,549
D W Jaftha	48,382		48,382
E L Thompson	11,798		11,798
J F Erasmus	50,973		50,973
M A & P W Mkutshwana	9,094		9,094
N D Magwentshu	9,317		9,317
N G Gexa	3,162		3,162
P F Mngxunyeni	11,700		11,700
<b>Total signed arrangements</b>	<b>171,885</b>	<b>0</b>	<b>171,885</b>
<b>Account in dispute</b>			
W Hassiem	<b>190,972</b>	<b>184,747</b>	<b>6,225</b>

	2007	2006
	R '000	Restated R '000
<b>44. COMMITMENTS</b>		
<b>44.1 CAPITAL COMMITMENTS</b>		
Commitments in respect of capital expenditure:		
- Approved and contracted for	3,317,999	729,553
Infrastructure	386,984	612,861
Community	2,878,357	37,188
Other	49,626	0
Housing Development Fund	3,032	79,504
- Approved but not yet contracted for	319,085	163,824
Infrastructure	294,733	67,453
Community	7,885	24,571
Other	16,467	71,800
<b>Total</b>	<b>3,637,084</b>	<b>893,377</b>
This expenditure will be financed from:		
- External Loans	307,835	449,437
- Asset Financing Reserve	710,625	99,468
- Government Grants	2,492,775	344,472
- Other sources	125,849	0
	<b>3,637,084</b>	<b>893,377</b>

The substantial increase in capital commitments is attributable mainly to funds committed to the Green Point Soccer Stadium.

#### 44.2 OPERATING LEASE COMMITMENTS

##### The City as Lessee

Future minimum lease payments under non-cancellable operating leases:

<b>Buildings</b>	<b>31,909</b>	<b>57,871</b>
Payable within one year	18,117	26,216
Payable within two to five years	13,792	31,655
<b>Vehicles and other equipment</b>	<b>94,890</b>	<b>129,781</b>
Payable within one year	32,695	34,909
Payable within two to five years	61,979	94,613
Payable after five years	216	259
	<b>126,799</b>	<b>187,652</b>
Future minimum sub-lease recoveries under non-cancellable operating leases	<b>(357)</b>	<b>0</b>
	<b>127,156</b>	<b>187,652</b>

In terms of the additional guidance from AC 105 (leases), escalations in operating leases are no longer recognised in the periods they actually incurred, but are now charged in the statement of financial performance on a straight-line basis over the term of the lease. The impact has been an increase in current year expenditure of R615,904 (2006:R595, 433).

Minimum lease payments recognised as an expense during the period amount to R61,125 million (2006:R34,991 million). Leased premises are contracted for remaining periods of between 1 and 4 years with renewal options available in certain instances.

Rental relating to full maintenance lease agreements for refuse compactors is subject to adjustment and linked to prime rates of interest. Contingent rentals do not need to be included in lease payments to be recognised on a straight-line basis over the lease term.

The City has significant current lease arrangements for photocopy and fax machines over a period of 3 - 5 years without being subject to escalation.

##### The City as Lessor

At Statement of Financial Performance date the City has contracted with tenants for the following future minimum lease payments.

Payable within one year	7,521	7,835
Payable within two to five years	27,468	28,430
Payable after five years	71,819	78,386
	<b>106,808</b>	<b>114,651</b>

The City lets its investment properties under operating leases. Property rental income earned during the year was R7,552million (2006:R7,750million). The properties are maintained by the tenants at their cost. No investment properties have been disposed of since the statement of financial performance date.

This impact of charging the escalations in operating leases on a straight-line basis over the term of the lease has been an increase in current year income of R160 461.

**45. FINANCIAL RISK MANAGEMENT****Interest rate risk**

The City is not exposed to interest rate risk on its financial liabilities. All of the City's interest bearing external loan liabilities, as detailed in Appendix A, except for one loan of R10,0million, are fixed interest rate loans. Similarly with financial assets, the City invests its surplus funds on fixed interest rate deposits with banks for fixed terms not exceeding one year.

**Liquidity risk**

The City manages liquidity risk by effectively managing its working capital, capital expenditure, external borrowings and cash flows. Standby credit facilities are available with the City's main banker to cater for any unexpected temporary shortfall in operating funds.

**Credit risk**

The City manages credit risk in its borrowing and investing activities by dealing with only A rated financial institutions and by spreading its exposure over a range of such institutions in accordance with its approved investment policies. Credit risk relating to consumer debtors is managed in accordance with the City's credit control and debt collection policy. The City's credit exposure is spread over a large number and wide variety of consumers and is not concentrated in any particular sector or geographical area. Adequate provision has been made for anticipated bad and doubtful debts. Additional information relating to the analysis of consumer debtors is given in paragraph 6 of the Chief Financial Officer's report and in note 18 to the financial statements.

**Fair value interest rate risk**

The City is exposed to fair value interest rate risk on that portion of its external investments and loan liabilities which is at fixed interest rates. The fair values of these financial assets and liabilities are disclosed and compared with their carrying values in notes 4 and 15.

**46. INTEREST RATE DERIVATIVES**

Interest rate swap agreements, based on notional amounts totalling R250 million, have been entered into as part of two structured external loans to the City over the life of the loans 1998 - 2010. These derivatives are classified as held for trading financial instruments, and fair valued through profit or loss. Fair value was determined by discounting the remaining net cash flows under the swap agreements at rates equal to the prevailing rates of return for financial instruments having substantially the same terms and characteristics.

**47. RETIREMENT BENEFIT INFORMATION**

The City makes provision for post-retirement benefits to eligible Councillors and employees who belong to different pension schemes. These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes. Contributions of R325,9 million (2006 : R296,1million) to the defined benefit and defined contribution structures are expensed as incurred during the year under review.

These schemes are subject to a tri-annual, bi-annual or annual actuarial valuation as set out hereunder.

**CAPE JOINT PENSION FUND**

The Cape Joint Pension Fund operates both as a defined benefit and defined contribution scheme.

**Defined Benefit Scheme**

The DB section is a multi-employer plan and the contribution rate payable is 27%, 9% by the members and 18% by their councils. The fund was certified as being in a sound financial condition as at 30 June 2006 by the Actuary. The valuation disclosed an actuarial surplus of R293 million and was funded 111.4%.

**Defined Contribution Scheme**

This scheme was established to accommodate the unique characteristics of contract employees and "cost to company" employees. All existing members were given the option to transfer to the defined contribution plan before 01 July 2003. The actuary report certified that, the structure of the assets is appropriate relative to the nature of the liabilities, assuming a smoothed bonus philosophy and given normal circumstances. The report further indicated that the defined contribution plan is funded on sound actuarial principles.

**CAPE JOINT RETIREMENT FUND**

The contribution rate paid by the members (9%) and their councils (18%) is sufficient to fund the benefits accruing from the Fund in future. The Actuary certified the fund, a defined contribution plan, as being in a sound financial position as at 30 June 2006.

**SALA PENSION FUND**

The fund is a defined benefit plan, and is financially sound and was 105,4% funded as at 30 June 2006. The City is contributing an additional 2.71% to the Fund as from July 2005, effective from July 2003.

**MUNICIPAL COUNCILLORS' PENSION FUND**

The Municipal Councillors' Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13.75%) and their councils (15.00%) is sufficient to fund the benefits accruing from the fund in the future.

The last actuarial valuation of the fund was undertaken at 30 June 2005 and the actuary reported that the fund was as a whole in a sound financial position.

**NATIONAL FUND FOR MUNICIPAL WORKERS**

The Retirement and Pension Funds are both defined contribution schemes. The last voluntary actuarial valuation of the Fund was performed on 30 June 2006. As at 30 June 2006 the interim results state that the way the benefits are structured in the rules, the fund is limited to an amount equal to the accumulation of all the contributions plus investment returns less administration costs.

**SOUTH AFRICAN MUNICIPAL WORKERS UNION NATIONAL PROVIDENT FUND**

The SAMWU National Provident Fund is a defined contribution scheme. The last actuarial valuation of the fund was performed at 30 June 2005 and certified as being in a financially sound position. The next statutory valuation is due not later than 30 June 2008.

**CAPE MUNICIPAL PENSION FUND**

The Cape Municipal Pension Fund operates both as a defined benefit and defined contribution schemes. The last actuarial valuation of the fund was performed at 30 June 2006 and certified the fund as being in a financially sound position. The next statutory valuation is due by 30 June 2009.

	Total	DB section	DC section
In-service members	8,290	492	7,798
Pensioners	5,807	5,203	604
Membership 30 June 2006	14,097	5,695	8,402

	2007	2006
	R 'Million	Restated R 'Million
Past service position - Defined benefit section	3,735	1,914
Past service position - Defined contribution section	2,977	1,914
Total liabilities	6,712	3,828
Assets valued at market value	6,787	3,828
Actuarial surplus	75	0
Actual Employer contribution -Defined benefit section	20.25%	20.25%
Actual Employer contribution -Defined contribution section	18.00%	18.00%
Normal Retirement Age	60	60
Net Discount Rate	3.00%	4.25%

**POST EMPLOYMENT HEALTH CARE BENEFITS**

For past service of in-service and retired employees, the City recognises and provides for the actuarially determined present value of post retirement medical aid employer contributions on an accrual basis using the projected unit credit method.

The members of medical aid schemes, entitled to a post employment medical scheme subsidy at 30 June 2007 were 14 560 (2006: 15 311) in-service members and 6 443 (2006: 6 269) continued members.

	2007	2006
	R 'Million	Restated R 'Million
<b>Post Employment Health Care Benefits</b>		
Present value of unfunded liability	1,774	1,596
Unrecognised transitional liability	(184)	(368)
Unrecognised actuarial gain/(losses)	6	85
Net liability in balance sheet	1,596	1,313
<b>Amounts included in the statement of financial performance</b>		
Service cost	42	50
Transitional liability recognised	184	184
Interest costs	128	136
Total included in profit and loss	354	370
<b>Movement in the liability recognised in the statement of financial position</b>		
Balance at the beginning of the year	1,307	1,009
Net expense recognised in statement of financial performance	354	370
Contributions paid	(65)	(67)
	1,596	1,312

The contributions paid are actual contributions paid by the City and the unrecognised actuarial gains and losses have been adjusted accordingly to take into account the difference between the estimated contribution payments determined by the actuary and actual contributions paid to members by the City of Cape Town.

**Key financial assumptions**

Discount rate	8.0%	8.0%
Health care cost inflation rate	6.5%	6.5%
Net effective discount rate	1.4%	1.4%
Replacement Ratio	65.0%	65.0%
Expected retirement age - females	60	60
Expected retirement age - males	65	65

**Health care arrangement assumptions**

It was assumed that the Employer's health care arrangements and subsidy policy would remain as outlined in the accounting policy and that the level of benefits and contributions would remain unchanged, with exception for inflationary adjustments. Implicit in this approach is the assumption that current levels of cross-subsidy from in-service members to retiree members within the medical scheme are sustainable and will continue.

It is further assumed that the subsidy will continue until the last survivor's death, for eligible members and their spouses and to age 21, if earlier, for dependant children.



**Continuation of Membership**

It is assumed that 100% of in-service members entitled to a post-retirement subsidy retiring from the City of Cape Town will remain on the Employer's health care arrangements.

**Family Profile**

It is assumed that 90% of in-service members will be married at retirement and that husbands will be four years older than their wives. Retirees' actual marital status is used and the potential for remarriage is ignored.

**Plan Assets**

There are currently no long-term assets set aside off-balance sheet in respect of the Employer's post-employment health care liability.

**POST RETIREMENT PENSION BENEFITS**

For past service of employees and retired employees, the City recognises and provides for the actuarially determined present value of post retirement revenue pensions on an accrual basis using the projected unit credit method.

The number of employees who were eligible for a post retirement pension at 30 June 2006 were 58 (2006: 62) employees and 220 (2006: 226) pensioners.

	2007	2006
	R '000	Restated R '000
<b>Post Employment Retirement Pension Benefits.</b>		
Present value of unfunded liability	15,448	15,448
Interest costs	1,163	0
Current service cost	307	0
Actuarial Gain/losses	2,068	0
Benefits paid	(2,165)	0
Net liability in balance sheet	<u>16,821</u>	<u>15,448</u>
<b>Amounts included in the statement of financial performance</b>		
Service cost	307	307
Interest costs	1,163	1,236
	<u>1,470</u>	<u>1,543</u>
<b>Movement in the liability recognised in the statement of financial position</b>		
Balance at the beginning of the year	15,448	21,133
Net expense recognised in statement of financial performance	1,470	1,543
Increase / Decrease in redundancy benefit	0	(4,656)
Contributions paid	(2,165)	(2,572)
	<u>14,753</u>	<u>15,448</u>
<b>Key financial assumptions</b>		
Discount rate	8.4%	8.0%
General salary inflation rate - employees	6.2%	6.5%
Net effective discount rate - employees	2.1%	1.4%
Pension increase rate - pensioners	2.6%	2.7%
Net effective discount rate - pensioners	5.7%	5.2%

**48. CONTINGENT LIABILITY****Guarantees issued**

The Development Bank of South Africa (DBSA) has made a loan to the Gugulethu Central Market Place (the Company) for the sum of R250,000. The City of Cape Town has issued an undertaking to the DBSA to take over the obligation of the Company in terms of the loan agreement, should the Company not be in a position to repay the loan. As at 30 June 2007, the Company was in arrears with its repayment of capital and interest to the DBSA by the sum of R284,196.

**Contractual disputes**

Various contractual claims by contractors/suppliers and staff are currently in dispute and being addressed through mediation. The maximum potential liability is estimated at R16,8 million.

**Staff Parity**

The potential liability for staff parity is estimated at R75,5 million

**Performance Bonuses**

The estimated liability for performance bonuses amounts to R19 million.

**Outstanding Insurance Claims**

The estimated liability for insurance claims amounts to R72,763 million

**Loan agreements**

The rates of interest payable on certain structured loans and finance leases are based on certain underlying assumptions relating to the lenders' statutory costs and the allowability of deductions for income tax purposes in connection with the loans. In the event of changes to the Income Tax Act or any other relevant legislation which impact on the loan structure costs, the lenders are required to increase or decrease the future rates of interest payable on the loans or their remaining lives in order to absorb the increase or decrease in costs.

**Regional Electricity Distributor (RED 1)**

The City issued a bank guarantee of R658 935 as security to the master of the High Court for any outstanding debts of RED 1.

**49. RELATED PARTY DISCLOSURES****Investments in Municipal Entities**

The following controlled entities identified as Municipal entities by the City of Cape Town will be included in the consolidated annual financial statements :

	Percentage Owned	Percentage Owned
Cape Town International Convention Centre Company (Pty) Ltd*	50.18%	50.26%
Khayelitsha Community Trust	100.00%	100.00%
Regional Electricity Distributor One (RED 1)**	100.00%	100.00%
South Peninsula Micro Loans		100.00%
Phillipi East Trading Centre (Pty) Ltd	100.00%	100.00%
*Shareholding in CONVECO changed due to 200 shares sold back to CONVECO		
**Council resolved that RED1 be voluntarily liquidated and disestablished as municipal entity.		
	<b>2007</b>	<b>2006</b>
	<b>R '000</b>	<b>Restated R '000</b>

**Controlled Entities**

The following amounts relate to arms length transactions for the year with the entities listed below:

**Cape Town International Convention Centre Company (Pty) Ltd.**

Receivables	1,715	26,891
Service charges	16,101	31,153

**Khayelitsha Community Trust**

Receivables	1,420	1,420
Grants paid	10,023	1,719

**Regional Electricity Distributor One**

Inter-company advance	362	1,719
Fees and rentals	9,058	7,033

**City Improvement Districts**

Receivables	1	2
CID Levies	44,031	37,931

**Cape Town Community Housing Company (Pty) Ltd (Joint Venture)**

Receivables	3,887	7,868
Service charges	35	24

**Cape Metropolitan Transport Fund (Administrator of the fund)**

Funds held on behalf of Inter Administrator Fund	205,742	116,652
Grants received	41,506	69,381

**Councillors**

A number of councillors of the City hold positions in other entities, where they may have significant influence over the financial or operating policies of these entities. Accordingly, the following are considered to be such entities:

Councillor	Position held in entity	Entity	Nature
Chaaban B	Lessee	Greenmarket Square	Property lease
Jelele L	Director	Masibambane Recruitment	Staff recruitment
Joko B	Member	Sizisa Ukhanyo Trading cc	Small business enterprise
Justus C	Director	Communicare	Housing developers
Lukas A	Member	Seasons Find t/a Faras	Catering
Maxakato F	Member	CUYSP	Community upliftment project
Msuthu N	Member	Inyameko Trading cc	Small business enterprise
Purchase F	Member	Regal Cycles cc	Small business enterprise
Qually D	Director	Muizenberg Improvement District	City improvement
Williams A	Director	Blue Downs Community Base Org.	Community upliftment project
Yiba L	Member	Sizisa Ukhanya cc	Small business enterprise

**Executive Management Team**

No inter-party business transactions took place between the City of Cape Town and key management personnel (City Manager and Executive Directors) and their close family members during the year under review. Details relating to remuneration are disclosed in note 29.

**50. DISCONTINUED OPERATIONS**

In terms of a Council resolution the Maitland Abattoir was closed during the year and all operations were discontinued during the 2005/2006 financial year. The financial activities for the financial year under review are as follows:

**Statement of Financial Performance at date of discontinuation**

	R '000
Revenue	2,529
Less: Expenditure	<u>(18,887)</u>
	(16,358)
Inter-departmental charges	<u>14,348</u>
<b>Deficit for the Year</b>	<b><u>(2,010)</u></b>

**Statement of Financial Position at date of discontinuation****NET ASSETS AND LIABILITIES**

Net Assets	(64,972)
Accumulated deficit	<u>(62,962)</u>
Deficit for the year	<u>(2,010)</u>
Current Liabilities	71,284
Creditors	<u>4,199</u>
Advances COCT	<u>67,085</u>
<b>Total Net Assets and Liabilities</b>	<b><u>6,312</u></b>

**ASSETS**

Non-current Assets	0
Property, Plant & Equipment	<u>23,176</u>
Less: Accumulated depreciation	<u>(23,176)</u>
Current Assets	6,312
Debtors	<u>7,564</u>
Less: Provision for impairment	<u>(1,252)</u>
<b>Total Assets</b>	<b><u>6,312</u></b>

**Cash Flow Statement at date of discontinuation**

<b>Cash Flow from operating activities</b>	
Cash Receipts	2,529
Cash Paid	<u>18,887</u>
<b>Cash utilised in operations</b>	<b><u>(16,358)</u></b>
<b>Cash flow from Financing Activities</b>	
Increase in advance COCT	<u>16,358</u>
<b>Net decrease in cash and cash equivalents</b>	<b><u>0</u></b>

**51. EVENTS AFTER BALANCE SHEET DATE****CAPE TOWN COMMUNITY HOUSING COMPANY**

The City, at its Council meeting on 29 August 2007, and following a tender process, resolved to dispose of its holding of 2,0 million ordinary shares and 21,3 million sub-ordinated convertible non-voting debentures in the Cape Town Community Housing Company for an amount of R21,2 million. At year end the Housing Company had loans outstanding to the value of R19,771 million (2006: R21,397 million) of which the City is liable for 50 % thereof.

The City's investment in the Housing Company was fully impaired at 30 June 2007 and is carried at a nil value.

**DISPOSAL OF MUNICIPAL PROPERTIES**

The City disposed of municipal properties for the first time by way of a programme aimed at stimulating economic development. Properties no longer required for municipal purposes are being identified, investigated and prioritised for disposal by means of a public tender process. It is expected that the programme is likely to yield significant levels of income.

**OTHER**

Various forensic investigations are still ongoing on audit issues raised in the previous financial year.

APPENDIX A

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2007

Index	EXTERNAL LOANS	Effective Interest Rate (nacs)	Loan Number	Redeemable Date	Balance at 30 June 2006 R'000	Received during the year R'000	Capitalised during the year R'000	Redeemed/ written off during year R'000	Balance at 30 June 2007 R'000	Carrying Value of PPE R'000
	<b>LOCAL REGISTERED STOCK</b>									
	ABSA Investor Services	16.500%	830004515	2010	4,600				4,600	2,736
	Standard Bank Nominees	14.650%	830011508	2014	6,800				6,800	5,746
	<b>Total Local Registered Stock</b>				<b>11,400</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11,400</b>	<b>8,482</b>
	<b>ANNUITY LOANS</b>									
	ABSA Bank	11.150%	830000000	2010	27,487			5,799	21,688	29,408
	ABSA Bank	11.150%	830000450	2010	21,228			4,478	16,750	23,427
	Inca	15.250%	830000510	2007	56			36	20	39
	<b>Total Annuity Loans</b>				<b>48,771</b>	<b>0</b>	<b>0</b>	<b>10,313</b>	<b>38,458</b>	<b>52,874</b>
	<b>OTHER LOANS</b>									
	DBSA	10.590%	83001050	2018	406,994			16,959	390,035	409,508
	DBSA	12.250%	83001051	2015	233,799			12,988	220,811	241,861
(i)	ABSA Bank	11.410%	830000440	2010	159,065		29,293		188,358	94,151
(ii)	Future Syndications	13.221%	830000910	2008	200,000				200,000	128,477
	Nedcor Bank	1.000%	830000920	2019	50				50	33
(iii)	First Rand Bank	13.345%	830001690	2008	26,230			8,909	17,321	35,059
(iv)	First Rand Bank	13.978%	830001700	2008	12,948			4,366	8,582	14,213
(v)	First Rand Bank	12.962%	830001710	2011	74,041			5,012	69,029	65,534
(vi)	First Rand Bank	12.280%	830003504	2017	207,424			3,201	204,223	166,176
(x)	First Rand Bank	12.816%	830000880	2013	105,963			8,684	97,279	84,593
	ABSA Bank	10.900%	830007011	2018	240,000			20,000	220,000	237,205
(vii)	First Rand Bank	10.194%	830009531	2018	250,000			20,000	230,000	259,014
	DBSA	5.000%	830012028	2020	56,000			4,000	52,000	54,437
	DBSA	9.420%	830012035	2020	130,667			9,334	121,333	125,268
	<b>Total Other Loans</b>				<b>2,103,181</b>	<b>0</b>	<b>29,293</b>	<b>113,453</b>	<b>2,019,021</b>	<b>1,915,529</b>
	<b>FINANCE LEASES</b>									
(viii)	Nedbank	14.564%	830000860	2012	66,627			1,920	64,707	41,002
(ix)	Investec	14.343%	830000870	2011	34,138			4,442	29,696	29,154
(xi)	SCMB	15.209%	830000890	2011	85,230			978	84,252	40,370
	Bankfin	10.500%	63001	2007	5,352			3,948	1,404	0
	<b>Total Finance Leases</b>				<b>191,347</b>	<b>0</b>	<b>0</b>	<b>11,288</b>	<b>180,059</b>	<b>110,526</b>
	<b>TOTAL EXTERNAL LOANS</b>				<b>2,354,699</b>	<b>0</b>	<b>29,293</b>	<b>135,054</b>	<b>2,248,938</b>	<b>2,087,411</b>

\* NOTE : Refer to Appendix A.1 for the Structured Loans and Finance Leases Descriptions as per index number

**APPENDIX A 1**  
**STRUCTURED LOANS AND FINANCE LEASES DESCRIPTIONS AS AT 30 JUNE 2007**

**(i) ABSA Bank (830000440)**

Structured unsecured 10 year loan. Original loan capital of R50m plus interest (variable swapped into fixed) capitalised over 10 years repayable on 30/06/2010. Deposits are made semi-annually into two sinking funds with ABSA Bank which, together with fixed interest capitalised over 10 years, will settle the loan liability on 30/06/2010.

**(ii) Future Syndications (830000910)**

Structured R200m 10 year loan funded by ABSA Bank (R18m), Standard Bank (R172m), and FutureBank (Nedbank) (R10m). Loan capital of R200m repayable on 17/09/2008. Interest (fixed on R190m, variable R10m, in terms of interest rate swap agreements) is payable semi-annually. Deposits are made semi-annually into a sinking fund with ABSA Bank which, together with fixed interest capitalised over 10 years, will grow to R200m by 17/09/2008 and be used to settle the loan capital liability on that date. The sinking fund deposit is ceded to Future Syndications as security for the performance of the City's obligations under the loan. The City has the right to prepay the full loan, on at least 30 days notice, subject to being liable for all breakage/unwinding costs.

**(iii) FirstRand Bank (830001690)**

Structured R150m 15 year loan repayable annually in reducing instalments of capital and fixed rate interest, final redemption on 07/07/2008. Repayment liabilities are evidenced by a series of promissory notes issued by the City to FirstRand and later sold on to INCA. The City has the right to prepay the full loan, subject to being liable for all breakage/unwinding costs, in the event of a material reduction in the assumed benefits payable to the City under the structure.

As part of the loan structure, the City has lent the sum of R150m to FirstRand at a fixed rate of interest, repayable together with capitalised interest on 07/07/2008. In addition, the City has issued a 15 year bond to FirstRand, at the same fixed rate of interest as the City's R150m loan to FirstRand, redeemable together with compounded interest on 07/07/2008. The City does not disclose the separate asset and liability arising from these transactions on the balance sheet. It applies set-off in respect of these two legs of the structure as they meet the requirements for offsetting of IAS32 par. 42 and contra out exactly. The City has ceded its rights under its loan to FirstRand as security for its obligations to FirstRand under the original loan and any other indebtedness.

**(iv) FirstRand Bank (830001700)**

Structured R75m 15 year loan repayable annually in reducing instalments of capital and fixed rate interest, final redemption on 15/12/2008. Repayment liabilities are evidenced by a series of promissory notes issued by the City to FirstRand and later sold on to INCA. The City has the right to prepay the full loan, subject to being liable for all breakage/unwinding costs, in the event of a material reduction in the assumed benefits payable to the City under the structure.

As part of the loan structure, the City lent the sum of R75m to FirstRand at a fixed rate of interest, repayable together with capitalised interest on 15/12/2008. At the same time, the City issued a 15 year bond to FirstRand, at the same fixed rate of interest as the City's R75m loan to FirstRand, redeemable together with compounded interest on 15/12/2008. The City does not disclose the separate asset and liability arising from these transactions on its balance sheet. It applies set-off in respect of these two legs of the structure as they meet the requirements for offsetting of IAS32 par.42 and contra out exactly. The City has ceded its rights under its loan to FirstRand as security for its obligations to FirstRand under the original loan and any other indebtedness.

**(v) FirstRand Bank (830001710)**

Structured R125m 15 year loan repayable semi-annually in equal instalments of capital and fixed rate interest. The City has the right to prepay the full loan, subject to being liable for all breakage/unwinding costs, in the event of a material reduction in the assumed benefits payable to the City under the structure.

As part of the loan structure, the City sold moveable water assets with a market value of R125m to FirstRand. FirstRand leased the assets back to the City over 15 years with rentals payable during the years 2009 – 2011. At the same time, the City lent R125m to FirstRand, repayable together with interest on the same dates, and in the same amounts, as the rental payable by the City under the lease agreement. The City does not disclose the separate asset and liability arising from these transactions on its balance sheet. It applies set-off in respect of these two legs of the structure as they meet the requirements for offsetting of IAS32 par. 42 and contra out exactly. The City has ceded its rights under its loan to FirstRand as security for its obligations to First Rand under the original loan and any other indebtedness.

At the expiry of the lease, the City has the option to (a) hand back the assets to FirstRand, (b) request that the assets be sold with the City having the first right of refusal and the sales proceeds refunded to the City as a rebate of rentals, or (c), enter into a new lease for a year.

**(vi) FirstRand Bank (830003504)**

Structured R220m 15 year loan, R200m of which is repayable semi-annually in equal instalments of capital and fixed rate interest over 15 years, and the balance of R20m payable in one instalment, together with capitalised fixed rate interest, on 30/06/2017. Repayment liabilities relating to the R200m are evidenced by a series of promissory notes issued by the City to FirstRand and later sold on to INCA. The bullet repayment of the R20m capital and interest will be made out of the guaranteed investment portfolios of two 15 year sinking fund investment policies purchased from Momentum Group. The City has the right to prepay the full loan, on at least 45 days notice, subject to being liable for all breakage/unwinding costs.

As part of the loan structure, the City purchased two 15 year sinking fund policies from Momentum Group for an upfront premium of R220m. R20m of the premium was invested in the guaranteed investment portfolio referred to above. The balance of the premium, R200m, was invested in a linked investment (unguaranteed) portfolio. The maturity proceeds of this unguaranteed portfolio were sold in advance to FirstRand for R200m on day 1 of the policies. The City has ceded and pledged the sinking fund policies to FirstRand as security for the City's obligations to FirstRand under the policies and any other debt liability.

The City does not disclose the separate asset and liability arising from the purchase and sale of the linked investment (unguaranteed) portfolio on its balance sheet. It applies set-off in respect of these two legs of the structure as they meet the requirements for offsetting of IAS32 par. 42 and contra out exactly.

## STRUCTURED LOANS AND FINANCE LEASES DESCRIPTIONS AS AT 30 JUNE 2007 (continued)

**(vii) FirstRand Bank (830009531)**

Structured R300m 15 year loan, R74.3m of which is repayable semi-annually in equal instalments of capital and fixed rate interest over 15 years, and the balance of R225.7m payable in one instalment, together with capitalised fixed rate interest, on 30/06/2018. Repayment liabilities relating to the R74.3m are evidenced by a series of promissory notes issued by the City to FirstRand and later sold on to Momentum Group. The bullet repayment of the R225.7m capital and interest will be made out of a 15 year sinking fund investment policy purchased from Momentum Group. The City has the right to prepay the full loan, on 30 days notice, subject to being liable for all breakage/unwinding costs.

As part of the loan structure, the City purchased a 15 year sinking fund policy from Momentum Group for a premium of R228.4m which was invested in an unguaranteed investment portfolio. The premium is payable semi-annually over 15 years through a series of promissory notes issued by the City to Momentum, later sold on to FirstRand and FutureGrowth. In terms of a put option agreement, the maturity proceeds of this unguaranteed portfolio were sold in advance to FirstRand for a fixed put option price of R894.6m, payable on 30/06/2018. In addition, a variable put option price is payable by FirstRand to the City over the years 2009 – 2018. The City has ceded and pledged the sinking fund policy to FirstRand as security for the City's obligations to FirstRand under the put option agreement and any other debt liability.

The City does not disclose the separate asset and liability arising from the purchase and sale of the proceeds of the sinking fund investment on its balance sheet. It applies set-off in respect of these two legs of the structure as they meet the requirements for offsetting of IAS32 par. 42 and contra out exactly.

**(viii) Nedbank (830000860)**

Sale and leaseback structured R55.3m 15 year loan funded by Nedbank through an Infrastructure Trust. Lease rentals equating to fixed rate interest are payable semi-annually over 15 years; a bullet rental amount of R55.3m is payable on 02/01/2012 out of the proceeds of a sinking fund. The City deposits semi-annually with Nedbank equal amounts which, together with compounded interest over 15 years, will equate to the original loan capital on 02/01/2012. The City has ceded its rights under the deposit agreement to Nedbank as security for repayment of the loan capital.

The City has the right to prepay the full lease, subject to being liable for all breakage/unwinding costs, in the event of a prejudicial reduction in the assumed benefits payable to the City under the structure.

At the expiry of the lease, the City has the option to (a) extend or assign the lease for a further period, or (b) repurchase the assets with the sales proceeds refunded to the City as a rebate of rentals.

**(ix) Investec (830000870)**

Sale and leaseback structured R54.8m 15 year loan funded by Investec Bank. Lease rentals equating to loan fixed rate interest plus capital are payable semi-annually over 15 years. Investec has granted the City the right to acquire the assets at the expiry of the lease at an agreed option price of R47.6 million. The City has deposited with Investec an amount which, together with compounded interest over 15 years, will equate to the option price payable on 31/12/2011. The City does not disclose the separate asset and liability arising from the sinking fund deposit and the option price on its balance sheet. It applies set-off in respect of these two legs of the structure as they meet the requirements for offsetting of IAS32 par. 42 and contra out exactly.

The City has ceded its rights under the deposit agreement to Investec as security for repayment of the lease and the option price.

The City has the right to prepay the full lease, on at least 90 days notice, subject to being liable for all breakage/unwinding costs, in the event of an increase in the lease rentals arising from a reduction in the assumed benefits payable to the City under the structure.

At the expiry of the lease, the City has the option to (a) exercise its call option to acquire the leased assets or (b) return the leased assets to Investec.

**(x) FirstRand (830000880)**

Structured R150m 15 year loan repayable semi-annually in equal instalments of capital and fixed rate interest. Repayment liabilities are evidenced by a series of promissory notes issued by the City to FirstRand and later sold on to Momentum Group. The City has the right to prepay the full loan, subject to being liable for all breakage/unwinding costs, in the event of a material reduction in the assumed benefits payable to the City under the structure.

As part of the loan structure, the City leased moveable electricity assets with a market value of R150m to FirstRand for 20 years. Rental is payable in three instalments during 1998 – 2000 with a nominal annual rental thereafter. The rentals are payable into a deposit account with FirstRand which attracts a fixed rate of interest. FirstRand leased the assets back to the City over 15 years with rentals payable during the years 2003 – 2013, out of the deposit account which will reduce to zero on 30/06/2013. The City has ceded its rights to repayment of the deposit to FirstRand as security for its obligations to FirstRand under the original loan and any other indebtedness. The City does not disclose the separate asset and liability arising from these transactions on its balance sheet. It applies set-off in respect of these two legs of the structure as they meet the requirements for offsetting of IAS32 par. 42 and contra out exactly.

**(xi) Standard Bank (830000890)**

Sale and leaseback structured R59.3m 15 year loan. The City sold moveable electricity assets to Standard Bank at the market value of R59.3m. The City invested R5.8m of the proceeds in a sinking fund deposit which, when compounded over 15 years at a fixed rate of interest, grows to the original loan capital amount of R59.3m. Standard Bank leased the assets back to the City with rentals, equating to the loan fixed rate interest, payable annually over 15 years. A bullet rental amount of R59.3m is payable on 24/06/2011 out of the sinking fund deposit. At the expiry of the lease, the City has the option to (a) hand back the assets to Standard Bank, (b) request that the assets be sold with the City having the first right of refusal and the sales proceeds refunded to the City as a rebate of rentals, or (c), enter into a new lease.

The City has the right to prepay the full lease, on 6 months notice, subject to being liable for all breakage/unwinding costs, in the event of an increase in the lease rentals arising from a reduction in the assumed benefits payable to the City under the structure.

**Note: the rates of interest payable on the above structured loans and finance leases are based on certain underlying assumptions relating to the lenders' statutory costs and the allowability of deductions by the lenders for income tax purposes in connection with these loans. In the event of changes to, or interpretation of, the Income Tax Act or any other relevant legislation which impact on the loan structure costs, the lenders have the right to increase or decrease the future rates of interest payable on the loans over their remaining lives, in order to absorb the increase or decrease in costs.**

## APPENDIX B

## ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2007

	Cost						Accumulated Depreciation					
	Opening Balance R '000	Transfers/ Adjustments R '000	Additions R '000	Disposals R '000	Closing Balance R '000	Opening Balance R '000	Transfers/ Adjustments R '000	Additions R '000	Disposals R '000	Closing Balance R '000	Carrying Value R '000	
<b>Land and Buildings</b>												
Land	136,551	12,855	9,873	(470)	158,809	(62,010)	(6,276)	67,246		(1,040)	157,769	
Buildings	2,255,277	(16,890)	40,422	(226)	2,278,583	(942,337)	6,814	(80,395)		(1,015,918)	1,262,665	
	<b>2,391,828</b>	<b>(4,035)</b>	<b>50,295</b>	<b>(696)</b>	<b>2,437,392</b>	<b>(1,004,347)</b>	<b>538</b>	<b>(13,149)</b>	<b>0</b>	<b>(1,016,958)</b>	<b>1,420,434</b>	
<b>Infrastructure</b>												
Assets Under Construction	547,980	(197,464)	803,234		1,153,750	0				0	1,153,750	
Drains	335,786	21,417	12,043		369,246	(146,841)	(612)	(12,605)		(160,058)	209,188	
Roads	2,486,916	68,993	26,326		2,582,235	(1,144,516)	19,003	(148,663)		(1,274,176)	1,308,059	
Beach Improvements	4,474	19,356	1,402		25,232	(147)	(16,871)	(186)		(17,204)	8,028	
Sewerage Mains & Pufif	895,175	(80,819)	22,292		836,648	(300,804)	60,566	(42,541)		(282,779)	553,869	
Electricity Mains	436,695	730	522		437,947	(106,933)	(246)	(22,296)		(129,475)	308,472	
Electricity Peak Load Equip	1,985,354	(16,067)	121		1,969,408	(921,780)	8,709	(67,701)		(980,772)	988,636	
Water Mains & Purification	1,600,742	34,973	29,910		1,665,625	(695,837)	162	(54,093)		(749,768)	915,857	
Reservoirs - Water	385,018	6,667	1,478		393,163	(197,135)	(6)	(15,837)		(212,978)	180,185	
Water Meters and Mains	38,962	3,026	11,859		53,847	(1,462)		(2,276)		(3,738)	50,109	
	<b>8,717,102</b>	<b>(139,188)</b>	<b>909,187</b>	<b>0</b>	<b>9,487,101</b>	<b>(3,515,455)</b>	<b>70,705</b>	<b>(366,198)</b>	<b>0</b>	<b>(3,810,948)</b>	<b>5,676,153</b>	
<b>Community Assets</b>												
Assets Under Construction	72,444	(6,492)	493,353		559,305	0				0	559,305	
Parks & Gardens	9,928	505	161		10,594	(2,392)		(243)		(2,635)	7,959	
Libraries	116,557	927	5,095		122,579	(39,543)	1	(3,143)		(42,685)	79,894	
Recreation Facilities	61,352	877	2,822	(1,810)	63,241	(20,856)	963	(1,861)		(21,754)	41,487	
Civic Buildings	161,815	27,791	14,563		204,169	(82,750)	(1,051)	(14,136)		(97,937)	106,232	
	<b>422,096</b>	<b>23,608</b>	<b>515,994</b>	<b>(1,810)</b>	<b>959,888</b>	<b>(145,541)</b>	<b>(87)</b>	<b>(19,383)</b>	<b>0</b>	<b>(165,011)</b>	<b>794,877</b>	
<b>Heritage Assets</b>												
Painting & Art Galleries	2,772	(495)	4,390	(21)	6,646	0	0	0		0	6,646	
	<b>2,772</b>	<b>(495)</b>	<b>4,390</b>	<b>(21)</b>	<b>6,646</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,646</b>	
<b>Leased Assets</b>												
Infrastructure and Other	289,201	193,268	149	(83,658)	398,960	(113,371)	(103,670)	(27,650)	34,238	(210,453)	188,507	
	<b>289,201</b>	<b>193,268</b>	<b>149</b>	<b>(83,658)</b>	<b>398,960</b>	<b>(113,371)</b>	<b>(103,670)</b>	<b>(27,650)</b>	<b>34,238</b>	<b>(210,453)</b>	<b>188,507</b>	
<b>Other Assets</b>												
Assets Under Construction	58,510	(20,891)	181,873		219,492	0				0	219,492	
Landfill Sites	322,694	659	23,050		346,403	(4,102)		(63,472)		(67,574)	278,829	
Office Equipment	117,542	554	23,844	(9,160)	132,780	(79,805)	920	(11,971)	8,173	(82,683)	50,097	
Furniture & Fittings	75,018	283	8,373	(4,899)	78,775	(50,194)	25	(6,839)	4,459	(52,549)	26,226	
Bins and Containers	27,337	77	560	(14)	27,960	(17,002)		(4,617)	15	(21,604)	6,356	
Emergency Equipment	17,569	(26)	1,885	(1,173)	18,255	(11,302)	7	(1,902)	1,157	(12,040)	6,215	
Motor vehicles	846,176	3,993	126,141	(63,115)	913,195	(649,454)	2,766	(42,833)	60,498	(629,023)	284,172	
Fire engines	41,651	5,931	11,103	(1,351)	57,334	(28,045)		(3,130)	1,351	(29,824)	27,510	
Refuse trucks	38,332	1,573	12,608	(3,451)	49,062	(29,608)	(671)	(2,970)	3,451	(29,798)	19,264	
Computer equipment	545,139	3,002	89,029	(35,925)	601,245	(349,121)	1,462	(67,575)	33,235	(381,999)	219,246	
Watercraft	456		202		658	(156)		(51)		(207)	451	
	<b>2,090,424</b>	<b>(4,845)</b>	<b>478,668</b>	<b>(119,088)</b>	<b>2,445,159</b>	<b>(1,218,799)</b>	<b>4,509</b>	<b>(205,360)</b>	<b>112,339</b>	<b>(1,307,301)</b>	<b>1,137,858</b>	
<b>Housing Rental Stock</b>												
	<b>1,032,233</b>	<b>2,926</b>	<b>6,466</b>	<b>(2,109)</b>	<b>1,039,516</b>	<b>(452,344)</b>	<b>(755)</b>	<b>(21,985)</b>	<b>1,556</b>	<b>(473,528)</b>	<b>565,988</b>	
<b>Investment Properties</b>												
	<b>128,616</b>	<b>13</b>			<b>128,629</b>	<b>(24,772)</b>		<b>(4,389)</b>		<b>(29,161)</b>	<b>99,468</b>	
<b>Intangible Assets</b>												
	<b>259,468</b>		<b>4,258</b>		<b>263,726</b>	<b>(139,504)</b>		<b>(62,302)</b>		<b>(191,806)</b>	<b>71,920</b>	
<b>Total</b>	<b>15,333,740</b>	<b>71,252</b>	<b>1,969,407</b>	<b>(207,382)</b>	<b>17,167,017</b>	<b>(6,614,123)</b>	<b>(28,760)</b>	<b>(710,416)</b>	<b>148,133</b>	<b>(7,205,166)</b>	<b>9,961,851</b>	

**APPENDIX B(1)**  
**RECONCILIATION OF CARRYING VALUE**

Reconciliation of Carrying Value	PROPERTY, PLANT AND EQUIPMENT										INVESTMENT PROPERTY	INTANGIBLE ASSETS	
	Land and Buildings R'000	Infrastructure R'000	Community R'000	Heritage R'000	Other R'000	Leased Assets R'000	Housing R'000	Total R'000	R'000	R'000			
<b>Carrying values at 1 July 2006</b>													
Cost	1,387,481	5,201,647	276,555	2,772	871,635	175,830	579,889	8,495,809	99,844	119,964			
Accumulated depreciation	2,391,828	8,717,102	422,096	2,772	2,090,424	289,201	1,032,233	14,945,656	124,616	259,468			
	(1,004,347)	(3,515,455)	(145,541)	0	(1,218,789)	(113,371)	(452,344)	(6,449,847)	(24,772)	(139,504)			
Acquisitions	50,295	909,187	515,994	4,390	478,668	149	6,466	1,965,149	0	4,258			
Capital under Construction	(12,777)	(366,198)	(19,383)	0	(205,360)	(27,650)	(21,985)	(653,353)	(4,389)	(52,302)			
Depreciation based on cost	(696)	0	(1,810)	(21)	(6,749)	(49,420)	(553)	(59,249)					
Carrying value of disposals	(696)	0	(1,810)	(21)	(119,088)	(83,658)	(2,109)	(207,382)					
Cost	0	0	0	0	112,339	34,238	1,556	148,133					
Accumulated depreciation	(373)	0	23,521	(495)	(336)	89,598	9,579	(7,781)	4,013				
Impairment losses	(3,496)	(68,483)	794,877	6,646	1,137,958	188,507	565,988	9,790,463	99,468	71,920			
Transfers	1,420,434	5,676,153	959,888	6,646	2,445,159	398,960	1,039,516	16,774,662	128,629	263,726			
<b>Carrying Values at 30 June 2007</b>													
Cost	2,437,392	9,487,101	(165,011)	0	(1,307,301)	(210,453)	(473,528)	(6,984,199)	(29,161)	(191,806)			
Accumulated depreciation	(1,016,958)	(3,810,948)	194,363	1,272	671,585	254,110	572,803	7,526,990	104,298	172,266			
<b>Carrying values at 1 July 2005</b>													
Cost	2,262,909	7,693,990	327,825	1,272	1,980,769	337,124	1,007,875	13,511,764	124,616	259,468			
Accumulated depreciation	(924,960)	(3,199,082)	(133,462)	0	(1,209,184)	(83,014)	(435,072)	(5,984,774)	(20,318)	(87,202)			
Acquisitions	108,356	1,031,507	94,695	2,067	276,936	0	19,902	1,533,463					
Capital under Construction	0	0	0	0	0	0	0	0					
Depreciation based on cost	(74,690)	(340,958)	(12,025)	0	(152,472)	(18,658)	(20,206)	(619,009)	(5,412)	(52,302)			
Carrying value of disposals	-338	0	0	(1)	(2,521)	0	(2,622)	(5,482)					
Cost	-490	0	0	(1)	(67,310)	64,789	(6,445)	(74,246)					
Accumulated depreciation	152	0	0	0	64,789	3,823	3,823	68,764					
Impairment losses	0	(51)	(478)	(566)	78,107	(59,622)	(1,023)	(1,074)	958				
Transfers	16,204	16,241	0	0	0	0	11,035	60,921					
<b>Carrying Values at 30 June 2006</b>													
Cost	1,387,481	5,201,647	276,555	2,772	871,635	175,830	579,889	8,495,809	99,844	119,964			
Accumulated depreciation	2,391,828	8,717,102	422,096	2,772	2,090,424	289,201	1,032,233	14,945,656	124,616	259,468			
	(1,004,347)	(3,515,455)	(145,541)	0	(1,218,789)	(113,371)	(452,344)	(6,449,847)	(24,772)	(139,504)			



APPENDIX C

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2007

	Cost						Accumulated Depreciation				Carrying Value R '000	Budget / Additions 2007 R '000
	Opening Balance R '000	Additions R '000	Disposals R '000	Transfers R '000	Closing Balance R '000	Opening Balance R '000	Additions R '000	Disposals R '000	Transfers R '000	Closing Balance R '000		
Executive and Council	14,698	9,729	(985)	(7,420)	16,022	(7,142)	(2,337)	941	(99)	(8,637)	7,385	14,803
Finance and Administration	1,620,329	150,551	(61,838)	403,166	2,112,208	(952,199)	(150,082)	89,206	(66,395)	(1,079,470)	1,032,738	144,995
Planning and Development	290,534	46,950	(2,423)	(2,552)	332,509	(87,600)	(12,171)	2,348	151	(97,272)	235,237	77,653
Health	128,853	17,527	(1,458)	41	144,963	(42,392)	(4,574)	1,401	16	(45,549)	99,414	18,914
Community & Social Services	455,080	38,572	(1,457)	(31,472)	460,723	(191,128)	(11,510)	1,392	4,055	(197,191)	263,532	59,925
Housing	1,256,426	171,752	(2,973)	(68,715)	1,356,490	(471,898)	(19,024)	2,008	(749)	(489,663)	866,827	214,838
Public Safety	438,602	51,347	(10,951)	25,060	504,058	(221,021)	(23,449)	10,858	912	(232,700)	271,358	79,665
Sport and Recreation	895,416	474,541	(6,418)	(351,063)	1,012,476	(370,951)	27,624	5,319	250	(337,758)	674,718	615,328
Environmental Protection	1,479	3,009	(46)	(2,376)	2,066	(388)	(238)	22	185	(419)	1,647	5,693
Waste Management	1,848,391	95,278	(4,542)	(1,345)	1,937,782	(553,756)	(138,692)	4,450	4,717	(683,281)	1,254,501	98,444
Road Transport	3,088,343	255,533	(10,034)	38,947	3,372,789	(1,354,995)	(160,037)	9,916	3,663	(1,501,453)	1,871,336	508,247
Water	2,341,837	327,068	(89,814)	92,508	2,671,599	(1,054,603)	(92,320)	6,107	1,363	(1,139,453)	1,532,146	362,949
Electricity	2,913,925	327,550	(14,441)	(319)	3,226,715	(1,282,673)	(123,416)	14,163	(4)	(1,391,930)	1,834,785	343,364
Abattoir	23,177	0	(2)	(23,175)	0	(23,177)	0	2	23,175	0	0	0
Tourism	16,650	0	0	(33)	16,617	(200)	(190)	0	0	(390)	16,227	0
<b>TOTAL</b>	<b>15,333,740</b>	<b>1,969,407</b>	<b>(207,382)</b>	<b>71,252</b>	<b>17,167,017</b>	<b>(6,614,123)</b>	<b>(710,416)</b>	<b>148,133</b>	<b>(28,760)</b>	<b>(7,205,166)</b>	<b>9,961,851</b>	<b>2,544,818</b>

Note 1: The balance as at 30 June 2007 for certain assets includes Electricity and Bulk Water assets held under finance leases with a carrying value of R188,507 million.

Note 2: Encumbered Assets: Certain parcels of land, the value of which is included in this appendix, have been made available to the Cape Town Community Housing Company (CTCHC).

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## APPENDIX D

## SEGMENTAL INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

2006	2006	2006		2007	2007	2007
Restated	Restated	Restated		Actual	Actual	Surplus/
Actual	Actual	Surplus/		Income	Expenditure	(Deficit)
Income	Expenditure	(Deficit)		Income	Expenditure	(Deficit)
R '000	R '000	R '000		R '000	R '000	R '000
3,020,672	990,748	2,029,924	Rates	4,208,577	1,018,932	3,189,645
3,993	191,515	(187,522)	Executive & Council	4,747	221,844	(217,097)
1,854,883	1,675,700	179,183	Finance & Administration	1,099,453	1,205,511	(106,058)
144,504	299,156	(154,652)	Planning & Development	141,917	309,185	(167,268)
127,427	313,078	(185,651)	Health	140,434	314,005	(173,571)
20,589	204,607	(184,018)	Community & Social Services	23,586	551,550	(527,964)
282,036	475,762	(193,726)	Housing	222,986	366,077	(143,091)
218,838	738,386	(519,548)	Public Safety	227,244	871,643	(644,399)
23,707	526,565	(502,858)	Sport & Recreation	47,652	282,057	(234,405)
14	2,214	(2,200)	Environmental Protection	496	63,628	(63,132)
871,837	878,762	(6,925)	Waste Management	912,949	843,847	69,102
727,218	604,622	122,596	Waste Water Management	886,937	728,160	158,777
33,543	626,474	(592,931)	Road Transport	48,332	623,704	(575,372)
1,551,986	1,578,332	(26,346)	Water	1,758,658	1,600,123	158,535
2,906,876	2,783,509	123,367	Electricity	3,156,486	2,971,828	184,658
17,385	19,395	(2,010)	Discontinued Operations	0	0	0
(114)	58	(172)	Other: Tourism	272	40,698	(40,426)
<b>11,805,394</b>	<b>11,908,883</b>	<b>(103,489)</b>	<b>Sub Total</b>	<b>12,880,726</b>	<b>12,012,792</b>	<b>867,934</b>
2,417,212	2,417,212	0	Less: Inter-Departmental Charges	2,577,891	2,577,891	0
<b>9,388,182</b>	<b>9,491,671</b>	<b>(103,489)</b>	<b>Total</b>	<b>10,302,835</b>	<b>9,434,901</b>	<b>867,934</b>

APPENDIX E(1)

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ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2007

	Actual R '000	Budget R '000	Variance R '000	Variance %	Explanation of Variances greater than 10%
<b>REVENUE</b>					
Property rates	2,475,480	2,566,157	90,677	3.53%	
Service charges	4,927,799	5,119,781	191,982	3.75%	Lower income due to revenue recognition
Regional Services Levies - turnover	137,510	110,000	(27,510)	-25.01%	Levies has been abolished since 1 July 2006. More declarations received than expected after this date
Rental of facilities and equipment	145,257	224,700	79,443	35.36%	Lower income due to revenue recognition
Interest receivable	493,946	332,425	(161,521)	-48.59%	Actual interest earned on cash investments exceeding budget due to higher than budgeted cash balance throughout the year resulting from under spend on capital budget.
Fines	180,753	153,204	(27,549)	-17.98%	Intensive fine recovery program was launched, including a media campaign.
Licences and permits	26,895	24,695	(2,200)	-8.91%	
Agency services	104,960	111,983	7,023	6.27%	
Government grants and subsidies	1,512,496	1,782,271	269,775	15.14%	Due to accounting adjustments (see adjustments below)
Other income	217,091	174,313	(42,778)	-24.54%	Recoveries from developers were more than budgeted.
Public contributions, donated/contributed PPE	33,957	0	(33,957)	0.00%	
Gains on disposal of property, plant and equipment	46,691	42,700	(3,991)	-9.35%	
<b>Total Revenue</b>	<b>10,302,835</b>	<b>10,642,229</b>	<b>339,394</b>	<b>3.19%</b>	
<b>EXPENDITURE</b>					
Employee related costs	3,010,652	3,041,384	(30,732)	-1.01%	
Remuneration of councillors	65,938	65,133	805	1.24%	
Impairment of consumer and other debtors	64,697	737,412	(672,715)	-91.23%	Refer to revenue items regarding revenue recognition.
Collection costs	143,634	147,562	(3,928)	-2.66%	
Depreciation and amortisation expense	450,321	417,911	32,410	7.76%	Due to accounting adjustments (see adjustments below)
Repairs and maintenance	963,530	911,781	51,749	5.68%	
Interest on external borrowings	283,630	289,245	(5,615)	-1.94%	
Bulk purchases	1,998,112	1,989,077	9,035	0.45%	
Contracted services	491,248	509,472	(18,224)	-3.58%	
Grants and subsidies paid	79,871	82,179	(2,308)	-2.81%	
General expenses - other (including abnormal expenses)	1,862,643	2,244,071	(381,428)	-17.00%	Mainly due to grants and donations not materialising and provisions written back.
Loss on disposal of property, plant and equipment	844	111	733	660.36%	Loss on housing stock sold.
Loss on valuation of derivatives	19,781	0	19,781	0.00%	
<b>Total Expenditure</b>	<b>9,434,901</b>	<b>10,435,338</b>	<b>(1,000,437)</b>	<b>-9.59%</b>	
<b>NET SURPLUS FOR THE YEAR</b>	<b>867,934</b>	<b>206,891</b>	<b>(661,043)</b>	<b>-319.51%</b>	

APPENDIX E(2)

ACTUAL VERSUS BUDGET - ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2007

	Actual R '000	Total Additions R '000	Budget R '000	Variance R '000	Variance %	Explanation of Significant Variances greater than 5% versus Budget
Executive and Council	9,729	9,729	14,803	5,074	34.28%	Due to tender in dispute.
Finance and Administration	150,551	150,551	144,995	(5,556)	-3.83%	Due to additional capital requirements for 2010
Planning and Development	46,950	46,950	77,653	30,703	39.54%	Due to implementation delays
Health	17,527	17,527	18,914	1,387	7.33%	Disputes regarding final accounts.
Community & Social Services	38,572	38,572	59,925	21,353	35.63%	Under performance of major projects
Housing	171,752	171,752	214,838	43,086	20.06%	Due to rental programme restructuring
Public Safety	51,347	51,347	79,665	28,318	35.55%	Implementation delays
Sport and Recreation	474,541	474,541	615,328	140,787	22.88%	Inability of contractors to deliver services.
Environmental Protection	3,009	3,009	5,693	2,684	47.15%	Contractor did not deliver within the prescribed timelines.
Waste Management	95,278	95,278	98,444	3,166	3.22%	Delay in awarding contracts
Road Transport	255,533	255,533	508,247	252,714	49.72%	Mainly due to external funding not received.
Water	327,068	327,068	362,949	35,881	9.89%	Delay in awarding contracts
Electricity	327,550	327,550	343,364	15,814	4.61%	
<b>TOTAL</b>	<b>1,969,407</b>	<b>1,969,407</b>	<b>2,544,818</b>	<b>575,411</b>	<b>22.61%</b>	

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APPENDIX F

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF THE MFMA

SERVICE	SOURCE	QUARTERLY RECEIPTS												TOTAL R'000		
		September R'000	December R'000	March R'000	June R'000	Total R'000	September R'000	December R'000	March R'000	June R'000	Total R'000	Total R'000				
Amenities & Recreation	PAWC ISLP	0	0	0	0	0	0	0	0	0	0	0	0	22	22	(22)
	PAWC OTHER	0	0	0	1,500	1,500	0	404	137	1,260	1,801	0	0	1,260	1,801	(301)
	PAWC SOCIAL SERVICES	0	0	1,000	0	1,000	0	0	640	51	691	0	0	640	691	309
	PAWC SPORT & RECREATION	0	0	0	0	0	0	25	247	984	1,256	0	0	984	1,256	(1,256)
	PAWC TRANSPORT & PUBLIC WORKS	0	30,000	0	0	30,000	0	0	0	6,378	6,378	0	0	6,378	6,378	23,622
City Health	PAWC HEALTH	3,573	2,463	14,601	1,562	22,199	2,062	5,378	7,337	7,169	21,946	0	0	7,169	21,946	253
	PAWC OTHER	0	0	1,500	0	1,500	0	147	792	2,671	3,610	0	0	2,671	3,610	(2,110)
Emergency Services	PAWC OTHER	0	0	0	0	0	0	0	0	0	0	0	0	2,000	2,000	(2,000)
	PAWC TRANSPORT & PUBLIC WORKS	0	0	0	0	0	0	290	48	126	464	0	0	126	464	(464)
Open Space Nature Conservation	PAWC HUMAN SETTLEMENT PROGRAM	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(12)
	PAWC OTHER	0	0	0	0	0	0	175	0	181	783	0	0	427	783	(783)
Social Development	PAWC ISLP	0	0	0	0	0	0	0	0	0	0	0	0	40	40	(40)
	PAWC OTHER	0	0	0	0	0	0	0	0	0	0	0	0	363	409	(409)
Economic Development & Tourism	PAWC SOCIAL SERVICES	0	0	0	0	0	0	0	0	0	0	0	0	46	615	(615)
	PAWC HUMAN SETTLEMENT PROGRAM	228	301	0	1,408	1,636	301	162	64	393	615	0	0	393	615	(615)
Planning & Environment	PAWC ISLP	0	0	0	0	0	0	1,001	36	(350)	2,319	0	0	871	1,605	(2,319)
	PAWC OTHER	0	0	0	0	0	0	0	0	0	0	0	0	384	384	(384)
Public Housing	PAWC HOUSING	0	0	0	201	201	254	0	0	0	254	0	0	0	254	(53)
	PAWC HUMAN SETTLEMENT PROGRAM	714	642	1,260	400	3,016	233	1,223	513	351	2,320	0	0	351	2,320	696
Transport Roads SIWater	PAWC OTHER	250	1,595	252	671	2,768	420	496	220	929	2,065	0	0	929	2,065	703
	STATE - DWAF	0	0	0	0	0	0	0	0	85	60	0	0	60	145	(145)
Electricity	STATE DEPT OTHER	2,130	550	199	0	2,879	8	609	502	822	1,941	0	0	822	1,941	938
	PAWC HOUSING	91,034	62,433	(590)	9,062	161,939	22,433	27,869	10,217	12,207	72,726	0	0	12,207	72,726	89,213
Support Services	PAWC ISLP	12,104	0	0	0	12,104	2,563	1,552	158	315	4,588	0	0	315	4,588	7,516
	PAWC OTHER	0	0	0	403	403	0	0	0	5	480	0	0	475	480	(77)
Support Services	PROV. HOUSE DEV. BOARD	13,228	31,852	21,629	18,680	85,389	22,486	25,053	15,051	19,576	82,166	0	0	19,576	82,166	3,223
	STATE HOUSING	0	0	1,000	0	1,000	0	0	0	55	945	0	0	55	945	0
Support Services	PAWC MTAB	7,407	7,762	7,776	18,561	41,506	7,407	7,762	7,776	18,561	41,506	0	0	18,561	41,506	0
	PAWC OTHER	0	0	0	0	0	0	0	0	335	79	0	0	79	414	(414)
Support Services	DEPT. MINERAL ENERGY	0	2,924	1,737	0	4,661	1,443	2,697	1,284	2,512	7,936	0	0	2,512	7,936	(3,275)
	MUNICIPAL INFRASTRUCTURE GRANTS	20,000	110,308	33,692	29,340	193,340	51,348	49,831	51,214	28,742	181,135	0	0	28,742	181,135	12,205
Support Services	NATIONAL TREASURY	5,976	4,107	31,844	0	41,927	3,162	6,256	6,177	19,463	35,058	0	0	19,463	35,058	6,869
	PAWC AGRICULTURE	4,560	0	0	0	4,560	2,810	642	342	497	269	0	0	497	269	0
Support Services	PAWC EDUCATION	400	0	0	0	400	0	0	0	0	400	0	0	0	400	0
	PAWC HOUSING	0	0	0	0	0	43	87	70	0	200	0	0	0	200	(200)
Support Services	PAWC OTHER	0	530	0	0	530	0	0	0	30	500	0	0	30	500	0
	PAWC SPORT & RECREATION	0	0	0	800	800	0	488	360	0	848	0	0	360	848	(48)
Water Service	STATE: DEPT. SPORT AND RECREATION	0	0	98,256	83,201	181,457	0	0	0	99,875	99,875	0	0	99,875	99,875	81,582
	STATE - DWAF	0	1,755	1,315	0	3,070	0	1	1,030	563	1,594	0	0	563	1,594	1,476
		<b>161,604</b>	<b>256,921</b>	<b>215,471</b>	<b>165,789</b>	<b>799,785</b>	<b>118,776</b>	<b>131,985</b>	<b>105,300</b>	<b>227,901</b>	<b>583,962</b>			<b>227,901</b>	<b>583,962</b>	<b>215,823</b>

APPENDIX G

ANALYSIS OF PROVISIONS AS AT 30 JUNE 2007

	For period 30 June 2006				For period 30 June 2007			
	Opening Balance R'000	Contribution R'000	Transfers R'000	Closing Balance R'000	Opening Balance R'000	Contribution R'000	Transfers R'000	Closing Balance R'000
Ambulance Incentive	713	0	0	713	713	0	0	713
Insurance claim	44,675	21,800	(64,628)	1,847	1,847	1,038	(1,847)	1,038
Medical Aid	60,000	0	11,000	71,000	71,000	5,000	0	76,000
SARS	26,370	38,426	(7,261)	57,535	57,535	0	(57,535)	0
Performance bonus	7,097	0	(7,097)	0	0	0	0	0
COVID Claims	12,607	1,260	(11,488)	2,379	2,379	2,460	(2,379)	2,460
Legal fees	0	600	0	600	600	4,028	(600)	4,028
Landfill sites	0	0	20,000	20,000	20,000	7,623	(20,000)	7,623
Revenue Pension	2,125	0	875	3,000	3,000	2,700	(3,000)	2,700
Staff Leave	217,723	21	(36,930)	180,814	180,814	38,893	0	219,707
Long service leave benefits	0	0	0	0	0	18,940	0	18,940
	<b>371,310</b>	<b>62,107</b>	<b>(95,529)</b>	<b>337,888</b>	<b>337,888</b>	<b>80,682</b>	<b>(85,361)</b>	<b>333,209</b>

**Auditor-General's Audit  
Report on City's Annual  
Financial Statements for  
2006/07**



**Report of the Auditor-General  
to the Western Cape Provincial  
Parliament on the Financial  
Statements and Performance  
Information of the City of Cape  
Town**

**FOR THE YEAR ENDED  
30 JUNE 2007**



**REPORT OF THE AUDITOR-GENERAL TO THE WESTERN CAPE PROVINCIAL  
PARLIAMENT ON THE FINANCIAL STATEMENTS AND PERFORMANCE  
INFORMATION OF THE CITY OF CAPE TOWN FOR THE YEAR ENDED 30  
JUNE 2007**

**REPORT ON THE FINANCIAL STATEMENTS**

**Introduction**

1. I have audited the accompanying financial statements of the City of Cape Town which comprise the statement of financial position as at 30 June 2007, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the accounting officer's report, as set out on pages 4 to 52.

**Responsibility of the accounting officer for the financial statements**

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by the National Treasury as set out in accounting policy note 1 and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA). This responsibility includes:
  - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
  - selecting and applying appropriate accounting policies
  - making accounting estimates that are reasonable in the circumstances.

**Responsibility of the Auditor-General**

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996, read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

6. An audit also includes evaluating the:
  - appropriateness of accounting policies used
  - reasonableness of accounting estimates made by management
  - overall presentation of the financial statements.
7. Paragraph 11 et seq. of the Statement of Generally Recognised Accounting Practice, GRAP 1 *Presentation of financial statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is still in the process of being developed, I have determined that my audit of any disclosures made by the City of Cape Town in this respect will be limited to reporting on non-compliance with this disclosure requirement.
8. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### **Basis of accounting**

9. The municipality's policy is to prepare financial statements on the basis of accounting determined by the National Treasury, as set out in accounting policy note 1.

#### **Opinion**

10. In my opinion the financial statements present fairly, in all material respects, the financial position of the City of Cape Town as at 30 June 2007 and its financial performance and cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1 and in the manner required by the MFMA.

#### **Emphasis of matters**

Without qualifying my audit opinion, I draw attention to the following matters:

#### **Highlighting a matter affecting the financial statements**

11. As set out in accounting policy note 1, the Minister of Finance approved a deviation from the basis of accounting applicable to the municipality in terms of *General Notice 552 of 2007*, issued in *Government Gazette No. 30013 of 29 June 2007*.
12. In the financial year under review the gross outstanding consumer debtors balance as at 30 June as disclosed in note 18 on page 31 of the financial statements, has decreased from R5,084 billion in 2006 to R4,083 billion in 2007, after writing off debt amounting to R1,296 billion as irrecoverable during the year under review. This represented a growth in the debtors balance of 6,5% (2006: 12%) reflected by an increase in debtors days' if the bad debt write off is disregarded.
13. Time theft – Included in note 42 on page 41 of the financial statements was an amount of R263 000 paid in respect of time theft. This amount pertained to

payments made to four former city officials over a period during which they were not employed by the city.

14. Duplicate wage payment – A payment totalling R527 368, included in note 42 on page 41 of the financial statements, in respect of wages for personnel working on a one-off project was duplicated.
15. Arrear staff debtors – The recoverability of arrear staff debtors that was assessed as doubtful related to the overpayment of leave encashments totalling R466 359 at the end of June 2007. As the write-off of these arrear debtors as irrecoverable may constitute fruitless and wasteful expenditure as per section 32 of the MFMA, disclosure thereof was made in note 42 on page 41 of the financial statements.

#### **OTHER MATTERS**

I draw attention to the following matters that are ancillary to my responsibilities in the audit of the financial statements:

##### **Non-compliance with applicable legislation**

16. Deviations from section 66(d) and sections 38(a) of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA) were found, including employees without signed contracts of employment, employees without performance agreements and, in certain instances, employees without letters of appointment.

##### **Matters of governance**

17. As stated in paragraph 4 of the report of the chief financial officer on page 7 of the financial statements the city only spent R1,97 billion of its approved capital expenditure budget of R2,54 billion, resulting in an under-spending of approximately 23% (2006: 29% being R1,52 billion spent of an approved budget of R2,13 billion).

##### **Material corrections made to the financial statements submitted for auditing**

18. The financial statements, approved by the municipal manager and submitted for auditing on 31 August 2007, have been significantly revised in respect of the misstatements identified during the audit. The material corrections are detailed below.
  - The revenue recognition calculation was incorrect and, as a result, an adjustment of R149 714 000 was made reducing revenue and impairment costs in the statement of financial performance.
  - Additional disclosure was made in note 51 to the financial statements related to land included in property, plant and equipment at 30 June 2007 that had been identified and earmarked for possible sale after the financial year-end.

##### **Internal control**

19. Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent

systems of financial and risk management and internal control. The table below depicts the root causes of the matters indicated, as they relate to the five components of internal control. In some instances deficiencies existed in more than one internal control component.

Reporting item	Control environment	Assessment of risks	Control activities	Information and communication	Monitoring
<b>Emphasis of matter</b>					
Highlighting a matter affecting the financial statements	X		X		X
<b>Other matters</b>					
Non-compliance with applicable legislation			X		
Matters of governance			X		
Material corrections made to the financial statements submitted for auditing			X		X
Investigations in progress or completed					X

#### Control activities

20. The effectiveness of control over business and accountancy processes was not adequate, which resulted in an increase in the debtors balance of 6,5% excluding the write-off of bad debts amounting to R1,296 billion as detailed in paragraph 12.

#### Control environment

21. The entity did not establish all the key elements of a control environment to achieve sound financial management in the payroll and human resources directorates. This resulted in the fruitless and wasteful expenditure reported in paragraphs 13 to 15.

**Monitoring controls**

22. The monitoring of controls, such as project management where the anticipated cash flows were not properly identified over the term of the project and delays in project completion that were not identified on a timely basis to facilitate the efficient reallocation of resources to other projects, was not effective.

**Investigations in progress or completed**

23. The prior year audit of payroll and operating expenditure indicated instances of irregular expenditure amounting to approximately R314,7 million. Disclosure of the individual items, together with council action in terms of section 32(2)(b) of the MFMA, was made in note 42 on page 41 of the financial statements. SCOPA established three subcommittees to investigate these matters with the view to resolving these. SCOPA at a meeting held on 22 November 2007 resolved to recommend to the council its support for the approval and condonation of the expenditure as per the council minutes of 7 December 2006, with the exception of six payments. Three of the payments amounting to R3,3 million were still subject to forensic investigation while it was resolved that three other payments amounting to R3,6 million be referred for full forensic investigation.
24. The City has commissioned forensic investigations into several possible fraudulent and/or irregular acts by officials and suppliers. The monetary amount of the 10 highest priority cases exceed R33 million.

**Unaudited supplementary schedules**

25. The supplementary schedules to the financial statements set out on pages 53 to 60 have not been audited and as such I do not express an opinion thereon.

**OTHER REPORTING RESPONSIBILITIES****Reporting on performance information**

26. I have audited the performance information as set out on pages XX to XX.

**Responsibilities of the accounting officer**

27. In terms of section 121(3)(c) of the MFMA the annual report of a municipality must include the annual performance report of the municipality prepared by the municipality in terms of section 46 of the MSA.

**Responsibility of the Auditor-General**

28. I conducted my engagement in accordance with section 13 of the Public Audit Act, 2004 (Act No. 25 of 2004), read with *General Notice 646 of 2007*, issued in *Government Gazette* No. 29919 of 25 May 2007 and section 45 of the MSA.
29. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

30. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

**Audit findings (performance information)**

**Non-compliance with the MSA**

31. As reported in the previous year's audit report the issues regarding non-compliance with the MSA and the Local Government: Municipal Planning and Performance Management Regulations, 2001 (regulations) still prevailed for the year under review. These included the following:

- Lack of community involvement in the setting of performance indicators and targets, and monitoring of the city's performance, as required in terms section 42 and chapter 4 of the MSA.
- Lack of tracking and monitoring the performance of service providers, with whom the city had entered into service delivery agreements, in terms of a formal documented process.

**APPRECIATION**

32 The assistance rendered by the staff of the City of Cape Town during the audit is sincerely appreciated.

*Auditor General*

Cape Town

30 November 2007



A U D I T O R - G E N E R A L

Management comments  
and corrective action on  
matters raised in the report  
of the Auditor-General on  
City's Financial  
Statements for 2006/07

**MANAGEMENT COMMENTS AND CORRECTIVE ACTION TO BE INSTITUTED ON THE MATTERS RAISED IN THE REPORT OF THE AUDITOR-GENERAL TO THE COUNCIL ON THE FINANCIAL STATEMENTS OF THE CITY OF CAPE TOWN FOR THE YEAR ENDED 30 JUNE 2007 IN TERMS OF SECTION 121(4)(e) OF THE MUNICIPAL FINANCE MANAGEMENT ACT, NO 56 of 2003**

The unqualified audit report contains certain issues that were reported by the Auditor-General. For ease of reference the paragraphs are similarly numbered commencing from paragraph 11 (emphasis of matters)

**Highlighting a matter affecting the Financial Statements**

11. Noted
12. Debt Management actions will continue to be instituted against the debtors who do not respond to final demands, warning letters or have reneged on their arrangements to pay their arrears over an extended period.

In addition, balances are analysed in detail and appropriate measures such as restricted / discontinued supplies of water and electricity services and legal actions including the sale in execution of immovable property are instituted.

Debtors are also encouraged to apply for additional indigent assistance and for rates rebates.

13. The City's internal control procedures in place had identified the issues which are currently being investigated and remedial actions are being taken.
14. Comments noted. Additional control measures have been implemented for all individual ad hoc projects. The use of third parties to manage special project labour payments is being considered and also the creation of a special section to control these payments. The balances have been analysed into amounts considered recoverable and for write-off respectively. A report for the write-off has been submitted to MAYCO. MAYCO resolved that this matter be referred to SCOPA for consideration and a recommendation to Council.
15. The audit finding is noted and the necessary steps will be taken in terms of section 62 of the MFMA to authorise the expenditure.

**Non-compliance with applicable legislation**

16. The deviations from the Systems Act are noted. Steps will be put in place to resolve unsigned contracts of employment, unsigned performance agreements and the lack of employment letters. The fixed term contracts will be reversed and contracts brought into line with the SALGBC Collective agreements and arbitration rulings. Performance bonuses will be phased out and be replaced by the new remuneration policy.

**Spending on Capital Budget**

17. Monitoring systems are in place to ensure that progress is reported to Council. Facility has been introduced for the carry over of funds for projects not completed in a budget year. A task team has also been appointed to identify obstacles to the capital budget implementation and render training programs to enhance the overall operational efficiency of departments.



**Material corrections made to the financial statements submitted for auditing**

18. The revision of the Financial Statements due to the adjustment of the figure provided for revenue recognition is due to the interpretation of the Auditor-General of GAMAP 9.17 and Circular 9/06 of SAICA, which differs from that of the City.  
The City's interpretation of GAMAP 9.17 is that any uncertainty of the collectability of amounts included in revenue should be recognised as an expense rather than as an adjustment of the revenue amount.  
Since there are differing interpretations of GAMAP 9.17 the City will approach National Treasury for their directive on the accounting standard.

The additional disclosure in relation to Property, Plant and Equipment is due to an oversight in the original compilation of the Financial Statements.

**Internal Control**

19. Noted.

**Control activities**

20. Refer management comments in paragraph 12.

**Control Environment**

21. Refer management comments in paragraph 13 to 15.

**Monitoring Controls**

22. Refer management comments in paragraph 17.

**Investigations in progress or completed**

23. Council resolved to accept the recommendations made by SCOPA in regard to the issues being investigated by SCOPA except for six payments amounting to R6,9 million which have been referred for full forensic investigations. Except for the six, the issues are considered to be resolved.
24. The investigations are still in process.

**Un-audited supplementary schedules**

25. Noted

**Reporting on performance information**

26. Noted.

**Responsibilities of the accounting officer**

27. Noted.

**Responsibility of the Auditor-General**

28. Noted.

29. Noted.

30. Noted.

**Non-compliance with the MSA**

31. Noted and corrective measures are in the process of being implemented.

# National, Provincial and other donor funding

National, Provincial and other donor funding for the year ended 30 June 2004 **695**

DESCRIPTION	OPENING BALANCE JUNE 2003	CONTRIBUTIONS & INTEREST	EXPENDITURE	CLOSING BALANCE JUNE 2004
Community Development	-415,681.75	-25,823.21	0.00	-441,504.96
Beach Development	-123,370.65	-10,224.24	0.00	-133,594.89
Beach Development	-20,991.61	-1,739.66	0.00	-22,731.27
Bond Guarantee Fund	-4,023,801.67	-324,330.63	0.00	-4,348,132.30
Bonteheuwel Multi Purpose Ctr	-1,169,868.48	-31,696.22	0.00	-1,201,564.70
Bonteheuwel Multi Purpose Ctr	-322,904.75	-12,754.04	0.00	-335,658.79
Bonteheuwel Multi Purpose Ctr	-140,355.17	34,278.71	0.00	-106,076.46
Community Facility Fund	-238,226.05	-19,742.77	0.00	-257,968.82
Disability Desk Fund	-69,802.51	-5,784.84	0.00	-75,587.35
Disaster Management Fund	-1,978,895.32	-154,824.50	0.00	-2,133,719.82
Grants and Subsidies ex CMC	-1,447,055.13	-119,923.37	0.00	-1,566,978.50
Group Personal Insurance	-461,399.45	-38,238.05	0.00	-499,637.50
Hartebeeskraal MPC	-7,050.87	-584.30	0.00	-7,635.17
Hartebeeskraal MPC	-5,001.57	-414.51	0.00	-5,416.08
Capacity Building	-61,676.56	-5,111.39	0.00	-66,787.95
Scheme Plotting	-54,672.49	-4,530.93	0.00	-59,203.42
Library Service Book Fund	-883,319.52	-73,204.31	0.00	-956,523.83
Mamre Community	-3,651,417.04	-310,743.59	0.00	-3,962,160.63
Mayoress Charity Fund	-1,122,282.40	-97,892.28	0.00	-1,220,174.68
Netball Courts Khayelitsha	-84,021.54	-6,963.21	0.00	-90,984.75
Night Shelter	-82,257.83	-208.97	0.00	-82,466.80
Sports Dev. Marconi Beam	-137,851.06	-11,424.27	0.00	-149,275.33
RDP Funds	-192,978.24	-15,992.90	0.00	-208,971.14
Regional Tourism	-20,976,107.75	-1,179,911.10	0.00	-22,156,018.85
Rietvlei Conservation Fund	-5,675,510.95	-470,352.81	0.00	-6,145,863.76
Service Clubs	-22,574.65	-1,870.86	0.00	-24,445.51
Soccer Club Development Fund	-191,676.58	-15,885.01	0.00	-207,561.59
AJAX Football Club	-21,610.48	-1,790.97	0.00	-23,401.45
Sports Board	-104,602.70	-8,668.86	0.00	-113,271.56
Provident Fd: Van Niekerk	-116,434.77	-27,327.98	0.00	-143,762.75
Provident Fund : Andrews JJ	-2,489.63	-206.31	0.00	-2,695.94
Stilwaney Child Care Centre	-29,764.40	-2,466.69	0.00	-32,231.09
Training Creche Management	-27,919.03	-2,313.77	0.00	-30,232.80
Tygerberg Nature Reserve	-131,343.67	2,247.28	0.00	-129,096.39
Investec Bank: Civic Artwork	-1,014,176.42	-84,048.94	0.00	-1,098,225.36
Water Safety & Awareness Pr	-370,306.45	331,786.89	0.00	-38,519.56
Oostenberg Ouethuis	-339,369.94	-28,124.97	0.00	-367,494.91
Gates: Access to learning US	0.00	-7,452,768.64	1,361,232.78	-6,091,535.86
Ukuvuka Operation Firestop	0.00	-513,169.76	513,169.76	0.00
Parow Eeufees	0.00	-3,917.77	0.00	-3,917.77
Khayelitsha Wall Of Remembrance	0.00	-1,224,158.33	60,000.00	-1,164,158.33
Wolfgat 21 Households	0.00	-117,365.58	0.00	-117,365.58
Impumelelo Innovations Award	0.00	-20,058.33	0.00	-20,058.33
	-45,718,769.08	-12,058,245.99	1,934,402.54	-55,842,612.53
CMIP Projects	-19,513,373.28	-109,668,343.28	125,605,122.75	-3,576,593.81
MUNICIPAL INFRASTRUCTURE GRANTS	0.00	-17,674,894.85	0.00	-17,674,894.85
	-19,513,373.28	-127,343,238.13	125,605,122.75	-21,251,488.66
Financial Management Grant	-6,163,658.04	408,261.20	0.00	-5,755,396.84
Restruct. Grant - Seed Funding	-10,875,762.50	-31,308,305.88	1,679,463.98	-40,504,604.40
Khayelitsha Urban Renewal	-4,339,056.81	-6,901,337.76	2,657,548.46	-8,582,846.11
Mitchell's Plain Urban Renewal	-4,855,861.37	-7,194,895.76	2,440,204.89	-9,610,552.24
DME-INEP	0.00	-3,731,523.49	3,654,143.84	-77,379.65
MFULENI: ELECTRIFICATION EXT FUNDED	0.00	-8,661,486.47	8,394,919.13	-266,567.34
DPLG -DILIGENCE ON DEBTORS BOOK	0.00	-811,849.71	525,437.65	-286,412.06
	-26,234,338.72	-58,201,137.87	19,351,717.95	-65,083,758.64
Philipi East Market (ISLP)	-6,755,322.53	-559,841.20	0.00	-7,315,163.73
Helicopter Standby	-1,820,256.80	-219,378.23	1,519,634.00	-520,001.03
Langa Stormwater Outfall	-1,529,763.92	-126,777.80	0.00	-1,656,541.72
Phillipi Stormwater Link	-1,218,677.80	-100,996.81	0.00	-1,319,674.61
Olympic Projects - Streets	-776,639.36	776,639.36	0.00	0.00
Libraries - Browns Farm	-397,605.05	-32,951.15	0.00	-430,556.20
Health - Weltevreden Clinic	-369,241.15	-30,600.51	0.00	-399,841.66
Stormwater CTCH Prov Bulk/L	-357,023.64	-29,588.01	0.00	-386,611.65

National, Provincial and other donor funding for the year ended 30 June 2004 **696**

DESCRIPTION	OPENING BALANCE	CONTRIBUTIONS	EXPENDITURE	CLOSING BALANCE
	JUNE 2003	& INTEREST		JUNE 2004
Stormwater Culver Lotus Canal	-348,612.80	-28,890.96	0.00	-377,503.76
Electricity Claremont PH II	-18,219.43	-1,509.93	0.00	-19,729.36
Table Mountain Biosphere	-328,779.10	-27,247.27	0.00	-356,026.37
Informal Settlements	-327,377.20	-2,356,454.42	1,809,276.55	-874,555.07
Health - Heinz Park Clinic	-264,998.97	-21,961.56	0.00	-286,960.53
Parks & Both - Nyanga & Langa	-252,414.45	-20,918.62	0.00	-273,333.07
Civic Amen- Hartleyvale	-217,919.64	-18,059.89	0.00	-235,979.53
Plans - Guguletu Interchange	-200,460.70	-16,613.01	0.00	-217,073.71
Cities for Climate Protection	-274,317.01	-227,748.03	127,375.45	-374,689.59
RDP Discr. Fd - Marconi Beam	-154,446.11	-12,799.59	0.00	-167,245.70
Health - Upgr Vuyani Clinic	-150,136.19	-12,442.41	0.00	-162,578.60
Plans - Stock Road Earthworks	-148,202.88	-12,282.19	0.00	-160,485.07
Streets - Baden Powell Drive	-142,654.81	-11,822.39	0.00	-154,477.20
Toilet Fund ex Mamre	-139,360.51	-11,549.38	0.00	-150,909.89
Parks & Bath - Nyanga Soccer	-139,134.50	-11,530.65	0.00	-150,665.15
Streets - Crossroads	-138,035.85	-11,439.60	0.00	-149,475.45
Stormwater - Vukunzenzele	-126,183.16	-10,457.32	0.00	-136,640.48
Stormwater - Heinz Park	-123,083.35	-10,200.41	0.00	-133,283.76
Streets - NY4 Footbridge	-117,923.07	-9,772.77	0.00	-127,695.84
Streets - Upgrading Footways	-187,172.03	-15,511.70	0.00	-202,683.73
Sport & Rec - Green Point	-112,210.00	-9,299.29	0.00	-121,509.29
Mowbray L/C 147 Streets	-112,210.00	-9,299.29	0.00	-121,509.29
Libraries - Weltevreden	-107,400.98	-8,900.77	0.00	-116,301.75
Phillipi Station Interchange	-105,747.55	-8,763.75	0.00	-114,511.30
Sport & Rec - Zolani/Nyanga	-101,780.80	91,847.55	0.00	-9,933.25
Health - Strandfontein Clinic	-91,791.82	-7,607.15	0.00	-99,398.97
Libraries - Nyanga	-70,164.99	-5,814.87	0.00	-75,979.86
Project no. 1/5 Moss	-56,610.71	-4,691.55	0.00	-61,302.26
Macassar Dune Study	-56,610.71	-4,691.55	0.00	-61,302.26
Scenic Drive Network	-56,344.49	-4,669.49	0.00	-61,013.98
Sport & Rec - Sports Fld Dev	-56,105.00	-4,649.65	0.00	-60,754.65
Structure & Expenditure Joints	-50,636.96	-4,196.49	0.00	-54,833.45
Parks & Bath - Table Mountain	-49,755.53	-4,123.44	0.00	-53,878.97
Mowbray Bus & Taxi Terminus	-42,222.36	-3,499.14	0.00	-45,721.50
Metro South East Moss	-41,898.97	-3,472.35	0.00	-45,371.32
Metro Northern Urban Edge	-38,998.71	-3,231.98	0.00	-42,230.69
Site C Double Occupation	-33,431.97	-2,770.67	0.00	-36,202.64
Small Scale Farming (F18/48)	-33,326.84	-2,761.95	0.00	-36,088.79
Peninsula Urban Edge	-31,313.14	-2,595.05	0.00	-33,908.19
Sport & Recreation - Vehicles	-27,316.58	-2,263.83	0.00	-29,580.41
Streets - Prior Olympic projects	-25,293.29	25,293.29	0.00	0.00
Traffic - Koeberg & Maitland	-23,855.88	-1,977.04	0.00	-25,832.92
Strandfontein Baths	-20,975.44	-1,738.30	0.00	-22,713.74
Ambulance Motor Vehicle	-19,224.65	-1,593.23	0.00	-20,817.88
IDP Blaauwberg	-11,741.12	-973.04	0.00	-12,714.16
Guguletu Industrial Park	-10,102.94	-837.27	0.00	-10,940.21
Sport & Rec - Zolani Fitt	-7,966.02	-660.18	0.00	-8,626.20
POS Weltevreden	-5,693.98	-471.88	0.00	-6,165.86
Streets - Olympic Projects	-4,858.98	4,858.98	0.00	0.00
Planning Projects CMC	-243.49	-20.17	0.00	-263.66
Civic Amen - Hartleyvale Bath	-3,835.12	-317.83	0.00	-4,152.95
Civic Amen - Bath Plant & Eq.	-3,621.84	-300.15	0.00	-3,921.99
Metro Spatial Dev Framework	-3,490.29	-441.77	0.00	-3,932.06
Civic Amen - Bath Plant & Eq.	-2,043.70	-169.36	0.00	-2,213.06
Struct Plan Mineral Resource	-1,721.84	-142.69	0.00	-1,864.53
Civic Amen - Mnandi Beach	-1,346.85	-111.64	0.00	-1,458.49
Planning Sandmines	-192.98	-15.99	0.00	-208.97
Civic Amen - Bath Plant & Eq	-1,150.33	-95.32	0.00	-1,245.65
Helderberg Urban Edge	-86.72	-7.18	0.00	-93.90
Glencairn Wetlands	-59,708.10	-4,948.24	0.00	-64,656.34
Development of Soetwater	-560,109.76	-46,418.58	0.00	-606,528.34
Housing Flood Disaster	-2,204,917.26	1,573,188.38	0.00	-631,728.88
Khayelitsha Site C Subsidies	-12,265,738.00	-1,016,511.88	0.00	-13,282,249.88
Langa Sub-division of Erven	-492,619.77	-40,825.41	0.00	-533,445.18
Establishment of Clinic	-900.49	-74.62	0.00	-975.11
Nomzamo Needs Assessment	-157.80	-13.08	0.00	-170.88
Nomzamo/Lwandle Facility	-1,477.22	-122.42	0.00	-1,599.64
Outdoor Dev - Harmone Oord	-2,443,091.87	-202,469.02	0.00	-2,645,560.89

## National, Provincial and other donor funding for the year ended 30 June 2004 697

DESCRIPTION	OPENING BALANCE JUNE 2003	CONTRIBUTIONS & INTEREST	EXPENDITURE	CLOSING BALANCE JUNE 2004
Trappiesriool Contributions	-2,172,134.20	-180,013.65	0.00	-2,352,147.85
Safety Wall for Nomzamo	-7,972.20	-660.71	0.00	-8,632.91
Nomzamo Craft Centre	-332.26	-27.55	0.00	-359.81
Fleurpark Entrance Polic	-303.52	-25.15	0.00	-328.67
Phase-out Programme - Subsidy	-196,142.03	109,817.32	85,791.96	-532.75
Rural Management Framework	-84,884.00	-7,034.66	0.00	-91,918.66
World Health Organisation TB	-62,625.40	-5,190.03	0.00	-67,815.43
Healthy Cities	-165,352.86	-12,474.76	120,527.65	-57,299.97
Parow Park Flat Complex	-1,151,239.25	-86,852.30	829,628.09	-408,463.46
E Government Research	-87,220.69	-7,228.33	0.00	-94,449.02
Urban Renewal CCTV Cameras	-12,164,938.25	-711,540.30	10,682,772.87	-2,193,705.68
Walladence Civil Service Inv	-26,063.13	-2,159.97	0.00	-28,223.10
E Business Project	-1,591,575.00	-131,900.32	0.00	-1,723,475.32
JMI Projects	-2,360,836.25	2,360,836.25	0.00	0.00
Major Events	-391,527.45	391,527.45	0.00	0.00
ABET Adult Education	-996.87	-82.61	0.00	-1,079.48
Developm Trust White Waters	-33,007.75	-2,735.49	0.00	-35,743.24
Capacity Building: Witsand	-11,653.40	-965.76	0.00	-12,619.16
Ikapa	-2,247,204.68	-186,235.04	0.00	-2,433,439.72
Upliftment of Inf Comm	-2,100.93	-174.11	0.00	-2,275.04
Literacy Prog - Wesfleur	-1,283.60	822.87	0.00	-460.73
Literacy Prog - Mamre	-663.83	-55.02	0.00	-718.85
Literacy Prog - Milnerton	-620.13	-51.38	0.00	-671.51
Maintenance of Graves	-27,738.32	-2,298.81	0.00	-30,037.13
Unallocated Capital Receipts	-2,890,215.32	-239,523.96	0.00	-3,129,739.28
Wetton/Landsdowne Corridor	-11,963,174.62	-988,838.08	891,132.55	-12,060,880.15
Tornado/Storm Damage	-1,280,885.98	-106,152.24	0.00	-1,387,038.22
Chapmans Peak Drive	-1,016,219.53	948,192.96	0.00	-68,026.57
Grey Sector Hostel: Eskom	-212,210.00	-17,586.73	0.00	-229,796.73
Sports and Recreation Proj	-244,984.82	-10,488.71	0.00	-255,473.53
District Six Benef & Redev	-318,315.00	318,315.00	0.00	0.00
Bokomo Hostel: Nyanga	0.00	-10,146.51	0.00	-10,146.51
SGHI Hostel Nyanga	0.00	-270,072.10	49,167.53	-220,904.57
BISHOP LAVIS INFORMAL TRADING	0.00	-30,832.86	0.00	-30,832.86
Re-dev of ICS/Power Station	0.00	-85,200.00	85,200.00	0.00
DELFT SPORTSFIELD DEVELOPMENT	0.00	-3,201,623.17	3,158,688.65	-42,934.52
BLOEKOMBOS INFORMAL BUSINESS FACIL	0.00	-987,032.32	0.00	-987,032.32
Nomzamo 1820/1620 Units	0.00	-105,447.30	0.00	-105,447.30
FISANTEKRAAL PHASE1&2 HOUSING PROJE	0.00	-168,984.61	25,499.00	-143,485.61
GREEN POINT (PHASE 2) HOUSING	0.00	-5,937,871.72	3,482,395.65	-2,455,476.07
GREENLAND'S HOUSING PROJECT	0.00	-1,577,745.09	477,823.00	-1,099,922.09
MFULENI EXT.4 HOUSING PROJECT	0.00	-224,705.70	134,679.12	-90,026.58
MFULENI FLOOD RELIEF PROJECT	0.00	-9,793,647.45	6,527,579.89	-3,266,067.56
SITE C: SURVEY & SUBDIVISION (HSRF)	0.00	-2,022,883.64	1,475,148.24	-547,735.40
TAFELSIG AREA L : SILVERCITY	0.00	-336,611.90	132,155.70	-204,456.20
Wallacedene Phase 10	0.00	-1,326,166.94	567,099.92	-759,067.02
HOSTELS-PHASE 4 -PAWK HOUSING	0.00	-13,503,207.67	11,901,294.88	-1,601,912.79
KUYASA T3V1 :TOP STRUCTURES	0.00	-935,152.65	645,074.00	-290,078.65
WALLACEDENE PH 2 HOUSING PROJECT	0.00	-11,183,208.70	6,943,689.80	-4,239,518.90
DELFT SOUTH HIGH DENSITY HSG.	0.00	-108,642.64	0.00	-108,642.64
SITE C SURVEY AND SUBDIVISION	0.00	-4,567,225.38	1,900,976.25	-2,666,249.13
KHAYELITSHA KHUYASA PHASE2	0.00	-14,561,461.57	6,824,974.92	-7,736,486.65
UPGRADING PARMALAT HOSTELS	0.00	-158,316.50	77,912.39	-80,404.11
MFULENI EXT 3	0.00	-197,484.77	0.00	-197,484.77
CHRIS HANI PARK HOUSING PROJECT	0.00	-45,343.56	16,717.05	-28,626.51
SWARTKLIP SPORTS FACILITY	0.00	-2,487,264.83	2,156,428.01	-330,836.82
CROSSROADS TOWN COUNCIL - DRIFTSAND	0.00	-57,113.20	0.00	-57,113.20
M PLAIN TRAINING LIFE SKILLS & HORT	0.00	-301,955.69	282,414.65	-19,541.04
PHP: Facilitation Grants	0.00	-131,404.92	130,896.00	-508.92
MACASSER ERF 2633 PHASE 1	0.00	-532,432.82	529,300.00	-3,132.82
Witsand Housing Project - Phase 1	0.00	-2,119,053.01	443,840.21	-1,675,212.80
Imizamo Yethu Phase 2: New Services	0.00	-991,926.69	617,335.55	-374,591.14
BLUE DOWNS GOLFCLUB HOUSE	0.00	-1,161,633.48	0.00	-1,161,633.48
ZOLANI COMMUNITY CENTRE UPGRADING	0.00	-14,996.66	13,809.97	-1,186.69
NOLUNGILE COMMUNITY HEALTH CENTRE	0.00	-489,688.80	0.00	-489,688.80
VANGUARD COMMUNITY HEALTH CENTRE	0.00	-925.91	0.00	-925.91
DELFT SOUTH PUBLIC FACILITIES	0.00	-297,717.55	290,637.99	-7,079.56
MFULENI MARKET STALLS	0.00	-51,235.79	0.00	-51,235.79

## National, Provincial and other donor funding for the year ended 30 June 2004

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DESCRIPTION	OPENING BALANCE JUNE 2003	CONTRIBUTIONS & INTEREST	EXPENDITURE	CLOSING BALANCE JUNE 2004
BONTEHEUWEL INFORMAL TRADING	0.00	-1,656.28	0.00	-1,656.28
LIBRARIES - PHILLIPI EAST	0.00	-100,547.70	0.00	-100,547.70
Trf Costs: Phillippi and Crossroads	0.00	-176,089.29	157,738.93	-18,350.36
WESTRIDGE SPORTSFIELDS IRRIGATION	0.00	-501,368.02	500,000.00	-1,368.02
Tambo Square	0.00	-50,693.78	13,886.47	-36,807.31
ST JAMES - CLOVELLY COASTAL WALKWAY	0.00	-70,510.44	35,400.00	-35,110.44
WALLACEDENE PHASE 3 HOUSING PROJEK	0.00	-436,243.83	241,864.72	-194,379.11
SILVERTOWN KHAYELITSHA 2000 STRUCTU	0.00	-891,329.60	354,386.20	-536,943.40
KHAYELITSHA MULTI PURPOSE CENTRE	0.00	-3,530,684.55	0.00	-3,530,684.55
SANITATION TO INFORMAL SETTLEMENTS	0.00	-3,739,020.57	614,538.00	-3,124,482.57
Kuyasa Market Stalls	0.00	-796,500.65	701,067.85	-95,432.80
BLAAUWBERG SDF	0.00	-52,441.32	0.00	-52,441.32
KHAYELITSHA STADIUM SITE B	0.00	-200,291.67	0.00	-200,291.67
Traffic Lights: Repairs	0.00	-73,433.81	0.00	-73,433.81
CITY SDF AND MSDF	0.00	-150,437.50	0.00	-150,437.50
Wallacedene Phase 4 Housing Project	0.00	-213,189.98	0.00	-213,189.98
Wallacedene Phase 5 Housing Project	0.00	-181,514.00	0.00	-181,514.00
Wallacedene Phase 6 Hsg Project	0.00	-306,082.43	0.00	-306,082.43
MANAGEMENT OF COMMUNITY HALLS	0.00	-90,171.84	0.00	-90,171.84
KHAYELITSHA LBSC	0.00	-501,458.33	0.00	-501,458.33
KHAYELITSHA VACANT LAND STUDY	0.00	-200,583.33	0.00	-200,583.33
LOOK OUT HILL KHAYELITSHA	0.00	-501,458.33	0.00	-501,458.33
Upgrade Green Point Track	0.00	-8,477.20	0.00	-8,477.20
JOE SLOVO FLOODLIGHTING	0.00	-150,000.00	0.00	-150,000.00
PHOENIX SPORTS COMPLEX(TELKOM PARK)	0.00	-200,000.00	0.00	-200,000.00
	-77,190,427.12	-94,567,409.17	67,575,759.66	-104,182,076.63
PHP Heinz Park	-753,095.52	383,861.64	0.00	-369,233.88
PHP Silver City	-51,099.33	-158,108.81	0.00	-209,208.14
PHP Nceduluntu	-663,672.38	-55,001.31	0.00	-718,673.69
PHP Masizakhe	-1,952,904.88	-65,220.51	6,661.48	-2,011,463.91
PHP Masiphatisane	-6,952.20	-576.18	0.00	-7,528.38
PHP Ntlanganiso	-92,145.34	2,242.23	1,518.67	-88,384.44
PHP Masimanyani	-350,858.65	26,283.88	0.00	-324,574.77
PHP Lavender Hill East	-2,307,212.41	-73,909.98	100,142.25	-2,280,980.14
PHP Phillipi Browns Farm Phase 5.2	0.00	-5,376,737.04	4,850,381.15	-526,355.89
PHP Ocean View	-740,871.83	-195,053.88	31,970.00	-903,955.71
PHP Masiphumelele	-622,338.51	148,914.61	382,429.86	-90,994.04
PHP Mornwood	-66,243.58	51,645.55	0.00	-14,598.03
PHP Macassar Self Help	0.00	-581,780.76	0.00	-581,780.76
PHP Monwood - Harry Gwala	0.00	-1,897,349.06	1,010,093.82	-887,255.24
PHP Vietnam	0.00	-3,111,315.84	1,028,506.93	-2,082,808.91
PHP KALKFONTEIN	0.00	-1,854,435.87	1,026,913.25	-827,522.62
PHP: SITE C BUFFER 165	0.00	-2,422,917.76	890,368.07	-1,532,549.69
Est Grant Masemanyane	-9,338.30	-773.91	0.00	-10,112.21
Est Grant Silver City	-110,789.73	-9,183.10	0.00	-119,972.83
Est Grant Heinz Park	-27,198.06	-2,254.02	0.00	-29,452.08
Est Grant Masizakhe	-78,782.43	-6,265.68	8,100.00	-76,948.11
Est Grant Nceduluntu	-24,321.18	-2,015.58	0.00	-26,336.76
Est Grant Masiphatisane	-11,660.94	-966.40	0.00	-12,627.34
Est Grant Ntlanganiso	-4,212.37	-349.10	0.00	-4,561.47
Est Grant Hill View	-29,101.58	-2,411.76	0.00	-31,513.34
EST Phillipi Browns Farm Phase	0.00	-201,093.67	162,450.00	-38,643.67
EST Monwood - Harry Gwala	0.00	-91,498.61	69,540.00	-21,958.61
EST Vietnam	0.00	-157,560.75	77,400.00	-80,160.75
EST KALKFONTEIN	0.00	-56,437.21	38,988.00	-17,449.21
	-7,902,799.22	-15,710,268.88	9,685,463.48	-13,927,604.62
	-176,559,707.42	-307,880,300.04	224,152,466.38	-260,287,541.08

National, Provincial and other donor funding for the year ended 30 June 2005 **699**

DESCRIPTION	OPENING BALANCE JUNE 2004	CONTRIBUTIONS & INTEREST	EXPENDITURE	CLOSING BALANCE JUNE 2005
BUDGET REFORM FUNDS	-5,755,396.84	-4,000,000.00	1,185,647.74	-8,569,749.10
PLANS - STOCK ROAD EARTHWORKS	-160,485.07	0.00	0.00	-160,485.07
SOCCER CLUB DEVELOPMENT FUND	-207,561.59	0.00	0.00	-207,561.59
STOCK ROAD SITE - STREETLIGHTING	-12,060,880.15	0.00	297,530.43	-11,763,349.72
TORNADO / STORM DAMAGE	-1,387,038.22	0.00	0.00	-1,387,038.22
RESTRUCTURING GRANT - SEED FUNDING	-40,504,604.40	-50,000,000.00	19,230,182.06	-71,274,422.34
OOSTENBERG OUETEHUIS	-367,494.91	0.00	0.00	-367,494.91
KHAYELITSHA URBAN RENEWAL	-8,582,846.11	-10,074,077.24	6,966,573.95	-11,690,349.40
MITCHELL'S PLAIN URBAN RENEWAL	-9,610,552.24	-5,276,032.76	5,983,638.58	-8,902,946.42
MFULENI: ELECTRIFICATION EXTERNALLY FUNDED	-266,567.34	0.00	266,567.34	0.00
KHAYELITSHA WALL OF REMEMBRANCE	-1,164,158.33	0.00	0.00	-1,164,158.33
MITCHELLS PLAIN: TRAINING LIFE SKILLS & HORTICULTURE	-19,541.04	0.00	1,330.00	-18,211.04
VANGUARD COMMUNITY HEALTH CENTRE	-925.91	0.00	0.00	-925.91
KHAYELITSHA / MITCHELLS PLAIN FOOT & CYCLE WAYS	0.00	0.00	0.00	0.00
STOCK ROAD SITE - STREETLIGHTING	297,530.43	0.00	-297,530.43	0.00
YOUTH INTERNSHIP PROGRAMME	0.00	-2,018,347.18	541,226.60	-1,477,120.58
SANITATION TO INFORMAL SETTLEMENTS	-3,124,482.57	0.00	1,118,028.19	-2,006,454.38
MUNICIPAL SYSTEMS INFRASTRUCTURE GRANT	0.00	-2,000,000.00	0.00	-2,000,000.00
LGWSETA 2 - SANITATION SKILLS DEVELOPMENT TRAINING	0.00	0.00	0.00	0.00
PRINCESS VLEI SPORTS COMPLEX	0.00	-275,000.00	0.00	-275,000.00
	-82,915,004.29	-73,643,457.18	35,293,194.46	-121,265,267.01
LIBRARY SERVICE BOOK FUND	-956,523.83	0.00	0.00	-956,523.83
KHAYELITSHA NETBALL COURTS	-90,984.75	0.00	0.00	-90,984.75
PHILLIPI EAST MARKET	-7,315,163.73	-529,515.00	0.00	-7,844,678.73
HELICOPTER STANDBY	-520,001.03	-1,526,410.38	1,947,363.91	-99,047.50
LANGA STORMWATER OUTFALL	-1,656,541.72	0.00	0.00	-1,656,541.72
LIBRARIES - BROWNS FARM	-430,556.20	0.00	0.00	-430,556.20
HEALTH - WELTEVREDEN CLINIC	-399,841.66	0.00	0.00	-399,841.66
STORMWATER CTCH PROV BULK	-386,611.65	0.00	0.00	-386,611.65
TABLE MOUNTAIN BIOSPHERE - PAWC	-356,026.37	0.00	0.00	-356,026.37
INFORMAL SETTLEMENTS - PAWC	-874,555.07	-297,127.80	728,073.65	-443,609.22
HEALTH - HEINZ PARK CLINIC	-286,960.53	0.00	0.00	-286,960.53
CIVIC AMENITIES - HARTLEYVALE	-235,979.53	0.00	0.00	-235,979.53
PLANS -GUGULETU INTERCHANGE	-217,073.71	0.00	0.00	-217,073.71
RDP DISCR. FUND TOILETS MARCONI BEAM	-167,245.70	0.00	0.00	-167,245.70
HEALTH - UPGRADE VUYANI CLINIC	-162,578.60	0.00	0.00	-162,578.60
STREETS - BADEN POWELL DRIVE	-154,477.20	0.00	0.00	-154,477.20
MAMRE - TOILET FUND	-150,909.89	0.00	0.00	-150,909.89
PARKS & BATHING - NYANGA SOCCER	-150,665.15	0.00	0.00	-150,665.15
STREETS - CROSSROADS	-149,475.45	0.00	0.00	-149,475.45
STREETS - NY4 FOOTBRIDGE	-127,695.84	0.00	0.00	-127,695.84
STREETS - UPGRADE FOOTWAYS	-202,683.73	0.00	0.00	-202,683.73
GREEN POINT STADIUM - SPORT & RECREATION	-121,509.29	0.00	0.00	-121,509.29
LIBRARIES - WELTEVREDEN	-116,301.75	0.00	0.00	-116,301.75
PHILLIPI STATION INTERCHANGE	-114,511.30	0.00	0.00	-114,511.30
ZOLANI / NYANGA - SPORT & RECREATION	-9,933.25	0.00	0.00	-9,933.25
HEALTH - STRANDFONTEIN CLINIC	-99,398.97	0.00	0.00	-99,398.97
LIBRARIES - NYANGA	-75,979.86	0.00	0.00	-75,979.86
PROJECT NUMBER 1/5 MOSS	-61,302.26	0.00	-45,371.32	-106,673.58
MACASSAR DUNE STUDY	-61,302.26	0.00	0.00	-61,302.26
SCENIC DRIVE NETWORK	-61,013.98	0.00	0.00	-61,013.98
SPORT & RECREATION - SPORTSFIELD DEVELOPMENT	-60,754.65	0.00	0.00	-60,754.65
STREETS - STRUCTURE & EXPANSION JOINTS	-54,833.45	0.00	0.00	-54,833.45
MOWBRAY BUS & TAXI TERMINUS	-45,721.50	0.00	0.00	-45,721.50
METRO SOUTH EAST MOSS	-45,371.32	0.00	45,371.32	0.00
METRO NORTHERN URBAN EDGE	-42,230.69	0.00	-34,002.09	-76,232.78
SITE C DOUBLE OCCUPATION	-36,202.64	0.00	0.00	-36,202.64
SMALL SCALE FARMING	-36,088.79	0.00	0.00	-36,088.79
PENINSULA URBAN EDGE	-33,908.19	0.00	33,908.19	0.00
SPORT & RECREATION - VEHICLES	-29,580.41	0.00	0.00	-29,580.41
TRAFFIC - KOEBERG & MAITLAND	-25,832.92	0.00	0.00	-25,832.92
STRANDFONTEIN BATHS	-22,713.74	0.00	0.00	-22,713.74
AMBULANCE - MOTOR VEHICLES	-20,817.88	0.00	0.00	-20,817.88
BLAAUWBERG - IDP	-12,714.16	0.00	0.00	-12,714.16
PLANS - GUGULETU INDUSTRIAL PARK	-10,940.21	0.00	0.00	-10,940.21
ZOLANI FITTINGS - SPORT & RECREATION	-8,626.20	0.00	0.00	-8,626.20
PARKS & BATHING - POS WELTEVREDEN	-6,165.86	0.00	0.00	-6,165.86
PLANNING PROJECTS CMC	-263.66	0.00	263.66	0.00



**National, Provincial and other donor funding for the year ended 30 June 2005 700**

DESCRIPTION	OPENING BALANCE JUNE 2004	CONTRIBUTIONS & INTEREST	EXPENDITURE	CLOSING BALANCE JUNE 2005
CIVIC AMENITIES - BATH - PLANT & EQUIPMENT	-3,921.99	0.00	0.00	-3,921.99
METRO SPATIAL DEVELOPMENT FRAMEWORK	-3,932.06	0.00	-150,437.50	-154,369.56
CIVIC AMENITIES - BATH - VEHICLES, PLANT & EQUIPMENT	-2,213.06	0.00	0.00	-2,213.06
STRUCTURAL PLAN MINERAL RESOURCES	-1,864.53	0.00	1,864.53	0.00
CIVIC AMENITIES - BATH - MNANADI BEACH	-1,458.49	0.00	0.00	-1,458.49
PLANNING SANDMINES	-208.97	0.00	208.97	0.00
CIVIC AMENITIES - BATH - PLANT & EQUIPMENT	-1,245.65	0.00	0.00	-1,245.65
HELDERBERG URBAN EDGE	-93.90	0.00	93.90	0.00
GLENCAIRN WETLANDS	-64,656.34	0.00	0.00	-64,656.34
SOETWATER DEVELOPMENT	-606,528.34	0.00	0.00	-606,528.34
HOUSING FLOOD DISASTER	-631,728.88	0.00	0.00	-631,728.88
KHAYELITSHA SITE C SUBSIDIES	-13,282,249.88	-958,860.28	0.00	-14,241,110.16
LANGA SUB-DIVISION OF ERVEN	-533,445.18	0.00	0.00	-533,445.18
ESTABLISHMENT OF CLINIC	-975.11	0.00	0.00	-975.11
NOMZAMO NEEDS ASSESSMENT	-170.88	0.00	0.00	-170.88
NOMZAMO / LWANDLE FACILITY	-1,599.64	0.00	0.00	-1,599.64
HARMONE OORD - OUTDOOR DEVELOPMENT	-2,645,560.89	0.00	0.00	-2,645,560.89
TRAPPIESRIIOL CONTRIBUTIONS	-2,352,147.85	0.00	0.00	-2,352,147.85
NOMZAMO SAFETY WALL	-8,632.91	0.00	0.00	-8,632.91
NOMZAMO CRAFT CENTRE	-359.81	0.00	0.00	-359.81
FLEURPARK ENTRANCE POLICY	-328.67	0.00	0.00	-328.67
RURAL MANAGEMENT FRAMEWORK	-91,918.66	0.00	47,662.84	-44,255.82
HEALTHY CITIES	-57,299.97	0.00	13,794.00	-43,505.97
PAROW PARK COMPLEX	-408,463.46	0.00	389,219.56	-19,243.90
E GOVERNMENT RESEARCH	-94,449.02	0.00	0.00	-94,449.02
CCTV CAMERAS URBAN RENEWAL	-2,193,705.68	0.00	0.00	-2,193,705.68
WALLADENCE CIVIL SERVICE INVESTIGATION	-28,223.10	0.00	0.00	-28,223.10
E BUSINESS PROJECT	-1,723,475.32	-96,818.45	789,548.68	-1,030,745.09
ABET ADULT EDUCATION	-1,079.48	0.00	0.00	-1,079.48
MARCONI BEAM - SPORTS DEVELOPMENT	-149,275.33	0.00	0.00	-149,275.33
WHITE WATERS DEVELOPMENT TRUST	-35,743.24	0.00	0.00	-35,743.24
RDP FUNDS	-208,971.14	0.00	0.00	-208,971.14
STILWANNEY CHILD CARE CENTRE	-32,231.09	0.00	0.00	-32,231.09
TYGERBERG NATURE RESERVE	-129,096.39	0.00	7,028.52	-122,067.87
IKAPA	-2,433,439.72	0.00	0.00	-2,433,439.72
UPLIFTMENT OF INFORMAL COMMUNITIES	-2,275.04	0.00	0.00	-2,275.04
LITERACY PROGRAMME - WESFLEUR	-460.73	0.00	0.00	-460.73
LITERACY PROGRAMME - MAMRE	-718.85	0.00	0.00	-718.85
LITERACY PROGRAMME - MILNERTON	-671.51	0.00	0.00	-671.51
UNALLOCATED CAPITAL RECEIPTS	-3,129,739.28	0.00	3,129,739.28	0.00
ESKOM HOSTELS (SEE GD7500146)	-229,796.73	0.00	32,715.86	-197,080.87
WATER SAFETY & AWARENESS PROGRAMME	-38,519.56	0.00	0.00	-38,519.56
BISHOP LAVIS INFORMAL TRADING	-30,832.86	0.00	0.00	-30,832.86
MITCHELL'S PLAIN STATION TRANSPORT INTERCHANGE	0.00	0.00	0.00	0.00
DELFT SPORTSFIELD DEVELOPMENT	-42,934.52	0.00	0.00	-42,934.52
BLOEKOMBOS INFORMAL BUSINESS FACILITIES	-987,032.32	-2,422,006.92	2,175,273.09	-1,233,766.15
NOMZAMO 1820 / 1620 UNITS	-105,447.30	0.00	99,510.00	-5,937.30
ECHO ROAD HOUSING PROJECT	394,174.61	-416,574.61	22,400.00	0.00
BROWN'S FARM PHASE 5	9,254,951.62	-17,038,426.63	2,431,008.97	-5,352,466.04
FISANTEKRAAL PHASE 1 & 2 HOUSING PROJECT	-143,485.61	-77,487.18	74,370.00	-146,602.79
GREEN POINT PHASE 2 HOUSING	-2,455,476.07	-1,089,582.00	3,203,289.00	-341,769.07
GREENLAND'S HOUSING PROJECT	-1,099,922.09	0.00	80,255.00	-1,019,667.09
MFULENI EXT 4 HOUSING	-90,026.58	0.00	849.00	-89,177.58
MFULENI FLOOD RELIEF PROJECT	-3,266,067.56	-725,599.00	-542,551.33	-4,534,217.89
MILLERS CAMP 3	1,137,792.63	-1,197,808.90	0.00	-60,016.27
SITE C SURVEY & SUBDIVISION	-547,735.40	-3,465,624.84	2,544,624.75	-1,468,735.49
PELLA HOUSING PROJECT	227,069.64	-249,999.93	0.00	-22,930.29
TAFELSIG AREA L: SILVER CITY	-204,456.20	0.00	0.00	-204,456.20
WALLACEDENE PHASE 10	-759,067.02	0.00	756,664.57	-2,402.45
WALLACEDENE HOUSING PROJECT	2,377,415.32	-493,841.07	-2,233,694.29	-350,120.04
HOSTELS PHASE 3 PAWC HOUSING	1,642,263.70	-3,073,511.62	500,060.40	-931,187.52
HOSTELS PHASE 4 PAWC HOUSING	-1,601,912.79	-13,364,800.23	13,653,227.13	-1,313,485.89
KUYASA T3V1 TOP STRUCTURES	-290,078.65	-222,774.00	313,167.00	-199,685.65
HOSTELS PHASE 2 HOUSING	-4,239,518.90	-806,607.08	3,159,509.44	-1,886,616.54
STOCK ROAD INTERCHANGE	0.00	0.00	0.00	0.00
DELFT SOUTH HIGH DENSITY HOUSING	-108,642.64	0.00	0.00	-108,642.64
NYANGA UPGRADING PROJECT	129,952.36	-8,603,400.00	5,539,293.01	-2,934,154.63
SITE C SURVEY & SUBDIVISION	-2,666,249.13	-13,483,225.00	2,829,171.82	-13,320,302.31
KHAYELITSHA KHUYASA PHASE 2	-7,736,486.65	-18,618,635.00	8,390,710.71	-17,964,410.94

## National, Provincial and other donor funding for the year ended 30 June 2005

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DESCRIPTION	OPENING BALANCE JUNE 2004	CONTRIBUTIONS & INTEREST	EXPENDITURE	CLOSING BALANCE JUNE 2005
MFULENI EXT 3	-197,484.77	0.00	23,400.00	-174,084.77
CHRIS HANI PARK HOUSING PROJECT	-28,626.51	0.00	0.00	-28,626.51
MAMRE HOUSING PROJECT	548,186.97	0.00	-548,566.97	-380.00
SWARTKLIP SPORTS FACILITY	-330,836.82	0.00	12,903.23	-317,933.59
DU NOON SPORTSFIELD UPGRADING	-0.01	0.00	0.00	-0.01
KHAYELITSHA DIY HOME INSULATION KIT	47,061.40	-92,500.00	0.00	-45,438.60
MACASSER ERF 2633 PHASE 1 HOUSING PROJECT	-3,132.82	-21,436,700.00	21,436,700.00	-3,132.82
IMIZAMO YETHU PHASE 2 NEW SERVICES	-374,591.14	-2,215,855.92	1,935,578.56	-654,868.50
BLUE DOWNS GOLF CLUB HOUSE	-1,161,633.48	0.00	39,900.00	-1,121,733.48
NOLUNGILE COMMUNITY HEALTH CENTRE	-489,688.80	0.00	0.00	-489,688.80
DELFT SOUTH PUBLIC FACILITIES	-7,079.56	0.00	0.00	-7,079.56
MFULENI MARKET STALLS	-51,235.79	0.00	0.00	-51,235.79
BONTEHEUWEL INFORMAL TRADING	-1,656.28	0.00	0.00	-1,656.28
KHAYELITSHA DESIGN AND CONSTRUCTION	0.00	0.00	0.00	0.00
GUGULETU TRANSPORT INTERCHANGE	0.00	0.00	0.00	0.00
KHAYELITSHA RAIL EXTENSION	0.00	0.00	0.00	0.00
MITCHELLS PLAIN INFORMAL TRADING MARKET	943,098.88	-950,432.52	0.00	-7,333.64
DPLG DUE DILIGENCE ON DEBTORS BOOK	-286,412.06	0.00	197,688.07	-88,723.99
LIBRARIES PHILLIPI EAST	-100,547.70	0.00	0.00	-100,547.70
PHILLIPI AND CROSSROADS TRANSFER COSTS	-18,350.36	0.00	9,000.00	-9,350.36
WESTRIDGE SPORTSFIELDS IRRIGATION	-1,368.02	0.00	0.00	-1,368.02
MTAB PROJECTS	75,330.87	-28,792,455.19	28,717,124.32	0.00
WALLACEDENE PHASE 3 HOUSING PROJECT	-194,379.11	-6,822,273.00	3,928,442.92	-3,088,209.19
PAROW PARK - REFUSE HUTS	118,369.23	0.00	-118,369.23	0.00
OLIVER TAMBO DRIVE PUBLIC SPACE PHASE 1	633,711.59	-799,456.95	61,494.34	-104,251.02
KHAYELITSHA MULTI PURPOSE CENTRE	-3,530,684.55	-2,951,381.73	0.00	-6,482,066.28
NETREG HOUSING PROJECT	4,810.74	-2,879,418.00	2,361,685.66	-512,921.60
LANGA SPORTSFIELD DEVELOPMENT	142,384.73	-191,120.23	48,735.00	-0.50
KUYASA MARKET STALLS	-95,432.80	0.00	0.00	-95,432.80
BLAAUWBERG SPATIAL DEVELOPMENT FRAMEWORK	-52,441.32	0.00	0.00	-52,441.32
KHAYELITSHA STADIUM SITE B	-200,291.67	0.00	94,050.00	-106,241.67
TRAFFIC LIGHTS REPAIRS	-73,433.81	0.00	0.00	-73,433.81
CITY SDF AND MSDF	-150,437.50	0.00	150,437.50	0.00
WALLACEDENE PHASE 4 HOUSING PROJECT	-213,189.98	0.00	19,369.98	-193,820.00
WALLACEDENE PHASE 5 HOUSING PROJECT	-181,514.00	0.00	174,486.01	-7,027.99
WALLACEDENE PHASE 6 HOUSING PROJECT	-306,082.43	0.00	291,614.11	-14,468.32
ISLP CAPACITY BUILDING MANAGEMENT OF COMMUNITY HA	-90,171.84	0.00	90,171.84	0.00
KHAYELITSHA LOCAL BUSINESS SERVICE CENTRE	-501,458.33	0.00	62,044.68	-439,413.65
BROWN'S FARM PHASE 6	89,967.59	-4,622,513.00	2,722,143.65	-1,810,401.76
KHAYELITSHA VACANT LAND STUDY	-200,583.33	0.00	0.00	-200,583.33
LOOK OUT HILL KHAYELITSHA	-501,458.33	461.05	500,997.20	-0.08
UPGRADE GREEN POINT TRACK	-8,477.20	0.00	0.00	-8,477.20
JOE SLOVO FLOODLIGHTING	-150,000.00	0.00	149,536.52	-463.48
PHOENIX SPORTS COMPLEX(TELKOM PARK)	-200,000.00	0.00	199,718.80	-281.20
WALLACEDENE PHASE 7 HOUSING PROJECT	0.00	0.00	-49,210.36	-49,210.36
WALLACEDENE PHASE 8 HOUSING PROJECT	0.00	0.00	-20,795.00	-20,795.00
WALLACEDENE PHASE 9 HOUSING PROJECT	0.00	0.00	-20,145.00	-20,145.00
KALKFONTEIN PHASE 2	0.00	-661,120.05	254,827.50	-406,292.55
MITCHELL'S PLAIN INFILL PHASE 1	0.00	-2,516,222.00	1,864,882.87	-651,339.13
LOCAL GOVERNMENT WATER AND RELATED SERVICES	0.00	-175,000.00	82,250.00	-92,750.00
MFULENI MLS TOPSTRUCTURES	0.00	-2,111,127.16	1,796,495.24	-314,631.92
WESTERN CAPE CLEAN-UP - SOLID WASTE	0.00	-450,000.00	225,000.00	-225,000.00
COASTAL URBAN EDGE STUDY	0.00	-50,000.00	37,719.30	-12,280.70
PHILLIPI PLANNING FOR DEVELOPMENT	0.00	-50,000.00	0.00	-50,000.00
PHILLIPI BUSINESS PARK PLANNING	0.00	-80,000.00	0.00	-80,000.00
FALSE BAY COASTAL PARK STUDY	0.00	-50,000.00	0.00	-50,000.00
HISTORIC BLAAUWBERG MANAGEMENT PLAN	0.00	-50,000.00	0.00	-50,000.00
BOTTELARY ROAD SDF	0.00	-75,000.00	0.00	-75,000.00
KEWTOWN INFILL DEVELOPMENT	0.00	-118,572.00	111,546.96	-7,025.04
MITCHELL'S PLAIN YOUTH & FAMILY DEVELOPMENT CENTRE	0.00	-513,696.89	0.00	-513,696.89
GUGULETU SEVEN MEMORIAL	0.00	-503,592.53	478,458.61	-25,133.92
KHAYELITSHA POVERTY REDUCTION PROGRAMME	0.00	-1,006,562.17	0.00	-1,006,562.17
PROV. GOV. WEST. CAPE KHAYELITSHA POVERTY REDUCTI	0.00	0.00	0.00	0.00
KUYASE RESEARCH	0.00	-4,086,799.80	0.00	-4,086,799.80
N2-GATEWAY PROJECT	0.00	-10,824,000.00	0.00	-10,824,000.00
MAMRE FENCING	0.00	-72,000.00	72,000.00	0.00
ABLUTIONS METROPOLITAN SF BONTEHEUWEL	0.00	-101,230.29	99,575.04	-1,655.25
KHAYELITSHA DEVELOPMENT OF REMEMBRANCE SQUARE	0.00	-201,214.79	0.00	-201,214.79
CHEMICAL TOILETS IN WALLACEDENE	0.00	-502,172.97	0.00	-502,172.97

National, Provincial and other donor funding for the year ended 30 June 2005 **702**

DESCRIPTION	OPENING BALANCE JUNE 2004	CONTRIBUTIONS & INTEREST	EXPENDITURE	CLOSING BALANCE JUNE 2005
BROWNS FARM PHASE 3	0.00	0.00	-16,534.66	-16,534.66
BROWNS FARM PHASE 4	0.00	0.00	-1,724,469.43	-1,724,469.43
WESBANK SPORT COMPLEX	0.00	-846,783.00	0.00	-846,783.00
GLOBAL FUND: COMMUNITY BASED PROGRAMME	0.00	-204,812.00	0.00	-204,812.00
PHP HEINZ PARK	-369,233.88	-26,655.39	0.00	-395,889.27
PHP SILVER CITY	-209,208.14	-10,155.05	124,796.69	-94,566.50
PHP NCEDULUNTU	-718,673.69	-51,919.49	-544.67	-771,137.85
PHP MASIZAKHE	-2,011,463.91	-145,209.82	0.00	-2,156,673.73
PHP MASIPHATISANE	-7,528.38	-347.86	7,876.24	0.00
PHP NTLANGANISO	-88,384.44	-6,380.57	0.00	-94,765.01
PHP MASIMANYANI	-324,574.77	-23,009.72	27,600.00	-319,984.49
PHP LAVENDER HILL EAST	-2,280,980.14	-157,247.76	174,110.46	-2,264,117.44
PHP PHILLIPI BROWNS FARM PHASE 5.2	-526,355.89	-824,353.46	1,345,323.60	-5,385.75
PHP OCEAN VIEW	-903,955.71	-340,711.38	216,750.00	-1,027,917.09
PHP MORNWOOD	-14,598.03	-1,053.85	0.00	-15,651.88
PHP MACASSAR SELF HELP	-581,780.76	-41,999.37	0.00	-623,780.13
PHP MONWOOD HARRY GWALA	-887,255.24	-1,344,200.36	1,347,987.97	-883,467.63
PHP VIETNAM	-2,082,808.91	-764,942.13	1,513,858.80	-1,333,892.24
PHP KALKFONTEIN	-827,522.62	-460,458.90	1,264,996.00	-22,985.52
PHP SITE C BUFFER 165	-1,532,549.69	-2,498,150.90	2,878,485.07	-1,152,215.52
PHP ECHO ROAD	0.00	-735,640.70	660,906.49	-74,734.21
PHP MAKUKANYE	0.00	-1,922,706.13	458,353.00	-1,464,353.13
PHP MANDELA PARK	0.00	0.00	0.00	0.00
PHP KALKFONTEIN	0.00	-2,236,534.70	1,593,390.73	-643,143.97
PHP WALLACEDENE PHASE 2	0.00	-9,874,808.53	3,743,316.88	-6,131,491.65
PHP MASIZAKHELE	0.00	-3,742,309.60	1,584,962.37	-2,157,347.23
PHP NOMZABALAZO	0.00	-2,049,827.75	118,770.39	-1,931,057.36
PHP GREEN POINT PHASE 2	0.00	-4,770,977.17	1,732,764.50	-3,038,212.67
PHP KUYASA PHASE 2	0.00	0.00	0.00	0.00
EST. GRANT MASEMANYANE	-10,112.21	-730.01	0.00	-10,842.22
EST. GRANT SILVER CITY	-119,972.83	-8,660.98	0.00	-128,633.81
EST. GRANT HEINZ PARK	-29,452.08	-2,126.17	0.00	-31,578.25
EST. GRANT MASIZAKHE	-76,948.11	-5,554.97	0.00	-82,503.08
EST. GRANT NCEDULUNTU	-26,336.76	-1,901.29	0.00	-28,238.05
EST. GRANT MASIPHATISANE	-12,627.34	-669.75	5,300.00	-7,997.09
EST. GRANT NTLANGANISO	-4,561.47	-329.30	0.00	-4,890.77
EST. GRANT HILL VIEW	-31,513.34	-2,274.99	0.00	-33,788.33
EST. GRANT PHILLIPI BROWNS FARM PHASE 5.2	-38,643.67	-868.65	37,050.00	-2,462.32
EST. MONWOOD HARRY GWALA	-21,958.61	-1,139.94	20,520.00	-2,578.55
EST. VIETNAM	-80,160.75	-5,710.26	25,650.00	-60,221.01
EST. KALKFONTEIN	-17,449.21	-13,323.93	29,412.00	-1,361.14
EST. ECHO ROAD	0.00	-22,064.30	21,090.00	-974.30
EST. SITE C BUFFER 165	0.00	-91,814.39	0.00	-91,814.39
EST. KALKFONTEIN	0.00	-64,738.65	5,700.00	-59,038.65
EST. GRANT- WITSAND "EECO"	0.00	-231,121.02	159,600.00	-71,521.02
EST. GRANT WALLACEDENE	0.00	-234,806.35	115,140.00	-119,666.35
EST. GRANT GREEN POINT PHASE 2	0.00	-137,578.92	136,800.00	-778.92
EST. GRANT MASIZAKHELE	0.00	-97,314.55	53,010.00	-44,304.55
	-79,487,568.17	-218,714,516.07	135,089,048.01	-163,113,036.23
ATLANTIS COMMUNITY DEVELOPMENT	-441,504.96	-10,966.41	0.00	-452,471.37
MELKBOS - BEACH DEVELOPMENT	-133,594.89	0.00	0.00	-133,594.89
LAGOONWALL - BEACH DEVELOPMENT	-22,731.27	0.00	0.00	-22,731.27
BOND GUARANTEE FUND	-4,348,132.30	0.00	0.00	-4,348,132.30
BONTEHEUWEL MULTI PURPOSE CENTRE PAWC	-1,201,564.70	-29,207.15	71,278.52	-1,159,493.33
BONTEHEUWEL MULTI PURPOSE CENTRE COCT	-335,658.79	0.00	12,000.00	-323,658.79
BONTEHEUWEL MULTI PURPOSE CENTRE OWN FUNDS	-106,076.46	-9,114.12	47,946.63	-67,243.95
DELFT COMMUNITY FACILITIES	-257,968.82	-6,407.62	0.00	-264,376.44
DISABILITY DESK FUNDS	-75,587.35	0.00	0.00	-75,587.35
DISASTER MANAGEMENT FUND	-2,133,719.82	0.00	0.00	-2,133,719.82
GRANTS AND SUBSIDIES CMC	-1,566,978.50	0.00	0.00	-1,566,978.50
GROUP PERSONAL INSURANCE	-499,637.50	0.00	0.00	-499,637.50
HARTEBEEKRAAL MPC FUNDRAISING	-7,635.17	0.00	0.00	-7,635.17
HARTEBEEKRAAL MPC HEALTH PROGRAMME	-5,416.08	0.00	0.00	-5,416.08
KHAYELITSHA D FID CAPACITY BUILDING	-66,787.95	0.00	0.00	-66,787.95
KHAYELITSHA SCHEME PLOTTING	-59,203.42	0.00	0.00	-59,203.42
MAMRE COMMUNITY	-3,962,160.63	-11,000.00	675,962.70	-3,297,197.93
MAYORESS CHARITY FUND	-1,220,174.68	-2,000.00	4,200.00	-1,217,974.68

National, Provincial and other donor funding for the year ended 30 June 2005 **703**

DESCRIPTION	OPENING BALANCE JUNE 2004	CONTRIBUTIONS & INTEREST	EXPENDITURE	CLOSING BALANCE JUNE 2005
NIGHT SHELTER	-82,466.80	-5,820.40	6,000.00	-82,287.20
PHILLIPI STORMWATER LINK	-1,319,674.61	0.00	0.00	-1,319,674.61
STORMWATER CULVER LOTUS CANAL	-377,503.76	0.00	0.00	-377,503.76
CLAREMONT PHASE II - ELECTRICITY	-19,729.36	0.00	0.00	-19,729.36
PARKS & BATHING - NYANGA & LANGA	-273,333.07	0.00	0.00	-273,333.07
CITIES FOR CLIMATE PROTECTION	-374,689.59	-10,926.50	48,196.12	-337,419.97
VUKUNZENZELE - STORMWATER	-136,640.48	0.00	0.00	-136,640.48
HEINZ PARK - STORMWATER	-133,283.76	0.00	0.00	-133,283.76
STREETS - MOWBRAY L/C 147	-121,509.29	0.00	0.00	-121,509.29
PARKS & BATHING - TABLE MOUNTAIN	-53,878.97	0.00	0.00	-53,878.97
CIVIC AMENITIES - BATH - HARTLEYVALE BATH	-4,152.95	0.00	0.00	-4,152.95
WORLD HEALTH ORGANISATION - TB	-67,815.43	0.00	0.00	-67,815.43
REGIONAL TOURISM	-22,156,018.85	0.00	3,961,973.78	-18,194,045.07
RIETVLEI CONSERVATION FUND	-6,145,863.76	0.00	68,199.98	-6,077,663.78
SERVICE CLUBS	-24,445.51	0.00	0.00	-24,445.51
AJAX FOOTBALL CLUB	-23,401.45	0.00	0.00	-23,401.45
SPORTS BOARD	-113,271.56	0.00	0.00	-113,271.56
PROVIDENT FUND: VAN NIEKERK C	-143,762.75	-1,277.25	145,040.00	0.00
PROVIDENT FUND: ANDREWS JJ	-2,695.94	0.00	0.00	-2,695.94
TRAINING CRECHE MANAGEMENT DU NOON	-30,232.80	0.00	0.00	-30,232.80
WITSAND - CAPACITY BUILDING	-12,619.16	0.00	0.00	-12,619.16
MAINTENANCE OF GRAVES	-30,037.13	0.00	0.00	-30,037.13
INVESTEC BANK: CIVIL ARTWORK	-1,098,225.36	0.00	0.00	-1,098,225.36
CHAPMANS PEAK DRIVE	-68,026.57	0.00	0.00	-68,026.57
SPORTS & RECREATION PROJECTS	-255,473.53	0.00	0.00	-255,473.53
BOKOMO HOSTELS: NYANGA	-10,146.51	0.00	0.00	-10,146.51
GATES ACCESS TO LEARNING	-6,091,535.86	-1,027,725.16	1,671,130.19	-5,448,130.83
SGHI HOSTEL NYANGA	-220,904.57	0.00	220,904.57	0.00
PAROW EEUFEEES	-3,917.77	0.00	0.00	-3,917.77
PARMALOT HOSTELS - UPGRADING	-80,404.11	-5,804.45	0.00	-86,208.56
PREVENTION MOTHER TO CHILD TRANSMISSION	115,678.79	-1,365,390.04	1,149,647.12	-100,064.13
WATER CONNECTIONS	0.00	-13,039,287.50	2,034,527.32	-11,004,760.18
WOLFGAT 21 HOUSEHOLDS	-117,365.58	0.00	87,719.31	-29,646.27
CROSSROADS TOWN COUNCIL - DRIFTSANDS	-57,113.20	-4,123.06	0.00	-61,236.26
ST JAMES - CLOVELLY COASTAL WALKWAY	-35,110.44	0.00	0.00	-35,110.44
CARNEGIE CORPORATION OF NEW YORK	0.00	-6,067,900.17	850,659.85	-5,217,240.32
IMPUMELELO INNOVATIONS AWARD	-20,058.33	0.00	5,642.00	-14,416.33
KHAYELITSHA CRICKET OVAL PHASE II	0.00	-500,000.00	219,691.29	-280,308.71
MAKHAZA SPORTSFIELD DEVELOPMENT	0.00	-1,000,000.00	997,476.09	-2,523.91
TRAFFIC SIGNALS - INTERSECTION OF LANGEBERG & VERD	0.00	-1,006,614.03	431,931.34	-574,682.69
UCT SCHOOL OF PUBLIC HEALTH & FAMILY MEDICINE	0.00	-477,062.16	200,287.25	-276,774.91
JOE SLOVO DISASTER RELIEF FUND	0.00	-2,917,688.80	2,417,103.05	-500,585.75
CENTRAL CITY IMPROVEMENT DISTRICT	0.00	-40,981.09	0.00	-40,981.09
NEWTOWN ROAD WOODLANDS	0.00	-139,500.00	43,112.53	-96,387.47
IMIZAMO YETHU FIRE RELIEF	0.00	-30,000.00	0.00	-30,000.00
CLOOF WINE ESTATE (Att: P Duckitt)	0.00	0.00	12,280.80	12,280.80
BURGHERSPOST (Att: P Duckitt)	0.00	0.00	53,509.20	53,509.20
MAMRE FENCING 2	0.00	0.00	-65,790.00	-65,790.00
URBAN RENEWAL: CCTV CAMERAS	0.00	-50,000.00	0.00	-50,000.00
	-56,034,163.31	-27,758,795.91	15,370,629.64	-68,422,329.58
PAWC CMIP PROJECTS	-3,576,593.81	0.00	1,348,818.02	-2,227,775.79
MUNICIPAL INFRASTRUCTURE GRANTS	-17,674,894.85	-146,154,679.25	148,106,333.21	-15,723,240.89
	-21,251,488.66	-146,154,679.25	149,455,151.23	-17,951,016.68
	<b>-239,688,224.43</b>	<b>-466,271,448.41</b>	<b>335,208,023.34</b>	<b>-370,751,649.50</b>

## National, Provincial and other donor funding for the year ended 30 June 2006

DESCRIPTION	OPENING BALANCE JUNE 2005	CONTRIBUTIONS & INTEREST	EXPENDITURE	CLOSING BALANCE JUNE 2006
BUDGET REFORM FUNDS	-8,569,749.10	-4,000,000.00	886,691.66	-11,683,057.44
PLANS - STOCK ROAD EARTHWORKS	-160,485.07	160,485.07	0.00	0.00
SOCCER CLUB DEVELOPMENT FUND	-207,561.59	0.00	0.00	-207,561.59
STOCK ROAD SITE - STREETLIGHTING	-11,763,349.72	0.00	0.00	-11,763,349.72
TORNADO / STORM DAMAGE	-1,387,038.22	0.00	0.00	-1,387,038.22
RESTRUCTURING GRANT - SEED FUNDING	-71,274,422.34	-31,818,008.49	16,512,840.00	-86,579,590.83
OOSTENBERG OUETEHUIS	-367,494.91	367,494.91	0.00	0.00
KHAYELITSHA URBAN RENEWAL	-11,690,349.40	-9,856,386.00	5,108,458.51	-16,438,276.89
MITCHELL'S PLAIN URBAN RENEWAL	-8,902,946.42	-6,570,924.00	6,897,073.79	-8,576,796.63
DME - INEP	1,181,942.66	-17,543,859.64	11,821,531.11	-4,540,385.87
KHAYELITSHA WALL OF REMEMBRANCE	-1,164,158.33	0.00	228,949.50	-935,208.83
MITCHELLS PLAIN: TRAINING LIFE SKILLS & HORTICULTURE	-18,211.04	0.00	0.00	-18,211.04
VANGUARD COMMUNITY HEALTH CENTRE	-925.91	925.91	0.00	0.00
YOUTH INTERNSHIP PROGRAMME	-1,477,120.58	-108,568.76	0.00	-1,585,689.34
SANITATION TO INFORMAL SETTLEMENTS	-2,006,454.38	0.00	1,465,483.42	-540,970.96
MUNICIPAL SYSTEMS INFRASTRUCTURE GRANT	-2,000,000.00	-2,000,000.00	1,806,595.55	-2,193,404.45
PRINCESS VLEI SPORTS COMPLEX	-275,000.00	0.00	270,226.46	-4,773.54
ICLEI WORLD CONGRESS (B)	0	-400,000.00	393,859.65	-6,140.35
WATER DEMAND MANAGEMENT PROJECTS	0	-250,000.00	0.00	-250,000.00
DEPARTMENT ENVIRONMENTAL AFFAIRS & TOURISM	0	-591,000.00	465,814.18	-125,185.82
SMART LIVING HANDBOOK	0	-464,147.16	0.00	-464,147.16
	-120,083,324.35	-73,073,988.16	45,857,523.83	-147,299,788.68
LIBRARY SERVICE BOOK FUND	-956,523.83	0.00	0.00	-956,523.83
KHAYELITSHA NETBALL COURTS	-90,984.75	0.00	0.00	-90,984.75
PHILLIPI EAST MARKET	-7,844,678.73	-558,704.29	4,143,623.76	-4,259,759.26
HELICOPTER STANDBY	-99,047.77	-3,720,125.51	1,490,599.92	-2,328,573.36
LANGA STORMWATER OUTFALL	-1,656,541.72	0.00	0.00	-1,656,541.72
LIBRARIES - BROWNS FARM	-430,556.20	0.00	0.00	-430,556.20
HEALTH - WELTEVREDEN CLINIC	-399,841.66	0.00	0.00	-399,841.66
STORMWATER CTCH PROV BULK	-386,611.65	0.00	0.00	-386,611.65
TABLE MOUNTAIN BIOSPHERE - PAWC	-356,026.37	0.00	0.00	-356,026.37
INFORMAL SETTLEMENTS - PAWC	-443,609.22	-24,000.00	246,065.71	-221,543.51
HEALTH - HEINZ PARK CLINIC	-286,960.53	0.00	0.00	-286,960.53
CIVIC AMENITIES - HARTLEYVALE	-235,979.53	0.00	0.00	-235,979.53
RDP DISCR. FUND TOILETS MARCONI BEAM	-167,245.70	0.00	0.00	-167,245.70
HEALTH - UPGRADE VUYANI CLINIC	-162,578.60	0.00	0.00	-162,578.60
MAMRE - TOILET FUND	-150,909.89	0.00	0.00	-150,909.89
PARKS & BATHING - NYANGA SOCCER	-150,665.15	0.00	0.00	-150,665.15
STREETS - CROSSROADS	-149,475.45	0.00	0.00	-149,475.45
GREEN POINT STADIUM - SPORT & RECREATION	-121,509.29	0.00	0.00	-121,509.29
LIBRARIES - WELTEVREDEN	-116,301.75	0.00	0.00	-116,301.75
HEALTH - STRANDFONTEIN CLINIC	-99,398.97	0.00	0.00	-99,398.97
LIBRARIES - NYANGA	-75,979.86	0.00	0.00	-75,979.86
PROJECT NUMBER 1/5 MOSS	-106,673.58	0.00	0.00	-106,673.58
MACASSAR DUNE STUDY	-61,302.26	0.00	0.00	-61,302.26
SCENIC DRIVE NETWORK	-61,013.98	0.00	0.00	-61,013.98
SPORT & RECREATION - SPORTSFIELD DEVELOPMENT	-60,754.65	0.00	0.00	-60,754.65
METRO NORTHERN URBAN EDGE	-76,232.78	0.00	0.00	-76,232.78
SMALL SCALE FARMING	-36,088.79	0.00	0.00	-36,088.79
STRANDFONTEIN BATHS	-22,713.74	0.00	0.00	-22,713.74
PLANS - GUGULETU INDUSTRIAL PARK	-10,940.21	0.00	0.00	-10,940.21
METRO SPATIAL DEVELOPMENT FRAMEWORK	-154,369.56	0.00	0.00	-154,369.56
GLENCAIRN WETLANDS	-64,656.34	0.00	0.00	-64,656.34
SOETWATER DEVELOPMENT	-606,528.34	0.00	0.00	-606,528.34
KHAYELITSHA SITE C SUBSIDIES	-14,241,110.16	-1,045,643.96	123,072.12	-15,163,682.00
NOMZAMO / LWANDLE FACILITY	-1,599.64	0.00	0.00	-1,599.64
HARMONE OORD - OUTDOOR DEVELOPMENT	-2,645,560.89	0.00	0.00	-2,645,560.89
PHASE-OUT PROGRAMME SUBSIDY	44,171.05	-63,687.52	0.00	-19,516.47
RURAL MANAGEMENT FRAMEWORK	-44,255.82	0.00	0.00	-44,255.82
HEALTHY CITIES	-43,505.97	0.00	0.00	-43,505.97
PAROW PARK COMPLEX	-19,243.90	0.00	18,689.27	-554.63
E GOVERNMENT RESEARCH	-94,449.02	0.00	0.00	-94,449.02
CCTV CAMERAS URBAN RENEWAL	-2,193,705.68	0.00	0.00	-2,193,705.68
WALLADENCE CIVIL SERVICE INVESTIGATION	-28,223.10	0.00	0.00	-28,223.10
E BUSINESS PROJECT	-1,030,745.09	-75,760.06	0.00	-1,106,505.15
MARCONI BEAM - SPORTS DEVELOPMENT	-149,275.33	0.00	0.00	-149,275.33
WHITE WATERS DEVELOPMENT TRUST	-35,743.24	0.00	0.00	-35,743.24
RDP FUNDS	-208,971.14	0.00	0.00	-208,971.14

## National, Provincial and other donor funding for the year ended 30 June 2006

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DESCRIPTION	OPENING BALANCE JUNE 2005	CONTRIBUTIONS & INTEREST	EXPENDITURE	CLOSING BALANCE JUNE 2006
STILWANEY CHILD CARE CENTRE	-32,231.09	0.00	0.00	-32,231.09
TYGERBERG NATURE RESERVE	-122,067.87	0.00	0.00	-122,067.87
LITERACY PROGRAMME - WESFLEUR	-460.73	0.00	0.00	-460.73
LITERACY PROGRAMME - MAMRE	-718.85	0.00	0.00	-718.85
LITERACY PROGRAMME - MILNERTON	-671.51	0.00	0.00	-671.51
DELFT SPORTSFIELD DEVELOPMENT	-42,934.52	0.00	0.00	-42,934.52
BLOEKOMBOS INFORMAL BUSINESS FACILITIES	-1,233,766.15	-1,632,565.41	2,336,428.16	-529,903.40
NOMZAMO 1820 / 1620 UNITS	-5,937.30	0.00	0.00	-5,937.30
BROWN'S FARM PHASE 5	-5,352,466.04	0.00	0.00	-5,352,466.04
FISANTEKRAAL PHASE 1 & 2 HOUSING PROJECT	-146,602.79	0.00	0.00	-146,602.79
GREEN POINT PHASE 2 HOUSING	-341,769.07	0.00	94,786.00	-246,983.07
GREENLAND'S HOUSING PROJECT	-1,019,667.09	0.00	9,886.74	-1,009,780.35
MFULENI EXT 4 HOUSING	-89,177.58	0.00	0.00	-89,177.58
MFULENI FLOOD RELIEF PROJECT	-4,534,217.89	-122,400.00	74,709.00	-4,581,908.89
MILLERS CAMP 3	-60,016.27	0.00	0.00	-60,016.27
SITE C SURVEY & SUBDIVISION	-1,468,735.49	-7,188,527.45	3,430,293.62	-5,226,969.32
PHILLIPI PARK FLOODING	4,312.43	-3,878,405.50	2,231,713.86	-1,642,379.21
TAFELSIG AREA L: SILVER CITY	-204,456.20	0.00	0.00	-204,456.20
WALLACEDENE PHASE 10	-2,402.41	-108,803.58	2,215.75	-108,990.24
WALLACEDENE HOUSING PROJECT	-350,120.04	109,526.00	63,891.48	-176,702.56
HOSTELS PHASE 3 PAWC HOUSING	-931,187.52	0.00	0.00	-931,187.52
HOSTELS PHASE 4 PAWC HOUSING	-1,313,485.89	-1,208,986.64	1,052,187.30	-1,470,285.23
KUYASA T3V1 TOP STRUCTURES	-199,685.65	-559,088.00	63,762.00	-695,011.65
HOSTELS PHASE 2 HOUSING	-1,886,616.54	553,734.00	-238,931.61	-1,571,814.15
DELFT SOUTH HIGH DENSITY HOUSING	-108,642.64	0.00	0.00	-108,642.64
SITE C SURVEY & SUBDIVISION	-13,320,302.31	0.00	3,949,271.00	-9,371,031.31
KHAYELITSHA KHUYASA PHASE 2	-17,964,410.94	14,175,630.00	366,574.34	-3,422,206.60
MFULENI EXT 3	-174,084.77	0.00	0.00	-174,084.77
CHRIS HANI PARK HOUSING PROJECT	-28,626.51	0.00	0.00	-28,626.51
MAMRE HOUSING PROJECT	-380	-1,872.00	0.00	-2,252.00
SWARTKLIP SPORTS FACILITY	-317,933.59	0.00	0.00	-317,933.59
PHP FACILITATION GRANTS	874.57	-244,338.04	187,564.00	-55,899.47
KHAYELITSHA DIY HOME INSULATION KIT	-45,438.60	0.00	0.00	-45,438.60
MACASSER ERF 2633 PHASE 1 HOUSING PROJECT	-3,132.82	-350,000.00	350,000.00	-3,132.82
WITSAND HOUSING PROJECT PHASE I	726,673.70	-2,811,600.00	2,048,223.84	-36,702.46
IMIZAMO YETHU PHASE 2 NEW SERVICES	-654,868.50	-1,093,718.00	1,321,273.40	-427,313.10
BLUE DOWNS GOLF CLUB HOUSE	-1,121,733.48	1,066,560.00	29,624.30	-25,549.18
NOLUNGILE COMMUNITY HEALTH CENTRE	-489,688.80	0.00	0.00	-489,688.80
MITCHELLS PLAIN INFORMAL TRADING MARKET	-7,333.64	0.00	0.00	-7,333.64
DPLG DUE DILIGENCE ON DEBTORS BOOK	-88,723.99	0.00	0.00	-88,723.99
LIBRARIES PHILLIPI EAST	-100,547.70	0.00	0.00	-100,547.70
PHILLIPI AND CROSSROADS TRANSFER COSTS	-9,350.36	0.00	0.00	-9,350.36
TAMBO SQUARE	275,611.67	-318,118.75	0.00	-42,507.08
OLIVER TAMBO DRIVE PUBLIC SPACE PHASE 1	-104,251.02	0.00	0.00	-104,251.02
SILVERTOWN KHAYELITSHA 2000 STRUCTURES	2,382.10	-12,859,000.00	868,038.45	-11,988,579.45
KHAYELITSHA MULTI PURPOSE CENTRE	-6,482,066.28	-2,518,481.30	0.00	-9,000,547.58
NETREG HOUSING PROJECT	-512,921.60	0.00	256,490.77	-256,430.83
LANGA SPORTSFIELD DEVELOPMENT	-0.5	0.00	0.00	-0.50
SANRAL: LAND MFULENI	0	-67,203.00	41,040.00	-26,163.00
KUYASA MARKET STALLS	-95,432.80	0.00	0.00	-95,432.80
BLAAUWBERG SPATIAL DEVELOPMENT FRAMEWORK	-52,441.32	0.00	0.00	-52,441.32
KHAYELITSHA STADIUM SITE B	-106,241.67	0.00	0.00	-106,241.67
WALLACEDENE PHASE 5 HOUSING PROJECT	-7,027.99	-7,454,315.00	6,871,710.41	-589,632.58
KHAYELITSHA LOCAL BUSINESS SERVICE CENTRE	-439,413.65	0.00	439,205.03	-208.62
KHAYELITSHA VACANT LAND STUDY	-200,583.33	0.00	0.00	-200,583.33
JOE SLOVO FLOODLIGHTING	-463.48	0.00	0.00	-463.48
PHOENIX SPORTS COMPLEX(TELKOM PARK)	-281.2	0.00	0.00	-281.20
WALLACEDENE PHASE 7 HOUSING PROJECT	-49,210.36	0.00	37,949.31	-11,261.05
WALLACEDENE PHASE 8 HOUSING PROJECT	-20,795.00	0.00	0.00	-20,795.00
WALLACEDENE PHASE 9 HOUSING PROJECT	-20,145.00	-430,912.00	379,153.57	-71,903.43
KALKFONTEIN PHASE 2	-406,292.55	0.00	0.00	-406,292.55
MITCHELL'S PLAIN INFILL PHASE 1	-651,339.13	-21,735,085.00	12,747,411.91	-9,639,012.22
LOCAL GOVERNMENT WATER AND RELATED SERVICES	-92,750.00	0.00	81,359.65	-11,390.35
MFULENI MLS TOPSTRUCTURES	-314,631.92	0.00	0.00	-314,631.92
WESTERN CAPE CLEAN-UP - SOLID WASTE	-225,000.00	0.00	0.00	-225,000.00
COASTAL URBAN EDGE STUDY	-12,280.70	0.00	0.00	-12,280.70
PHILLIPI PLANNING FOR DEVELOPMENT	-50,000.00	0.00	0.00	-50,000.00
PHILLIPI BUSINESS PARK PLANNING	-80,000.00	0.00	0.00	-80,000.00
FALSE BAY COASTAL PARK STUDY	-50,000.00	0.00	0.00	-50,000.00



## National, Provincial and other donor funding for the year ended 30 June 2006

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DESCRIPTION	OPENING BALANCE	CONTRIBUTIONS	EXPENDITURE	CLOSING BALANCE
	JUNE 2005	& INTEREST		JUNE 2006
HISTORIC BLAAUWBERG MANAGEMENT PLAN	-50,000.00	0.00	0.00	-50,000.00
BOTTELARY ROAD SDF	-75,000.00	0.00	0.00	-75,000.00
PHILLIPI EAST PHASE 5	3,400.68	-1,254,128.47	144,556.50	-1,106,171.29
KEWTOWN INFILL DEVELOPMENT	-7,025.04	-1,270,573.00	297,857.79	-979,740.25
MITCHELL'S PLAIN YOUTH & FAMILY DEVELOPMENT CENTRE	-513,696.89	-1,058,780.68	0.00	-1,572,477.57
GUGULETU SEVEN MEMORIAL	-25,133.92	-1,847.33	0.00	-26,981.25
KHAYELITSHA POVERTY REDUCTION PROGRAMME	-1,006,562.17	-2,614,635.78	854,035.30	-2,767,162.65
KUYASE RESEARCH	-4,086,799.80	-300,380.93	0.00	-4,387,180.73
N2-GATEWAY PROJECT	-10,824,000.00	-92,030,615.28	92,375,015.28	-10,479,600.00
ABLUTIONS METROPOLITAN SF BONTEHEUWEL	-1,655.25	-121.66	0.00	-1,776.91
KHATELITSHA DEVELOPMENT OF REMEMBRANCE SQUARE	-201,214.79	-9,653.11	200,000.00	-10,867.90
CHEMICAL TOILETS IN WALLACEDENE	-502,172.97	-10,690.60	497,203.57	-15,660.00
BROWNS FARM PHASE 3	-16,534.66	0.00	0.00	-16,534.66
BROWNS FARM PHASE 4	-1,724,469.43	0.00	0.00	-1,724,469.43
WESBANK SPORT COMPLEX	-846,783.00	0.00	0.00	-846,783.00
GLOBAL FUND: COMMUNITY BASED PROGRAMME	-204,812.00	-3,774,552.04	3,766,534.46	-212,829.58
WITSAND HOUSING PROJECT PHASE 2	0	-883,200.00	400,000.00	-483,200.00
SANRAL EMERGENCY PROJECT 1600 UNITS	0	-1,841,489.86	1,137,988.78	-703,501.08
N2 - CELFT TRA	0	-2,675,234.67	0.00	-2,675,234.67
WALLACEDENE PHASE 6 (UISP)	0	-5,400,397.80	491,666.00	-4,908,731.80
ENKANINI HOUSING PROJECT	0	-10,840,376.00	6,290,516.65	-4,549,859.35
RIVER CLEAN AND GREEN PROJECT	0	-4,341,904.98	3,159,577.01	-1,182,327.97
FIRE DETECTION SURVEILLANCE CAMERAS	0	-304,713.48	263,157.76	-41,555.72
COASTAL ZONE DEVELOPMENT GUIDELINES FRAMEWORK	0	-50,000.00	0.00	-50,000.00
GREATER BLUE DOWNS SPATIAL DEVELOPMENT FRAMEWORK	0	-100,000.00	0.00	-100,000.00
METRO SOUTH EAST SPATIAL DEVELOPMENT FRAMEWORK	0	-100,000.00	0.00	-100,000.00
N2 - DELFT PHASE 2 TRA	0	-0.01	0.00	-0.01
N2 - JOE SLOVO PHASE1	0	-0.02	0.00	-0.02
REDHILL INFORMAL SETTLEMENT	0	-201,621.51	35,568.00	-166,053.51
MANDELA PARK SPORTS FIELD: TENNIS FACILITIES	0	-500,000.00	0.00	-500,000.00
URBAN RENEWAL: PRECINCT AND STRATEGIC	0	-100,000.00	0.00	-100,000.00
URBAN RENEWAL: IMPROVEMENT STN NODES	0	-100,000.00	0.00	-100,000.00
2010 FIFA WORLD CUP: GREEN POINT	0	-10,000,000.00	0.00	-10,000,000.00
TESTING FACILITIES : DRIVING LICENCES	0.00	-471,000.00	0.00	-471,000.00
PHP HEINZ PARK	-395,889.27	-25,357.65	72,748.45	-348,498.47
PHP SILVER CITY	-94,566.50	-6,950.67	0.00	-101,517.17
PHP NCEDULUNTU	-771,137.85	-56,678.86	0.00	-827,816.71
PHP MASIZAKHE	-2,156,673.73	2,080,923.13	0.00	-75,750.60
PHP NTLANGANISO	-94,765.01	-6,965.23	0.00	-101,730.24
PHP MASIMANYANI	-319,984.49	-18,535.39	110,400.00	-228,119.88
PHP LAVENDER HILL EAST	-2,264,117.44	-156,317.35	216,134.80	-2,204,299.99
PHP OCEAN VIEW	-1,027,917.09	-291,177.20	215,625.00	-1,103,469.29
PHP MASIPHUMELELE	3,722.57	-116,356.58	98,155.00	-14,479.01
PHP MORNWOOD	-15,651.88	-1,150.40	0.00	-16,802.28
PHP MACASSAR SELF HELP	-623,780.13	-45,847.98	0.00	-669,628.11
PHP MONWOOD HARRY GWALA	-883,467.63	-24,704.27	702,990.24	-205,181.66
PHP VIETNAM	-1,333,892.24	-756,064.14	980,932.70	-1,109,023.68
PHP KALKFONTEIN	-22,985.52	-1,689.43	0.00	-24,674.95
PHP SITE C BUFFER 165	-1,152,215.52	849,651.06	69,888.86	-232,675.60
PHP ECHO ROAD	-74,734.21	-5,492.98	0.00	-80,227.19
PHP MAKUKANYE	-1,464,353.13	-704,957.22	689,044.00	-1,480,266.35
PHP KALKFONTEIN	-643,143.97	-47,271.24	0.00	-690,415.21
PHP WALLACEDENE PHASE 2	-6,131,491.65	-223,780.28	4,917,871.81	-1,437,400.12
PHP MASIZAKHELE	-2,157,347.23	-900,046.72	2,611,055.33	-446,338.62
PHP NOMZABALAZO	-1,931,057.36	-55,013.67	1,858,400.64	-127,670.39
PHP GREEN POINT PHASE 2	-3,038,212.67	-6,417,514.29	9,114,864.50	-340,862.46
PHP KUYASA PHASE 2	0	-36,286,573.93	28,431,191.10	-7,855,382.83
PHP MASIZIZAMELE PHILIPPI	0	-1,470,991.05	311,849.68	-1,159,141.37
PHP WALLACEDENE PHASE 2	0	-14,197,165.91	2,173,321.09	-12,023,844.82
PHP WITSAND PHASE 1 : 400	0	-9,080,584.25	5,782,012.51	-3,298,571.74
PHP NOMZABALAZO PHASE 2	0	-3,477,705.41	3,092,975.53	-384,729.88
PHP ILINGE LABAHLALI	0	-1,461,102.40	0.00	-1,461,102.40
EST. GRANT MASEMANYANE	-10,842.22	-796.91	0.00	-11,639.13
EST. GRANT SILVER CITY	-128,633.81	-9,454.62	0.00	-138,088.43
EST. GRANT HEINZ PARK	-31,578.25	-2,321.02	0.00	-33,899.27
EST. GRANT MASIZAKHE	-82,503.08	-6,063.99	0.00	-88,567.07
EST. GRANT NCEDULUNTU	-28,238.05	-2,075.52	0.00	-30,313.57
EST. GRANT MASIPHATISANE	-7,997.09	-587.81	0.00	-8,584.90
EST. GRANT NTLANGANISO	-4,890.77	-359.49	0.00	-5,250.26

National, Provincial and other donor funding for the year ended 30 June 2006 **707**

DESCRIPTION	OPENING BALANCE JUNE 2005	CONTRIBUTIONS & INTEREST	EXPENDITURE	CLOSING BALANCE JUNE 2006
EST. GRANT HILL VIEW	-33,788.33	-2,483.44	0.00	-36,271.77
EST. GRANT PHILLIPI BROWNS FARM PHASE 5.2	-2,462.32	-180.95	0.00	-2,643.27
EST. MONWOOD HARRY GWALA	-2,578.55	-189.51	0.00	-2,768.06
EST. VIETNAM	-60,221.01	-4,426.27	0.00	-64,647.28
EST. KALKFONTEIN	-1,361.14	-100.05	0.00	-1,461.19
EST. ECHO ROAD	-974.3	-71.61	0.00	-1,045.91
EST. SITE C BUFFER 165	-91,814.39	-1,918.81	82,650.00	-11,083.20
EST KALKFONTEIN	-59,038.65	-4,339.34	0.00	-63,377.99
EST. GRANT- WITSAND "EECO"	-71,521.02	-5,256.83	0.00	-76,777.85
EST. GRANT- NOMZABALAZ	2,050.00	-18,554.28	16,350.00	-154.28
EST. GRANT WALLACEDENE	-119,666.35	-7,265.30	57,570.00	-69,361.65
EST. GRANT GREEN POINT PHASE 2	-778.92	-204,651.72	199,200.00	-6,230.64
EST. GRANT MASIZAKHELE	-44,304.55	-12,250.55	26,790.00	-29,765.10
EST. GRANT MASIZIZAMELE PHILIPPI	0	-46,940.05	8,400.00	-38,540.05
EST. GRANT WALLACEDENE PHASE 2	0	-443,768.60	109,600.00	-334,168.60
EST. GRANT NOMZABALAZO PHASE 2	0	-103,066.58	29,850.00	-73,216.58
EST. GRANT KUYASA PHASE 2	0	-735,004.80	716,601.77	-18,403.03
EST. GRANT- ILINGE LABAHLALI	0	-32,198.02	32,000.00	-198.02
	-146,530,490.94	-268,951,554.60	217,760,033.17	-197,722,012.37
ATLANTIS COMMUNITY DEVELOPMENT	-452,471.37	-33,256.78	0.00	-485,728.15
MELKBOS - BEACH DEVELOPMENT	-133,594.89	0.00	0.00	-133,594.89
LAGOONWALL - BEACH DEVELOPMENT	-22,731.27	0.00	0.00	-22,731.27
BOND GUARANTEE FUND	-4,348,132.30	0.00	0.00	-4,348,132.30
BONTEHEUWEL MULTI PURPOSE CENTRE PAWC	-1,159,493.33	-69,154.41	0.00	-1,228,647.74
BONTEHEUWEL MULTI PURPOSE CENTRE COCT	-323,658.79	12,000.00	0.00	-311,658.79
BONTEHEUWEL MULTI PURPOSE CENTRE OWN FUNDS	-67,243.95	29,761.58	0.00	-37,482.37
DELFT COMMUNITY FACILITIES	-264,376.44	-19,431.75	0.00	-283,808.19
DISABILITY DESK FUNDS	-75,587.35	0.00	0.00	-75,587.35
DISASTER MANAGEMENT FUND	-2,133,719.82	0.00	0.00	-2,133,719.82
HARTEBEEKRAAL MPC FUNDRAISING	-7,635.17	0.00	0.00	-7,635.17
HARTEBEEKRAAL MPC HEALTH PROGRAMME	-5,416.08	0.00	0.00	-5,416.08
KHAYELITSHA D FID CAPACITY BUILDING	-66,787.95	0.00	0.00	-66,787.95
MAMRE COMMUNITY	-3,297,197.93	-15,600.00	120,600.60	-3,192,197.33
MAYORESS CHARITY FUND	-1,217,974.68	-3,120.00	0.00	-1,221,094.68
NIGHT SHELTER	-82,287.20	2,024.02	0.00	-80,263.18
PHILLIPI STORMWATER LINK	-1,319,674.61	0.00	0.00	-1,319,674.61
STORMWATER CULVER LOTUS CANAL	-377,503.76	0.00	0.00	-377,503.76
PARKS & BATHING - NYANGA & LANGA	-273,333.07	18,787.00	0.00	-254,546.07
CITIES FOR CLIMATE PROTECTION	-337,419.97	-2,439.15	8,655.92	-331,203.20
VUKUNZENZE - STORMWATER	-136,640.48	0.00	0.00	-136,640.48
HEINZ PARK - STORMWATER	-133,283.76	0.00	0.00	-133,283.76
PARKS & BATHING - TABLE MOUNTAIN	-53,878.97	0.00	0.00	-53,878.97
WORLD HEALTH ORGANISATION - TB	-67,815.43	0.00	0.00	-67,815.43
REGIONAL TOURISM	-18,194,045.07	0.00	0.00	-18,194,045.07
RIETVLEI CONSERVATION FUND	-6,077,663.78	0.00	0.00	-6,077,663.78
AJAX FOOTBALL CLUB	-23,401.45	0.00	0.00	-23,401.45
SPORTS BOARD	-113,271.56	0.00	0.00	-113,271.56
TRAINING CRECHE MANAGEMENT DU NOON	-30,232.80	0.00	0.00	-30,232.80
WITSAND - CAPACITY BUILDING	-12,619.16	0.00	0.00	-12,619.16
MAINTENANCE OF GRAVES	-30,037.13	0.00	0.00	-30,037.13
INVESTEC BANK: CIVIL ARTWORK	-1,098,225.36	-500,000.00	0.00	-1,598,225.36
CHAPMANS PEAK DRIVE	-68,026.57	0.00	0.00	-68,026.57
ESKOM HOSTELS (SEE GD7500146)	-197,080.87	0.00	16,000.00	-181,080.87
SPORTS & RECREATION PROJECTS	-255,473.53	0.00	0.00	-255,473.53
BOKOMO HOSTELS: NYANGA	-10,146.51	0.00	0.00	-10,146.51
GATES ACCESS TO LEARNING	-5,448,130.83	-400,118.09	4,567.43	-5,843,681.49
PARMALOT HOSTELS - UPGRADING	-86,208.56	-6,289.28	16,000.00	-76,497.84
ELECTRICITY CONNECTION FEES	2,221,962.55	-38,658,311.72	19,913,958.20	-16,522,390.97
PREVENTION MOTHER TO CHILD TRANSMISSION	-100,064.13	-1,773,322.47	1,666,114.00	-207,272.60
WATER CONNECTIONS	-11,004,760.18	-12,686,692.42	10,431,865.37	-13,259,587.23
WOLFGAT 21 HOUSEHOLDS	-29,646.27	0.00	0.00	-29,646.27
CROSSROADS TOWN COUNCIL - DRIFTSANDS	-61,236.26	-4,500.87	0.00	-65,737.13
ST JAMES - CLOVELLY COASTAL WALKWAY	-35,110.44	0.00	0.00	-35,110.44
CARNEGIE CORPORATION OF NEW YORK	-5,217,240.32	-315,086.31	3,581,918.15	-1,950,408.48
IMPUMELELO INNOVATIONS AWARD	-14,416.33	0.00	0.00	-14,416.33
KHAYELITSHA CRICKET OVAL PHASE II	-280,308.71	0.00	0.00	-280,308.71
TRAFFIC SIGNALS - INTERSECTION OF LANGEBERG & VERDI	-574,682.69	-1,340,269.15	646,368.83	-1,268,583.01
MITCHELL'S PLAIN YOUTH & FAMILY DEVELOPMENT CENTRE	122,722.93	-7,367,114.62	548,107.38	-6,696,284.31



National, Provincial and other donor funding for the year ended 30 June 2006 **708**

DESCRIPTION	OPENING BALANCE JUNE 2005	CONTRIBUTIONS & INTEREST	EXPENDITURE	CLOSING BALANCE JUNE 2006
UCT SCHOOL OF PUBLIC HEALTH & FAMILY MEDICINE	-276,774.91	-386,112.00	467,641.96	-195,244.95
JOE SLOVO DISASTER RELIEF FUND	-500,585.75	-800.00	0.00	-501,385.75
CENTRAL CITY IMPROVEMENT DISTRICT	-40,981.09	0.00	0.00	-40,981.09
CAPE FLATS NATURE	0	-267,689.00	0.00	-267,689.00
NEWTOWN ROAD WOODLANDS	-96,387.47	0.00	0.00	-96,387.47
IMIZAMO YETHU FIRE RELIEF	-30,000.00	0.00	0.00	-30,000.00
MAKHAZA SPORTSFIELD DEVELOPMENT	412,131.21	-1,253,158.00	570,472.22	-270,554.57
N MARITZ	12,280.80	-5,185.80	0.00	7,095.00
MAMRE FENCING 2	-65,790.00	-28,380.00	0.00	-94,170.00
WORLD WIDE FUND : BLAAUWBERG NATURE CONSERVATION	0	-69,120.00	0.00	-69,120.00
URBAN RENEWAL: CCTV CAMERAS	-50,000.00	0.00	0.00	-50,000.00
MORNINGSTAR HOUSING	0	-1,000,000.00	0.00	-1,000,000.00
O R TAMBO DISTRICT MUNICIPALITY	0	-5,757.55	0.00	-5,757.55
SOLAR WATER HEATING UBUSHUSHU	0	-241,095.45	94,932.02	-146,163.43
SMILE-A-CHILD CAMPAIGN	0	-1,000.00	0.00	-1,000.00
HARD AND SOFT LANDSCAPING	0	-500,000.00	204,612.82	-295,387.18
COMMUNITY PROJECTS	0	-100,000.00	0.00	-100,000.00
VITANS INTERNATIONAL	0	-375,000.00	0.00	-375,000.00
BONTEHEUWEL EXT LIBRARY & HSG OFFICE	0	-356,349.87	0.00	-356,349.87
VANGUARD DRIVE CCTV CAMERAS	0	-700,000.00	0.00	-700,000.00
	-63,611,308.81	-68,421,782.09	38,291,814.90	-93,741,276.00
	<b>-330,225,124.10</b>	<b>-410,447,324.85</b>	<b>301,909,371.90</b>	<b>-438,763,077.05</b>

## National, Provincial and other donor funding for the year ended 30 June 2007

DESCRIPTION	OPENING BALANCE JUNE 2006	CONTRIBUTIONS & INTEREST	EXPENDITURE	CLOSING BALANCE JUNE 2007
BUDGET REFORM FUNDS	-11,683,057.44	-500,000.00	3,296,322.23	-8,886,735.21
STOCK ROAD SITE - STREETLIGHTING	-11,763,349.72	0.00	0.00	-11,763,349.72
TORNADO / STORM DAMAGE	-1,387,038.22	1,387,038.22	0.00	0.00
RESTRUCTURING GRANT - SEED FUNDING	-86,579,590.83	-25,000,000.00	27,389,997.27	-84,189,593.56
KHAYELITSHA URBAN RENEWAL	-16,438,276.89	-9,856,386.60	1,519,806.80	-24,774,856.69
MITCHELL'S PLAIN URBAN RENEWAL	-8,576,796.63	-6,570,924.40	2,852,333.88	-12,295,387.15
KHAYELITSHA WALL OF REMEMBRANCE	-935,208.83	0.00	0.00	-935,208.83
MITCHELLS PLAIN: TRAINING LIFE SKILLS & HORTICULTURE	-18,211.04	0.00	0.00	-18,211.04
DPLG DUE DILIGENCE ON DEBTORS BOOK	-88,723.99	0.00	0.00	-88,723.99
YOUTH INTERNSHIP PROGRAMME	-1,585,689.34	-139,672.46	0.00	-1,725,361.80
SANITATION TO INFORMAL SETTLEMENTS	-540,970.96	0.00	0.00	-540,970.96
MUNICIPAL SYSTEMS INFRASTRUCTURE GRANT	-2,193,404.45	0.00	0.00	-2,193,404.45
PRINCESS VLEI SPORTS COMPLEX	-4,773.54	0.00	0.00	-4,773.54
ICLEI WORLD CONGRESS (B)	-6,140.35	0.00	0.00	-6,140.35
WATER DEMAND MANAGEMENT PROJECTS	-250,000.00	0.00	0.00	-250,000.00
DEPARTMENT ENVIRONMENTAL AFFAIRS & TOURISM	0.00	0.00	0.00	0.00
DEPARTMENT ENVIRONMENTAL AFFAIRS & TOURISM	-125,185.82	-2,559,000.00	2,409,836.73	-274,349.09
SMART LIVING HANDBOOK	-464,147.16	-37,701.57	145,497.53	-356,351.20
DEPARTMENT OF ENVIRONMENTAL AFFAIRS AND TOURISM - DANIDA	0.00	-1,500,000.00	710,938.02	-789,061.98
DEPARTMENT OF WATER AFFAIRS: DEMAND MANAGEMENT	0.00	-3,070,000.00	1,593,583.50	-1,476,416.50
ACCREDITATION : DEVELOPMENT SUPPORT	0.00	-1,000,000.00	55,350.00	-944,650.00
2010 FIFA WORLD CUP: GREEN POINT	0.00	-184,539,972.77	99,874,515.60	-84,665,457.17
DME - INEP	-4,540,385.87	-4,661,403.51	7,936,692.44	-1,265,096.94
	-147,180,951.08	-238,048,023.09	147,784,874.00	-237,444,100.17
ATLANTIS COMMUNITY DEVELOPMENT	-485,728.15	-38,592.96	298,349.93	-225,971.18
DELFT COMMUNITY FACILITIES	-283,808.19	-21,961.43	233,136.22	-72,633.40
LIBRARY SERVICE BOOK FUND	-956,523.83	0.00	0.00	-956,523.83
KHAYELITSHA NETBALL COURTS	-90,984.75	0.00	79,000.00	-11,984.75
PHILLIPI EAST MARKET	-4,259,759.26	-183,406.56	2,319,041.89	-2,124,123.93
HELICOPTER STANDBY	-2,328,573.36	-1,626,087.49	3,610,014.90	-344,645.95
LANGA STORMWATER OUTFALL	-1,656,541.72	0.00	413,673.10	-1,242,868.62
LIBRARIES - BROWNS FARM	-430,556.20	-192,281.61	277,461.86	-345,375.95
HEALTH - WELTEVREDEN CLINIC	-399,841.66	0.00	189,123.19	-210,718.47
STORMWATER CTCH PROV BULK	-386,611.65	0.00	0.00	-386,611.65
TABLE MOUNTAIN BIOSPHERE - PAWC	-356,026.37	0.00	0.00	-356,026.37
INFORMAL SETTLEMENTS - PAWC	-221,543.51	0.00	200,340.14	-21,203.37
HEALTH - HEINZ PARK CLINIC	-286,960.53	0.00	0.00	-286,960.53
CIVIC AMENITIES - HARTLEYVALE	-235,979.53	0.00	122,589.25	-113,390.28
RDP DISCR. FUND TOILETS MARCONI BEAM	-167,245.70	-150,909.89	131,900.00	-186,255.59
HEALTH - UPGRADE VUYANI CLINIC	-162,578.60	0.00	86,860.51	-75,718.09
PARKS & BATHING - NYANGA SOCCER	-150,665.15	0.00	149,950.00	-715.15
STREETS - CROSSROADS	-149,475.45	0.00	0.00	-149,475.45
GREEN POINT STADIUM - SPORT & RECREATION	-121,509.29	0.00	117,776.00	-3,733.29
HEALTH - STRANDFONTEIN CLINIC	-99,398.97	0.00	0.00	-99,398.97
SPORT & RECREATION - SPORTSFIELD DEVELOPMENT	-60,754.65	0.00	34,531.00	-26,223.65
SMALL SCALE FARMING	-36,088.79	0.00	0.00	-36,088.79
STRANDFONTEIN BATHS	-22,713.74	0.00	20,041.33	-2,672.41

## National, Provincial and other donor funding for the year ended 30 June 2007

DESCRIPTION	OPENING BALANCE JUNE 2006	CONTRIBUTIONS & INTEREST	EXPENDITURE	CLOSING BALANCE JUNE 2007
PLANS - GUGULETU INDUSTRIAL PARK	-10,940.21	0.00	0.00	-10,940.21
GLENCAIRN WETLANDS	-64,656.34	0.00	54,271.93	-10,384.41
SOETWATER DEVELOPMENT	-606,528.34	0.00	558,730.90	-47,797.44
KHAYELITSHA SITE C SUBSIDIES	-15,163,682.00	-1,330,179.61	176,147.64	-16,317,713.97
NOMZAMO / LWANDLE FACILITY	-1,599.64	0.00	0.00	-1,599.64
HARMONE OORD - OUTDOOR DEVELOPMENT	-2,645,560.89	0.00	626,297.45	-2,019,263.44
PHASE-OUT PROGRAMME SUBSIDY	-19,516.47	0.00	0.00	-19,516.47
HEALTHY CITIES	-43,505.97	0.00	0.00	-43,505.97
E GOVERNMENT RESEARCH	-94,449.02	0.00	0.00	-94,449.02
CCTV CAMERAS URBAN RENEWAL	-2,193,705.68	0.00	1,999,675.48	-194,030.20
WALLADENCE CIVIL SERVICE INVESTIGATION	-28,223.10	0.00	0.00	-28,223.10
E BUSINESS PROJECT	-1,106,505.15	-97,464.43	0.00	-1,203,969.58
MARCONI BEAM - SPORTS DEVELOPMENT	-149,275.33	0.00	29,188.60	-120,086.73
WHITE WATERS DEVELOPMENT TRUST	-35,743.24	0.00	0.00	-35,743.24
RDP FUNDS	-208,971.14	0.00	0.00	-208,971.14
SOCCER CLUB DEVELOPMENT FUND	-207,561.59	0.00	91,992.05	-115,569.54
STILWANNEY CHILD CARE CENTRE	-32,231.09	0.00	0.00	-32,231.09
LITERACY PROGRAMME - WESFLEUR	-460.73	0.00	0.00	-460.73
LITERACY PROGRAMME - MAMRE	-718.85	0.00	0.00	-718.85
LITERACY PROGRAMME - MILNERTON	-671.51	0.00	0.00	-671.51
DELFT SPORTSFIELD DEVELOPMENT	-42,934.52	0.00	22,500.00	-20,434.52
BLOEKOMBOS INFORMAL BUSINESS FACILITIES	-529,903.40	0.00	384,314.60	-145,588.80
NOMZAMO 1820 / 1620 UNITS	-5,937.30	0.00	0.00	-5,937.30
ECHO ROAD HOUSING PROJECT	0.00	-30,303.39	5,180.00	-25,123.39
BROWN'S FARM PHASE 5	-5,352,466.04	0.00	0.00	-5,352,466.04
FISANTEKRAAL PHASE 1 & 2 HOUSING PROJECT	-146,602.79	104,411.98	0.00	-42,190.81
GREEN POINT PHASE 2 HOUSING	-246,983.07	0.00	0.00	-246,983.07
GREENLAND'S HOUSING PROJECT	-1,009,780.35	0.00	0.00	-1,009,780.35
MFULENI EXT 4 HOUSING	-89,177.58	0.00	0.00	-89,177.58
MFULENI FLOOD RELIEF PROJECT	-4,581,908.89	102,897.58	0.00	-4,479,011.31
NEW REST IN-SITU UPGRADING	49,461.56	-60,795.00	0.00	-11,333.44
MILLERS CAMP 3	-60,016.27	0.00	0.00	-60,016.27
SITE C SURVEY & SUBDIVISION	-5,226,969.32	-403,190.70	475,401.00	-5,154,759.02
PHILLIPI PARK FLOODING	-1,642,379.21	0.00	65,270.39	-1,577,108.82
TAFELSIG AREA L: SILVER CITY	-204,456.20	2,888.46	0.00	-201,567.74
WALLACEDENE PHASE 10	-108,990.24	108,803.58	-2,215.75	-2,402.41
WALLACEDENE HOUSING PROJECT	-176,702.56	39,589.03	0.00	-137,113.53
HOSTELS PHASE 4 PAWC HOUSING	-1,470,285.23	1,208,986.64	0.00	-261,298.59
KUYASA T3V1 TOP STRUCTURES	-695,011.65	486,926.00	0.00	-208,085.65
HOSTELS PHASE 2 HOUSING	-1,571,814.15	86,422.34	0.00	-1,485,391.81
SPANDAU PROJECT 384 HOUSES	430,417.14	-466,000.00	0.00	-35,582.86
DELFT SOUTH HIGH DENSITY HOUSING	-108,642.64	0.00	0.00	-108,642.64
NYANGA UPGRADING PROJECT	1,133,625.36	-9,083,413.57	6,300,436.08	-1,649,352.13
SITE C SURVEY & SUBDIVISION	-9,371,031.31	0.00	3,942,220.78	-5,428,810.53
KHAYELITSHA KHUYASA PHASE 2	-3,422,206.60	0.00	2,060,978.53	-1,361,228.07
MFULENI EXT 3	-174,084.77	0.00	0.00	-174,084.77
CHRIS HANI PARK HOUSING PROJECT	-28,626.51	0.00	0.00	-28,626.51
MAMRE HOUSING PROJECT	-2,252.00	0.00	0.00	-2,252.00
SWARTKLIP SPORTS FACILITY	-317,933.59	0.00	0.00	-317,933.59
PHP FACILITATION GRANTS	-55,899.47	-150,501.97	157,046.00	-49,355.44
KHAYELITSHA DIY HOME INSULATION KIT	-45,438.60	0.00	0.00	-45,438.60
MACASSER ERF 2633 PHASE 1 HOUSING PROJECT	-3,132.82	0.00	0.00	-3,132.82

## National, Provincial and other donor funding for the year ended 30 June 2007

DESCRIPTION	OPENING BALANCE JUNE 2006	CONTRIBUTIONS & INTEREST	EXPENDITURE	CLOSING BALANCE JUNE 2007
WITSAND HOUSING PROJECT PHASE I	-36,702.46	0.00	0.00	-36,702.46
IMIZAMO YETHU PHASE 2 NEW SERVICES	-427,313.10	-834,988.39	76,775.00	-1,185,526.49
BLUE DOWNS GOLF CLUB HOUSE	-25,549.18	0.00	0.00	-25,549.18
NOLUNGILE COMMUNITY HEALTH CENTRE	-489,688.80	0.00	0.00	-489,688.80
MITCHELLS PLAIN INFORMAL TRADING MARKET	-7,333.64	0.00	0.00	-7,333.64
LIBRARIES PHILLIPI EAST	-100,547.70	0.00	39,925.00	-60,622.70
PHILLIPI AND CROSSROADS TRANSFER COSTS	-9,350.36	2,089.29	0.00	-7,261.07
TAMBO SQUARE	-42,507.08	0.00	0.00	-42,507.08
WALLACEDENE PHASE 3 HOUSING PROJECT	4,650,274.23	-19,168,482.56	468,900.39	-14,049,307.94
OLIVER TAMBO DRIVE PUBLIC SPACE PHASE 1	-104,251.02	-200,543.05	253,075.44	-51,718.63
SILVERTOWN KHAYELITSHA 2000 STRUCTURES	-11,988,579.45	-10,000,000.00	10,894,203.61	-11,094,375.84
KHAYELITSHA MULTI PURPOSE CENTRE	-9,000,547.58	-770,645.44	690,721.22	-9,080,471.80
NETREG HOUSING PROJECT	-256,430.83	0.00	68,637.16	-187,793.67
LANGA SPORTSFIELD DEVELOPMENT	-0.50	-1,500,000.00	0.00	-1,500,000.50
SANRAL: LAND MFULENI	-26,163.00	0.00	0.00	-26,163.00
KUYASA MARKET STALLS	-95,432.80	0.00	0.00	-95,432.80
KHAYELITSHA STADIUM SITE B	-106,241.67	0.00	0.00	-106,241.67
WALLACEDENE PHASE 4 HOUSING PROJECT	1,513,963.52	-6,523,145.36	2,561,772.68	-2,447,409.16
WALLACEDENE PHASE 5 HOUSING PROJECT	-589,632.58	-81,236.12	403,696.97	-267,171.73
WALLACEDENE PHASE 6 HOUSING PROJECT	2,990,221.23	-26,465,664.41	12,524,504.77	-10,950,938.41
KHAYELITSHA LOCAL BUSINESS SERVICE CENTRE	-208.62	0.00	0.00	-208.62
BROWN'S FARM PHASE 6	1,004,138.23	-12,043,452.95	4,588,388.29	-6,450,926.43
TSOGA ENVIRONMENTAL RESOURCE CENTRE	51,651.37	-2,622,162.02	2,319,789.00	-250,721.65
MACASSAR CIVIC NODE	340,190.40	-393,813.94	0.00	-53,623.54
KHAYELITSHA VACANT LAND STUDY	-200,583.33	-49,416.67	0.00	-250,000.00
JOE SLOVO FLOODLIGHTING	-463.48	0.00	0.00	-463.48
PHOENIX SPORTS COMPLEX(TELKOM PARK)	-281.20	0.00	0.00	-281.20
WALLACEDENE PHASE 7 HOUSING PROJECT	-11,261.05	-1,139,241.00	991,538.47	-158,963.58
WALLACEDENE PHASE 8 HOUSING PROJECT	-20,795.00	-1,195,839.00	0.00	-1,216,634.00
WALLACEDENE PHASE 9 HOUSING PROJECT	-71,903.43	-3,118,571.88	1,085,723.28	-2,104,752.03
KALKFONTEIN PHASE 2	-406,292.55	-40,556.25	51,371.25	-395,477.55
MITCHELL'S PLAIN INFILL PHASE 1	-9,639,012.22	0.00	4,395,708.29	-5,243,303.93
LOCAL GOVERNMENT WATER AND RELATED SERVICES	-11,390.35	0.00	0.00	-11,390.35
MFULENI MLS TOPSTRUCTURES	-314,631.92	0.00	0.00	-314,631.92
WESTERN CAPE CLEAN-UP - SOLID WASTE	-225,000.00	0.00	0.00	-225,000.00
PHILLIPI PLANNING FOR DEVELOPMENT	-50,000.00	0.00	0.00	-50,000.00
PHILLIPI BUSINESS PARK PLANNING	-80,000.00	0.00	0.00	-80,000.00
FALSE BAY COASTAL PARK STUDY	-50,000.00	-516,128.68	94,675.00	-471,453.68
HISTORIC BLAAUWBERG MANAGEMENT PLAN	-50,000.00	0.00	0.00	-50,000.00
BOTTELARY ROAD SDF	-75,000.00	-3,024.65	70,000.00	-8,024.65
PHILLIPI EAST PHASE 5	-1,106,171.29	-4,051,806.53	5,001,849.70	-156,128.12
KEWTOWN INFILL DEVELOPMENT	-979,740.25	-2,928,909.00	3,129,104.28	-779,544.97
MITCHELL'S PLAIN YOUTH & FAMILY DEVELOPMENT CENTRE	-1,572,477.57	-1,165,798.79	0.00	-2,738,276.36
GUGULETU SEVEN MEMORIAL	-26,981.25	-2,376.58	0.00	-29,357.83
KHAYELITSHA POVERTY REDUCTION PROGRAMME	-2,767,162.65	-230,414.67	615,297.53	-2,382,279.79
KUYASE RESEARCH	-4,387,180.73	-386,436.58	0.00	-4,773,617.31
TAFELSIG MULTI - PURPOSE CENTRE	122,745.12	-2,367,528.77	1,867,031.87	-377,751.78

## National, Provincial and other donor funding for the year ended 30 June 2007

DESCRIPTION	OPENING BALANCE JUNE 2006	CONTRIBUTIONS & INTEREST	EXPENDITURE	CLOSING BALANCE JUNE 2007
ABLUTIONS METROPOLITAN SF BONTEHEUWEL	-1,776.91	-156.52	0.00	-1,933.43
KHATELITSHA DEVELOPMENT OF REMEMBRANCE SQUARE	-10,867.90	-957.26	0.00	-11,825.16
CHEMICAL TOILETS IN WALLACEDENE	-15,660.00	-1,379.39	0.00	-17,039.39
BROWNS FARM PHASE 3	-16,534.66	0.00	0.00	-16,534.66
BROWNS FARM PHASE 4	-1,724,469.43	0.00	0.00	-1,724,469.43
WESBANK SPORT COMPLEX	-846,783.00	0.00	571,327.00	-275,456.00
GLOBAL FUND: COMMUNITY BASED PROGRAMME	-212,829.58	-3,449,210.70	2,467,920.34	-1,194,119.94
WITSAND HOUSING PROJECT PHASE 2	-483,200.00	0.00	0.00	-483,200.00
SANRAL EMERGENCY PROJECT 1600 UNITS	-703,501.08	-16,622,762.37	13,982,996.49	-3,343,266.96
N2 - CELFT TRA	-2,675,234.67	0.00	0.00	-2,675,234.67
WALLACEDENE PHASE 5 (PLF)	580,667.51	-30,722,826.73	18,040,666.05	-12,101,493.17
WALLACEDENE PHASE 6 (UISP)	-4,908,731.80	0.00	0.00	-4,908,731.80
ENKANINI HOUSING PROJECT	-4,549,859.35	-9,013,270.50	5,849,214.83	-7,713,915.02
RIVER CLEAN AND GREEN PROJECT	-1,182,327.97	-82,371.51	783,158.90	-481,540.58
FIRE DETECTION SURVEILLANCE CAMERAS	-41,555.72	-3,660.37	0.00	-45,216.09
COASTAL ZONE DEVELOPMENT GUIDELINES FRAMEWORK	-50,000.00	0.00	0.00	-50,000.00
GREATER BLUE DOWNS SPATIAL DEVELOPMENT FRAMEWORK	-100,000.00	0.00	0.00	-100,000.00
METRO SOUTH EAST SPATIAL DEVELOPMENT FRAMEWORK	-100,000.00	0.00	0.00	-100,000.00
N2 - DELFT PHASE 2 TRA	-0.01	0.00	0.00	-0.01
N2 - JOE SLOVO PHASE1	-0.02	0.00	0.00	-0.02
REDHILL INFORMAL SETTLEMENT	-166,053.51	-13,958.36	11,750.00	-168,261.87
MANDELA PARK SPORTS FIELD: TENNIS FACILITIES	-500,000.00	0.00	152,900.00	-347,100.00
URBAN RENEWAL: PRECINCT AND STRATEGIC	-100,000.00	0.00	0.00	-100,000.00
URBAN RENEWAL: IMPROVEMENT STN NODES	-100,000.00	0.00	0.00	-100,000.00
TB CONTROL PROJECTS	0.00	-1,405,695.37	1,273,847.30	-131,848.07
2010 FIFA WORLD CUP: GREEN POINT	-10,000,000.00	0.00	0.00	-10,000,000.00
TESTING FACILITIES: LEARNER'S DRIVING	-471,000.00	0.00	464,048.01	-6,951.99
SPANDAU EHP	0.00	-188,229.15	0.00	-188,229.15
PHILLIPPI EAST MARKET	0.00	-4,691,905.29	4,290,674.21	-401,231.08
EMERGENCY DISASTER RELIEF	0.00	-400,000.00	0.00	-400,000.00
PHOENIX UISP	0.00	-1,714,001.59	362,970.60	-1,351,030.99
WALLACEDENE PHASE 10B HOUSING PROJECT	0.00	-386,506.15	42,500.87	-344,005.28
ATHLONE STADIUM GENERAG UPGRADING	0.00	-30,000,000.00	6,378,394.53	-23,621,605.47
LOCAL SPATIAL PLAN	0.00	-212,431.14	104,919.30	-107,511.84
NATIONAL IMBIZO FOCUS WEEK	0.00	-240,000.00	0.00	-240,000.00
HOSTELS PHASE 6A (JOE SLOVO FIRE)	0.00	-20,533,139.37	10,146,995.00	-10,386,144.37
PHP HEINZ PARK	-348,498.47	-30,696.82	0.00	-379,195.29
PHP SILVER CITY	-101,517.17	-8,941.94	0.00	-110,459.11
PHP NCEDULUNTU	-827,816.71	-72,916.67	0.00	-900,733.38
PHP MASIZAKHE	-75,750.60	-6,672.34	0.00	-82,422.94
PHP MASIPHATISANE	0.00	-200,314.24	0.00	-200,314.24
PHP NTLANGANISO	-101,730.24	-8,960.71	0.00	-110,690.95
PHP MASIMANYANI	-228,119.88	-20,093.50	0.00	-248,213.38
PHP LAVENDER HILL EAST	-2,204,299.99	-191,287.44	44,577.28	-2,351,010.15

## National, Provincial and other donor funding for the year ended 30 June 2007

DESCRIPTION	OPENING BALANCE JUNE 2006	CONTRIBUTIONS & INTEREST	EXPENDITURE	CLOSING BALANCE JUNE 2007
PHP OCEAN VIEW	-1,103,469.29	-97,197.02	0.00	-1,200,666.31
PHP MASIPHUMELELE	-14,479.01	-1,275.36	0.00	-15,754.37
PHP MORNWOOD	-16,802.28	-1,480.01	0.00	-18,282.29
PHP MACASSAR SELF HELP	-669,628.11	-58,982.93	0.00	-728,611.04
PHP MONWOOD HARRY GWALA	-205,181.66	-18,073.05	0.00	-223,254.71
PHP VIETNAM	-1,109,023.68	-97,686.26	0.00	-1,206,709.94
PHP SITE C BUFFER 165	-232,675.60	-345,799.79	0.00	-578,475.39
PHP ECHO ROAD	-80,227.19	24,268.25	24,259.51	-31,699.43
PHP MAKUKANYE	-1,480,266.35	-114,419.80	193,614.00	-1,401,072.15
PHP WALLACEDENE PHASE 2	-1,437,400.12	-73,425.73	782,611.64	-728,214.21
PHP MASIZAKHELE	-446,338.62	-27,722.16	141,445.74	-332,615.04
PHP NOMZABALAZO	-127,670.39	-9,681.58	21,928.97	-115,423.00
PHP GREEN POINT PHASE 2	-340,862.46	-570,420.58	17,400.00	-893,883.04
PHP KUYASA PHASE 2	-7,855,382.83	-32,610,979.79	29,180,345.70	-11,286,016.92
PHP MASIZIZAMELE PHILIPPI	-1,159,141.37	-49,637.11	508,505.15	-700,273.33
PHP WALLACEDENE PHASE 2	-12,023,844.82	-585,133.56	7,294,656.05	-5,314,322.33
PHP WITSAND PHASE 1: 400	-3,298,571.74	-366,770.84	3,217,881.88	-447,460.70
PHP NOMZABALAZO PHASE 2	-384,729.88	-27,248.67	112,913.37	-299,065.18
PHP ILLINGE LABAHLALI	-1,461,102.40	-322,279.51	1,586,779.38	-196,602.53
PHP NOMZABOLAZO PROJECT 2: PHASE 1	0.00	-3,133,763.17	2,612,278.10	-521,485.07
PHP ILLINGE LABAHLALI PHASE 2	0.00	-1,286,475.77	933,998.74	-352,477.03
PHP KALKFONTEIN PHASE 3	0.00	-993,222.54	905,427.00	-87,795.54
EST. GRANT MASEMANYANE	-11,639.13	-1,025.20	0.00	-12,664.33
EST. GRANT SILVER CITY	-138,088.43	-12,163.25	0.00	-150,251.68
EST. GRANT HEINZ PARK	-33,899.27	-2,985.96	0.00	-36,885.23
EST. GRANT MASIZAKHE	-88,567.07	-7,801.26	0.00	-96,368.33
EST. GRANT NCEDULUNTU	-30,313.57	-2,670.13	0.00	-32,983.70
EST. GRANT MASIPHATISANE	-8,584.90	-756.18	0.00	-9,341.08
EST. GRANT NTLANGANISO	-5,250.26	-462.47	0.00	-5,712.73
EST. GRANT HILL VIEW	-36,271.77	-3,194.93	0.00	-39,466.70
EST. GRANT PHILLIPI BROWNS FARM PHASE 5.2	-2,643.27	-232.84	0.00	-2,876.11
EST. MONWOOD HARRY GWALA	-2,768.06	-243.83	0.00	-3,011.89
EST. VIETNAM	-64,647.28	-5,694.34	0.00	-70,341.62
EST. ECHO ROAD	-1,045.91	-92.14	0.00	-1,138.05
EST. SITE C BUFFER 165	-11,083.20	-7,557.71	0.00	-18,640.91
EST KALKFONTEIN	-63,377.99	5,335.85	0.00	-58,042.14
EST. GRANT- WITSAND "EECO"	-76,777.85	-6,762.85	0.00	-83,540.70
EST. GRANT- NOMZABALAZ	-154.28	-13.58	0.00	-167.86
EST. GRANT WALLACEDENE	-69,361.65	-6,109.59	0.00	-75,471.24
EST. GRANT GREEN POINT PHASE 2	-6,230.64	-8,360.16	0.00	-14,590.80
EST. GRANT MASIZAKHELE	-29,765.10	-2,621.80	0.00	-32,386.90
EST. GRANT MASIZIZAMELE PHILIPPI	-38,540.05	-2,867.85	14,692.00	-26,715.90
EST. GRANT WALLACEDENE PHASE 2	-334,168.60	-29,434.63	0.00	-363,603.23
EST. GRANT NOMZABALAZO PHASE 2	-73,216.58	-3,176.05	61,600.00	-14,792.63

## National, Provincial and other donor funding for the year ended 30 June 2007

DESCRIPTION	OPENING BALANCE JUNE 2006	CONTRIBUTIONS & INTEREST	EXPENDITURE	CLOSING BALANCE JUNE 2007
EST. GRANT KUYASA PHASE 2	-18,403.03	-738,068.63	728,198.23	-28,273.43
EST. GRANT- ILLINGE LABAHLALI	-198.02	-17.44	0.00	-215.46
EST GRANT NOMZABOLAZO PROJECT 2: PHASE 1	0.00	-84,187.36	30,800.00	-53,387.36
EST.GRANT - ILLINGE LABAHLALI PHASE 2	0.00	-24,359.38	24,000.00	-359.38
EST GRANT KALKFONTEIN PHASE 3	0.00	-31,697.65	28,000.00	-3,697.65
DU NOON PHASE 1 : TRANSFERS	0.00	-285,580.56	0.00	-285,580.56
ATLANTIS - WESFLEUR EXT 13	0.00	-467,625.00	135,286.68	-332,338.32
GOV.GRANT (COMMUNITY DEV. WORKERS)	0.00	-745,177.51	0.00	-745,177.51
GOV.GRANT (COMMUNITY DEV. WORKERS)	0.00	-104,411.98	0.00	-104,411.98
	-172,581,307.77	-273,062,025.82	190,949,397.05	-254,693,936.54
MELKBOS - BEACH DEVELOPMENT	-133,594.89	0.00	102,829.25	-30,765.64
LAGOONWALL - BEACH DEVELOPMENT	-22,731.27	0.00	19,323.24	-3,408.03
BOND GUARANTEE FUND	-4,348,132.30	4,348,132.30	0.00	0.00
BONTEHEUWEL MULTI PURPOSE CENTRE PAWC	-1,228,647.74	-106,681.79	159,230.68	-1,176,098.85
BONTEHEUWEL MULTI PURPOSE CENTRE COCT	-311,658.79	0.00	0.00	-311,658.79
BONTEHEUWEL MULTI PURPOSE CENTRE OWN FUNDS	-37,482.37	-3,294.21	0.00	-40,776.58
DISABILITY DESK FUNDS	-75,587.35	0.00	70,174.72	-5,412.63
DISASTER MANAGEMENT FUND	-2,133,719.82	0.00	83,561.00	-2,050,158.82
HARTEBEESKRAAL MPC FUNDRAISING	-7,635.17	0.00	0.00	-7,635.17
HARTEBEESKRAAL MPC HEALTH PROGRAMME	-5,416.08	0.00	0.00	-5,416.08
KHAYELITSHA D FID CAPACITY BUILDING	-66,787.95	0.00	0.00	-66,787.95
MAMRE COMMUNITY	-3,192,197.33	-25,611.95	104,783.87	-3,113,025.41
MAYORESS CHARITY FUND	-1,221,094.68	0.00	811,135.83	-409,958.85
NIGHT SHELTER	-80,263.18	-6,953.46	6,000.00	-81,216.64
PHILLIPI STORMWATER LINK	-1,319,674.61	0.00	0.00	-1,319,674.61
STORMWATER CULVER LOTUS CANAL	-377,503.76	0.00	0.00	-377,503.76
PARKS & BATHING - NYANGA & LANGA	-254,546.07	0.00	26,270.00	-228,276.07
CITIES FOR CLIMATE PROTECTION	-331,203.20	0.00	0.00	-331,203.20
VUKUNZENZELE - STORMWATER	-136,640.48	0.00	0.00	-136,640.48
HEINZ PARK - STORMWATER	-133,283.76	0.00	0.00	-133,283.76
PARKS & BATHING - TABLE MOUNTAIN	-53,878.97	0.00	0.00	-53,878.97
WORLD HEALTH ORGANISATION - TB	-67,815.43	0.00	0.00	-67,815.43
REGIONAL TOURISM	-18,194,045.07	0.00	0.00	-18,194,045.07
RIETVLEI CONSERVATION FUND	-6,077,663.78	0.00	155,290.00	-5,922,373.78
AJAX FOOTBALL CLUB	-23,401.45	0.00	20,517.54	-2,883.91
SPORTS BOARD	-113,271.56	0.00	103,402.88	-9,868.68
TRAINING CRECHE MANAGEMENT DU NOON	-30,232.80	0.00	0.00	-30,232.80
TYGERBERG NATURE RESERVE	-122,067.87	0.00	16,791.50	-105,276.37
WITSAND - CAPACITY BUILDING	-12,619.16	0.00	0.00	-12,619.16
MAINTENANCE OF GRAVES	-30,037.13	0.00	27,000.00	-3,037.13
INVESTEC BANK: CIVIL ARTWORK	-1,598,225.36	0.00	0.00	-1,598,225.36
CHAPMANS PEAK DRIVE	-68,026.57	0.00	0.00	-68,026.57
ESKOM HOSTELS (SEE 6D7500146)	-181,080.87	0.00	52,800.00	-128,280.87
SPORTS & RECREATION PROJECTS	-255,473.53	0.00	135,070.15	-120,403.38
BOKOMO HOSTELS: NYANGA	-10,146.51	0.00	0.00	-10,146.51
GATES ACCESS TO LEARNING	-5,843,681.49	-514,729.70	0.00	-6,358,411.19
PARMALOT HOSTELS - UPGRADING	-76,497.84	-6,738.16	0.00	-83,236.00
ELECTRICITY CONNECTION FEES	-16,522,390.97	-27,723,346.22	25,458,344.67	-18,787,392.52
PREVENTION MOTHER TO CHILD TRANSMISSION	-207,272.60	-1,317,129.39	414,117.96	-1,110,284.03



## National, Provincial and other donor funding for the year ended 30 June 2007

DESCRIPTION	OPENING BALANCE JUNE 2006	CONTRIBUTIONS & INTEREST	EXPENDITURE	CLOSING BALANCE JUNE 2007
WATER CONNECTIONS	-13,259,587.23	-12,397,236.95	10,362,102.80	-15,294,721.38
WOLFGAT 21 HOUSEHOLDS	-29,646.27	0.00	0.00	-29,646.27
CROSSROADS TOWN COUNCIL - DRIFTSANDS	-65,737.13	-5,790.34	0.00	-71,527.47
TABLE MOUNTAIN FUND	0.00	0.00	0.00	0.00
THE TABLE MOUNTAIN FUND	0.00	-30,000.00	0.00	-30,000.00
ST JAMES - CLOVELLY COASTAL WALKWAY	-35,110.44	0.00	0.00	-35,110.44
CARNEGIE CORPORATION OF NEW YORK	-1,950,408.48	-8,184,184.88	2,671,611.57	-7,462,981.79
IMPUMELELO INNOVATIONS AWARD	-14,416.33	0.00	0.00	-14,416.33
KHAYELITSHA CRICKET OVAL PHASE II	-280,308.71	0.00	146,990.88	-133,317.83
MAKHAZA SPORTSFIELD DEVELOPMENT	0.08	0.00	-0.08	0.00
TRAFFIC SIGNALS - INTERSECTION OF LANGEBERG & VERDI	-1,268,583.01	0.00	197,508.97	-1,071,074.04
MITCHELL'S PLAIN YOUTH & FAMILY DEVELOPMENT CENTRE	-6,696,284.31	-369,870.51	5,987,846.94	-1,078,307.88
UCT SCHOOL OF PUBLIC HEALTH & FAMILY MEDICINE	-195,244.95	-413,137.00	114,434.91	-493,947.04
JOE SLOVO DISASTER RELIEF FUND	-501,385.75	0.00	0.00	-501,385.75
CENTRAL CITY IMPROVEMENT DISTRICT	-40,981.09	0.00	0.00	-40,981.09
CAPE FLATS NATURE	-267,689.00	0.00	0.00	-267,689.00
NEWTOWN ROAD WOODLANDS	-96,387.47	0.00	0.00	-96,387.47
IMIZAMO YETHU FIRE RELIEF	-30,000.00	0.00	0.00	-30,000.00
N MARITZ	7,095.00	-7,095.00	0.00	0.00
MAKHAZA SPORTSFIELD DEVELOPMENT	-270,554.57	0.00	0.00	-270,554.57
MAMRE FENCING 2	-94,170.00	0.00	0.00	-94,170.00
WORLD WIDE FUND : BLAAUWBERG NATURE CONSERVATION	-69,120.00	0.00	0.00	-69,120.00
URBAN RENEWAL: CCTV CAMERAS	-50,000.00	0.00	0.00	-50,000.00
MORNINGSTAR HOUSING	-1,000,000.00	0.00	0.00	-1,000,000.00
ICLEI AIR POLLUTION MONITORING	324,618.76	-377,580.00	0.00	-52,961.24
O R TAMBO DISTRICT MUNICIPALITY	-5,757.55	0.00	5,580.30	-177.25
SOLAR WATER HEATING UBUSHUSHU	-146,163.43	0.00	0.00	-146,163.43
SMILE-A-CHILD CAMPAIGN	-1,000.00	0.00	0.00	-1,000.00
GERMAN FINANCIAL COOPERATION VIOLENCE PREVENTION	0.00	-9,105.24	9,105.24	-0.00
HARD AND SOFT LANDSCAPING	-295,387.18	0.00	236,327.64	-59,059.54
COMMUNITY PROJECTS	-100,000.00	0.00	0.00	-100,000.00
VITANS INTERNATIONAL	-375,000.00	0.00	0.00	-375,000.00
BONTEHEUWEL EXT LIBRARY & HSG OFFICE	-356,349.87	0.00	0.00	-356,349.87
VANGUARD DRIVE CCTV CAMERAS	-700,000.00	-700,000.00	467,347.12	-932,652.88
2010 WC : STADIUM PLANNING AND DESIGN - DBSA	0.00	-30,000,000.00	30,000,000.00	0.00
BASIC: CAPACITY ON CLIMATE CHANGE	0.00	-23,919.00	0.00	-23,919.00
ICLEI: CARBON TAXES	0.00	-151,670.15	0.00	-151,670.15
SUSTAINABLE ENERGY AFRICA TRANSIT PROGRAMME	0.00	-282,633.00	141,316.50	-141,316.50
BASIC: CAPACITY ON CLIMATE CHANGE	0.00	-24,059.25	23,919.00	-140.25
DBSA N2 GATEWAY SOCIAL PREPARATION	0.00	-2,300,000.00	0.00	-2,300,000.00
	-92,769,188.69	-80,632,633.90	78,130,735.08	-95,271,087.51
	-412,531,447.54	-591,742,682.81	416,865,006.13	-587,409,124.22



**Assessment of  
performance against the  
measurable performance  
objectives – revenue  
collection**

**Assessment of performance against the measurable performance objectives - revenue collection**

Payment Ratio Monthly Moving Average			
Objective	Key Performance Indicator	Month	Moving Average
Improve collection rate to national target of 97,5% within two years	Debt Collection: % of billing amount paid	Jul-06	94.06
		Aug-06	93.85
		Sep-06	94.33
		Oct-06	95.11
		Nov-06	96.46
		Dec-06	96.83
		Jan-07	98.71
		Feb-07	98.33
		Mar-07	97.94
		Apr-07	100.16
		May-07	100.25
		Jun-07	99.31

# Report of the Audit Committee for 2006/07

**REPORT OF THE  
AUDIT COMMITTEE  
FOR THE YEAR ENDED 30 JUNE 2007**

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

The Committee presents its report for the financial year ended 30 June 2007.

**AUDIT COMMITTEE MEMBERS AND ATTENDANCE**

The Committee, consisting of the members listed below, should meet at least four times per annum as per its approved terms of reference, although additional special meetings may be called as the need arises. The Committee's terms of reference requires a minimum of 5 members. During the year under review, five Audit Committee meetings were held, as well as other meetings with the Executive Mayor, City Manager, Auditor-General and Internal Audit.

Name of Member	Number of meetings attended
Mr A Mahmood (Chairperson)	5
Ms B Engelbrecht	5
Mr B Mahlangu	3
Mr M Burton	5
Mr R Schur	4
Mr A Barkhuizen	4 (resigned May 2007)

**AUDIT COMMITTEE RESPONSIBILITY**

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

**REVIEW AND EVALUATION OF THE ANNUAL FINANCIAL  
STATEMENTS**

The Committee is pleased to note that the Auditor-General issued an unqualified audit opinion on the consolidated annual financial statements of the City for the year ended 30 June 2007. These financial statements are prepared in accordance with the basis of accounting determined by the National Treasury as set out in the accounting policy note 1 and in a manner required by the MFMA. The Committee draws attention to the emphasis of matter paragraphs contained in the Auditor-General's report.

The Committee has:

- Reviewed the Consolidated audited annual financial statements for the year ended 30 June 2007
- Noted the actions taken by management in respect of the previous year's emphasis of matter paragraphs
- Reviewed management responses to the Management Letters issued by the Auditor-General
- Noted that the consolidated financial statements in the case of the Khayelitsha Community Trust, include the results as a separate municipal entity and not the consolidated results of the Trust and its related entities in accordance with an exemption received from National Treasury
- Taken cognisance of the following matters for continuous monitoring namely, under spending of the capital budget and debt management.

**EFFICIENCY AND EFFECTIVENESS OF INTERNAL  
CONTROL**

The deficiencies and shortcomings reported by the Internal Audit Directorate (received quarterly) and the Auditor-General as well as matters brought to the attention of the Accounting Officer by way of informal queries and management letters indicate that the internal checking and control measures did not function adequately in various respects during the year under review. Accordingly, the Auditor-General has not placed any reliance on the internal controls in the finalization of the year end audit. Identified internal control weaknesses related mainly to human resource management, information systems, a lack of documented policies and procedures and inadequate management supervision and review.

A key improvement in the control environment has been the establishment of the Standing Committee on Public Accounts (SCOPA), an oversight committee established to assist the Council in ensuring appropriate standards in terms of handling public funds and serving in public office. In addition, delegation of authority and the assignment of responsibility within the organization were also more clearly defined.

**PERFORMANCE MEASUREMENT**

- **Management Reports:**  
The Committee notes an improvement in the method of reporting the performance of the City.
- **Performance Management**  
While the Committee acknowledges improvements in the Performance Management System, it draws attention to the highlighted areas of non-compliance as contained in the Auditor-General's report and the Internal Audit Directorate Control environment report. These include the following:
  - o Lack of community involvement in the setting of performance indicators and targets and monitoring the City's performance, as required in terms of section 42 and chapter 4 of the MSA.
  - o Lack of tracking and monitoring the performance of service providers, with whom the City had entered into service delivery agreements, in terms of a formal documented process.
  - o The performance management system for staff was not rolled out to all employees of the City which may have an impact on service delivery.

**RISK MANAGEMENT**

Whilst progress has been made in the establishment of the risk management structure and framework, a formal enterprise wide risk management function and process was not established and implemented for the year under review. This includes the establishment of a Risk Committee, the development of a risk management policy, facilitation of strategic and operational risk assessments and the compilation of risk registers.

**CONCLUSION**

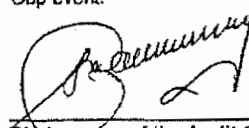
The Committee is pleased to note a number of improvements during the year in overall governance and control but draws attention to the following issues that adversely affect the City:

- The continuing instances of non-compliance to internal control procedures and performance management regulations,
- The quality of the capital budgeting and capital expenditure management processes,
- The lack of progress in formalizing the risk management function.

The Committee concurs and accepts the conclusions of the Internal Audit Directorate in its control environment report and the Auditor-General on the annual financial statements for the

year ended 30 June 2007. The Committee is of the opinion that the audited Annual Financial Statements should be accepted and read together with the reports of the Auditor-General.

The Committee fully supports the City on its journey of improved service delivery and a successful 2010 Soccer World Cup event.



Chairperson of the Audit Committee

Date: 14-01-08

# City's Annual Report for 2006/07 (Chapter 5)

### Service delivery functional areas – City of Cape Town

For more information on service delivery, visit the City's website at [www.capetown.gov.za](http://www.capetown.gov.za) or use the contact numbers provided below:

Main switchboard: 021400 1111 Call centre: 086 010 3089 Website: <a href="http://www.capetown.gov.za">www.capetown.gov.za</a> Private Bag X9189, Cape Town 8000	
<b>City Manager</b>	<b>Achmat Ebrahim</b> Tel: 021 400 5430 (Office Manager) Fax: 021 400 1332
<b>Community Development</b>	<b>Executive Director</b>
Sport & Recreation	Lokiwe Mtwazi
Library & Information Services	Tel: 021 400 1210
City Parks	Cell: 084 266 9495 Fax: 021 400 1269
<b>Corporate Services</b>	<b>Executive Director</b>
Strategic Human Resources	David Beretti
Personnel Services	Tel: 021 400 5050
Employment Equity	Cell: 084 611 2424
Legal Services	Fax: 021 400 1213
Communications	
Specialised Technical Services	
Customer Relations & Administrative Services	
<b>Economical &amp; Social Development</b>	<b>Executive Director</b>
Property Management	Mansoor Mohamed
Social Development	Tel: 021 400 2589
Economic Development	Cell: 084 421 4428
Tourism	Fax: 021 418 8040
Projects, Strategy & Support	
<b>Financial Services</b>	<b>Executive Director</b>
Treasury	<b>(Chief Financial Officer)</b>
Revenue	Mike Richardson
Expenditure	Tel: 021 400 3265
Supply Chain Management	Cell: 083 629 1236
Valuations	Fax: 021 400 5660
Budget	
Shareholder & Contract Management	
Housing Finance & Leases	
Inter-service Liaison	
<b>Health Services</b>	<b>Executive Director</b>
Specialised Health	Dr Ivan Toms
Health:	Tel: 021 400 2100
Northern Subdistrict	Cell: 084 220 0143
Southern Subdistrict	Fax: 021 421 4894
Mitchells Plain Subdistrict	
Khayelitsha Subdistrict	
Western Subdistrict	
Klipfontein Subdistrict	
Tygerberg Subdistrict	
Eastern Subdistrict	
<b>Service Delivery Integration</b>	<b>Executive Director</b>
Development Services (Expanded Public Works Programme, etc)	

Integrated Development Plan (IDP)	Mike Marsden Tel: 021 400 5010 Cell: 084 432 2565 Fax: 021 400 1390
IDP & Organisational Performance Management (OPM)	
Information Systems & Technology	
Urban Renewal Programme	
2010 FIFA World Cup™	
<b>Housing</b>	<b>Executive Director</b>
Informal Settlements	Hans Smit Tel: 021 400 2873 Cell: 084 443 1000 Fax: 021 400 5351
Existing Settlements	
New Settlements	
Housing Land & Forward Planning	
Strategy, Support & Co-ordination	
<b>Strategy &amp; Planning</b>	<b>Executive Director</b>
Spatial Planning & Urban Design	Piet van Zyl Tel: 021 400 2186 Cell: 084 264 2226 Fax: 021 400 4483
Environmental Resource Management	
Strategic Development Information & GIS	
Planning & Building Development Management	
<b>Safety &amp; Security</b>	<b>Executive Director</b>
Emergency Services	Adv Dick Tshangela Tel: 021 400 3355 Cell: 084 222 5544
Metro Police	
VIP Security	
<b>Transport, Roads &amp; Stormwater</b>	<b>Executive Director</b>
Transport	Eddie Chinnappen Tel: 021 400 1168 Cell: 084 222 0111 Fax: 021 400 5937
Roads & Stormwater	
<b>Utility Services</b>	<b>Executive Director</b>
Water & Sanitation	Dr Bulumko V. Msengana Tel: 021 400 2500 Cell: 084 694 2716 Fax: 021 400 5913
Electricity Services	
Solid Waste Management	
Service Authority	
Service Regulation & Logistics	
<b>Internal Audit &amp; Risk Management</b>	<b>Chief Audit Executive</b>
	Zulpha Abrams Tel: 021 400 1337 Cell: 084 577 1289 Fax: 021 418 8040



# Executive Summary of the City's Annual Report for 2006/07

Short version of Annual Report for bulk publication. This will be laid out in glossy format with appropriate pictures, graphs and tables for distribution to City stakeholders and partners.

## City of Cape Town summary Annual Report

Financial year 1 July 2006 to 30 June 2007

### “Cover”

#### Inside cover

### **Vision**

The vision of the City of Cape Town is to establish:

- A sustainable City that offers a future to our children and their children.
- A dignified City that is tolerant, non-racist and non-sexist.
- An accessible City that extends the benefits of urban society to all and builds the capacity of its people.
- A credible City that is well governed and trusted by its people.
- A competent City with skills, capabilities and a competitive edge.
- A safe and caring City that cares for its citizens and values the safety and security of all who live, work and play in it.
- A prosperous City known for its ability to compete globally in the 21<sup>st</sup> century and its commitment to tackling the challenges facing South Africa, the Southern African Development Community and the African continent.
- A City known for its leadership in Africa and the developing world.

### **Mandate and Core Functions of the City of Cape Town**

Local municipalities are *inter alia* required to provide the following services in terms of the Constitution of South Africa, section 155(6)(a) and (7).

Electricity and gas reticulation	Child-care facilities	Building regulations
Local tourism	Municipal airports	Municipal planning
Municipal health services	Municipal public transport	Municipal public works

Stormwater management systems in the built-up area	Trading regulations	Water and sanitation services limited to potable water supply systems and domestic waste-water and sewage disposal systems
Air pollution	Fire-fighting services	

The following local government matters to the extent set out for provinces in section 155(6) (a) and (7) are also provided.

Licensing and control of undertakings that sell food to the public	Local sport facilities	Local amenities
Municipal abattoirs	Municipal parks and recreation	Markets
Fencing and fences Licensing of dogs	Facilities for the accommodation, care and burial of animals	Cemeteries, funeral parlours and crematoria
Municipal roads Noise pollution	Pounds	Cleansing
Control of public nuisances	Public places	Control of undertakings that sell liquor to the public
Street trading	Street lighting	Billboards and the display of advertisements in public places
Refuse removal, refuse dumps and solid waste disposal	Traffic and parking	Beaches and amusement facilities

## FOREWORD BY THE EXECUTIVE MAYOR

This report covers the first full year that the Multi-Party Government of Cape Town has been in office.

Our priority during this year has been to establish an organisation that is capable of delivering on our service delivery objectives.

Our key objective, as set out in our Five-Year Integrated Development Plan (IDP), is to promote economic growth in Cape Town by investing in infrastructure and a cleaner, safer city. By making Cape Town more attractive to investors, and by providing services that facilitate rapid economic growth, we aim to create more opportunities for all of our citizens, especially job opportunities.

However, to drive development in this manner requires an efficient and financially stable administration.

Our new government came into existence at a time of major organisational change. At the beginning of 2006, the amalgamation of seven municipalities into one Unicity, which started in 2000, had not yet resulted in a unified organisational structure for the municipality's 21 297 staff.

Staff reporting lines were not properly established, the performance management system was dysfunctional and unequal conditions of service and salaries from the old administrations remained in place.

A number of critical service delivery areas were also hampered by staff vacancies. In terms of finances, the City had accrued substantial debts that needed to be addressed, including R4 billion in unpaid rates and service charges.

To address these issues, a realignment process was initiated and a unified organisational structure for the City administration is now in place, with clear reporting lines and a single pay scale.

In addition, 1 800 new staff appointments have been made, with a further 1200 to follow within the year ahead.

A sustained debt management campaign was also instituted, and the City's finances have improved significantly as a result. Outstanding debt owed to the City has been reduced by R417 million.

The general stability in the City's finances has enabled us to write off R1.5 bn in debt mostly owed by the poor residents of Cape Town.

The work of the past year, together with the development of the new IDP focus on infrastructure led economic growth, has helped to gear the City up for delivery, and enable it to address the unique development challenges of Cape Town.

The positive results are already evident in this report. This year's capital expenditure, at 77%, has been the highest so far in the Unicity. The rate of housing delivery has also increased by more than 100% in the past two years.

The time the City takes to procure contractors to deliver services and projects has been reduced from 12 weeks to seven weeks.

We have also seen the rapid rollout of major infrastructure projects like the new Green Point Stadium in preparation for 2010, which is currently ahead of schedule, and new sewerage works and electricity distribution infrastructure.

In terms of law enforcement, we have cracked down on cable thieves and have developed a strategy to combat drug and alcohol related crime.

We have introduced the City's first comprehensive Informal Settlement Upgrade Master Plan, which will see the introduction of essential services to all of Cape Town's 226 informal settlements over the next two years.

In spite of the progress, there remain a number of key developmental challenges in Cape Town that the municipality is not yet able to tackle adequately. Our housing backlog remains around 350 000 units, and the unemployment rate is around 15%. Crime levels are also on the increase, largely fuelled by substance abuse. In addition, Cape Town has the highest nett migration rate in the country, and many of the people coming to Cape Town do not have jobs or houses.

Over the next three years the City will continue to improve its organisational capacity and its operations in an effort to strengthen its ability to address these and other challenges.

Helen Zille  
Executive Mayor of Cape Town

## INTRODUCTION BY THE CITY MANAGER

The 2006/07 financial year was characterised by:

- A process of organisational re-alignment. This involved placing of staff, producing an Organisational Design, and the finalisation of the Executive Management Team.
- The drafting of a new five-year Integrated Development Plan (IDP), which will be implemented from 1 July 2007 to ensure continued and sustainable growth; and
- Re-alignment of the budget toward economic growth, while maintaining a focus on social spending and our core business of effective and efficient service delivery.

The work of the past year, together with the development of the new IDP focus on infrastructure led economic growth, has helped to gear the City up for delivery, and enable it to address the unique development challenges of Cape Town.

A number of challenges remain, and tackling these requires an integrated, aligned and strategic approach that involves continuous dialogue and co-operation between all stakeholders in the city.

Some of the challenges are:

- to focus on core business and to clear backlogs
- to strive to create the right conditions for economic growth, and ensure that the benefits are shared as broadly as possible
- to establish a strategy/output driven organisation and train employees in core output skills/competencies.

Achmat Ebrahim  
City Manager

This is a summary of the 2006/2007 Annual Report for the City of Cape Town. The complete 2006/07 Annual Report has been compiled and published in terms of the Municipal Finance Management Act, which requires municipalities to report regularly on all aspects of performance and expenditure. This Annual Report is available at all Sub-council offices, libraries and on the City of Cape Town's website ([www.capetown.gov.za](http://www.capetown.gov.za)).

### **Overview of the Cape Town Metro Area**

The City of Cape Town is one of South Africa's six metropolitan municipalities. Situated on the southern peninsula of the Western Cape Province, the municipality spans 2 461 km<sup>2</sup> and is home to 3,2 million people.

Cape Town generates approximately 78% of the Gross Geographic Product of the Western Cape, and in 2006 contributed 11.1% of South Africa's GDP (gross domestic product).

Cape Town has a relatively diverse economy, with 93% of businesses classified as small, contributing 50% of total output and 40% of total formal employment. However, in line with international trends the City is shifting towards the services sector, with the largest areas of growth in finance, business services, trade, catering, accommodation, tourism and transport and communication. Finance and business services are by far the dominant sector in the City, accounting for 32,3% of total economic activity in Cape Town.

The City's natural environment – one of the strongest assets that drives tourism and attracts skilled workers to Cape Town – is situated within the Cape Floristic Kingdom (the smallest and most diverse of the world's six floral kingdoms), the area is a biodiversity hot spot of international importance.

City of Cape Town	1996	2001	July 2006
<b>Demography</b>			
Number of households	653 173	777 393	909 391
Population	2 565 018	2 893 251	3 239 768
<b>Refuse removal</b>			
% of households without weekly refuse removal	11.4%	5.9%	4.3%
Number of households without weekly refuse removal	74 467	45 217	39 072
<b>Water supply</b>			
% of households without piped water on site	10.5%	15.96%	6.6%
Number of households without piped water on site	68 530	121 177	59 625
<b>Toilet facilities</b>			
% of households without flush toilets	10.7%	12.74%	6.2%
Number of households without flush toilets	70 080	96 961	56 599
<b>Electricity supply</b>			
% of households without electricity supply	13.2%	11.45%	4.3%
Number of electrifiable households without electricity supply	86 226	87 294	38 791

Source: Strategic Development Information & GIS using STATSSA Census and General Household Survey data



## Achievements and challenges per IDP theme

### Theme 1 - Economic Development and Job Creation

#### Achievements

- Approval of Economic and Human Development Strategy and Implementation Plan (this strategy is aligned with the Provincial Growth and Development Strategy and ASGISA)
- Initiation of a Skills Development Strategy, which will assist with addressing the large-scale job-creation challenge, as well as the skills mismatch in the local economy
- Awarding contracts to the value of R 1,778,534,495 to small and medium (BEE) contractors, in terms of the City's procurement process
- Gearing the City's R21-billion budget toward infrastructure-led economic growth, where service infrastructure and transport are key priorities
- Increasing the City' capital budget from R2.5 billion in 2006/07 to R4 billion in 2007/08
- Expansion of the Cape Town International Convention Centre (CTICC) by CONVENCO, one of the City's municipal entities; this expansion will add an estimated R1-billion economic multiplier to the existing R1.5 billion already achieved
- Investigating the establishment of a Broadband Municipal Network for the City to be in place by 2010
- Strategic release of city-owned land for industrial and commercial development
- Attracted investments of more than R 30 billion in building and other infrastructure in the inner City of Cape Town, through partnership with business (Cape Town City Partnership).

#### Challenges

The local economy has shown positive growth in the gross domestic product and there are encouraging signs of decreasing unemployment figures. But despite increasing growth, the challenges of unemployment and a mismatch between the available skills and required skills pose an ongoing challenge. The City has not achieved the estimated GDP growth rate of 7% needed to generate enough jobs in order to reduce unemployment. The City must therefore work hard to provide an environment conducive to economic growth.

BOX/GRAPHIC

## Percentage of total procurement value dedicated to BEEs and SMMEs

- Annual target: 40%
- Actual performance: 49%

## Direct investment in Cape Town

- Annual target: > or = R2 billion
- Actual performance: R1.172 billion

## Number of direct sustainable jobs created through the Local Economic Development initiatives

- Annual target: > 7 000
- Actual performance: 13 229

**Theme 2:- Integrated Access and Mobility**Achievements

- Two statutory plans, the Public Transport Plan (PTP) 2006 -2011 and the Integrated Transport Plan (ITP) 2006 -2011, were approved by Council
- A Cape Town Public Transport Implementation Action was developed in terms of the requirements of the National Public Transport Strategy and the City's Integrated Development Plan
- The National Department of Transport has allocated R766 million from the Public Transport Infrastructure and Systems Fund (PTISF) to the City for the next three years, to invest in improvements in public transport, non-motorised transport, and transport supporting infrastructure, systems and services ahead of the 2010 World Cup
- A Transport Capital Investment Management System has been developed to co-ordinate and manage all transport projects.

Challenges

There is current fragmentation of roles and functions between the different spheres of government and other agencies, but in the meantime, traffic congestion is increasing, public transport is inefficient and not available to all parts of the city and it is difficult to change

between modes of transport. The location of the urban poor on marginal land far from places of economic opportunity and facilities (eg clinics and hospitals) reinforces the cost of transport for the poorest of the poor.

Improving public transport for the FIFA 2010 World Cup™ is therefore the City's priority, although the ultimate goal is to create a transport legacy that will serve Cape Town well into the future.

To improve and promote public transport, the City plans large-scale investment in public transport infrastructure and an implementation action plan for the City is in the final production stages. To reduce congestion, existing public transport priority lanes will be enforced and new ones introduced.

#### BOX/GRAPHIC

A single transport operational entity established

- Annual Target: completion of service delivery agreement for the Public Transport Operating Entity
- Actual performance: agreement drafted, not yet approved, legal opinion obtained

Km of roads rehabilitated and resealed

- Annual target: 70km resealed; 8km rehabilitated
- Actual performance: 24.8km resealed; 9.2km rehabilitated (delays in awarding of tender and dealing with appeals; lack of staff capacity, and early rainfall – new staff to be appointed)

### **Theme 3:- Integrated Human Settlements**

#### **Achievements\***

- 7 519 housing opportunities were completed
  - 2 892 fully serviced sites
  - 4290 houses built
- Ownership transferred to tenants of 196 rental units
- 337 land restitution claimants assisted
- An Informal Settlements Master Plan has been finalised

- The City has entered into agreements with banks and developers to deliver 'gap/affordable housing' to low-income families (focus on households with income between R 3 500-00 to R 7000-00 per month) Social housing delivery partnerships have also been formed with three social housing institutions
- Construction of the top structures for Manenberg Tornado Backyarders Housing Project (Phoenix) began in July 2007.

\*NOTE: Although the delivery of housing is not a core function/mandate of local government, the City of Cape Town is the housing agent for the Western Cape Provincial Government. The City has applied for housing accreditation, which will formally recognise the City's role in housing delivery and facilitate direct access to National housing funding.

### Challenges

The number of people living in informal settlements has grown (23 000 families in 1993 to 115 000 families in 2005), overcrowding has increased and household size has declined. These have contributed to an increasing housing backlog (from 150 000 in 1998 to approximately 300 000 in 2006). The housing backlog at mid 2007 is estimated at 350,000 households.

To deal with this backlog, an estimated 8 750 hectares of land is needed. The only way in which local government can meet this demand is to involve banks and developers, in order to deliver affordable housing in appropriate partnerships with the State.

The City's greatest constraint has been access to well-located land suitable for incremental housing development, as well as the high cost of land in Cape Town. It is therefore essential that large tracts of well-situated state-owned land are made available for affordable housing, such as Culemborg, Youngsfield and Ysterplaat.

The City was further limited by government subsidies, the legislative requirements relating to environmental impact assessments (EIAs) and planning approvals (in Nonkqubela) and political interference and community unrest (in Silverton).

BOX/GRAPHIC

Number of houses delivered based on government subsidy:

- Annual target: 4 225
- Actual performance: 4 290

Number of serviced sites provided

- Annual target: 4 110
- Actual performance: 2 892

**Theme 4:- Building Strong Communities****Health****Achievements**

- Over 10% of the City's adult population was tested for HIV through the City's GET TESTED campaign
- Distribution of 58 million condoms
- TB cure rate for new smear-positive TB cases improved to 79% in the last quarter – the best ever rate in the City
- Achieved an immunisation coverage of 99%
- Good progress with implementation of Air Quality Management Plan
- Development of the City's Operational Alcohol and Drug Rehabilitation Strategy.

**Challenges**

Due to the poor socio-economic and physical environment, large parts of Cape Town unfortunately still face chronic social problems, ranging from drug abuse and gangsterism to a high incidence of HIV and AIDS, sexually transmitted diseases (STDs) and tuberculosis (TB).

## BOX

## Percentage cure rate of new smear positive TB cases:

- Annual target: >71%
- Actual performance: 75%

## TB incidence (rate per 100 000 population)

- Annual target: reduce incidence to 980
- Actual performance: incidence reduced to 831

## Percentage of pregnant women HIV positive:

- Annual target: reduce percentage to <18.5%
- Actual performance: percentage reduced to 15.2%

## Monitoring and developing plans for reducing infant mortality rate over the next five years:

- Annual target: reduce to 21.28
- Actual performance: reduced to 21.40 deaths per 1 000 live births

Safety and SecurityAchievements

- Increase in the number of driving licence tests conducted, from 66 474 compared to 51 024 the previous year
- Waiting periods for drivers test appointments reduced significantly at most testing centres in the City
- Two new drivers' testing facilities were opened, in Philippi and in Khayelitsha.
- Increased enforcement of the City's by-laws
- Continued delivery of social crime prevention programmes
- Improved prosecution of drunken drivers
- CCTV network expanded by 27 to 232 cameras
- Establishment of Non-Ferrous Metal Theft Task Team to combat the increasing incidence of copper cable theft
- 15 new fire-fighting and rescue vehicles procured
- Establishment of a Municipal Disaster Risk Management Forum for strategic oversight of all disaster risk management activities

- Approval of a Disaster Risk Management Volunteer Policy
- A Macro Disaster Risk Assessment of the City has been undertaken

### Challenges

Crime threatens the wellbeing of residents and the City's ability to attract and retain investment. The City aims to improve its performance in traffic policing, by-law enforcement and general law enforcement, as well as expand its closed-circuit television (CCTV) network and improve its emergency responses to disasters such as floods and fire.

There remains a need to re-establish ground-level linkages between the Metro Police and the South African Police Services, although a major concern is the possibility that the Metro Police crime prevention arm may be incorporated with the South African Police Services.

### BOX/GRAPHIC

Percentage calls responded to within 14 minutes from receipt of emergency call-up to arrival at scene:

- Annual target: 78%
- Actual performance: 75.3% (because of discontinuance of overtime; 240 learner fire-fighters have since been recruited)

Expansion of CCTV network by increasing the number of working cameras

- Annual target: expand by 27
- Actual performance: 27

### Environment

#### Achievements

- Adoption of the Biodiversity Network (a network of sites that, if protected, will conserve a representative sample of the City's unique biodiversity and promote sustainable development)
- Initiation of a detailed mapping and classification of the City's wetlands
- A partnership with the Table Mountain Fund, the Friends of Rietvlei and the City of Cape Town resulted in the appointment of a manager for the Diep River Floodplain and the Parklands Fynbos Corridor; this is a flagship project as it is the first implemented and managed ecological corridor within the City

- Integration of an Environmental Impact Assessment process into the stadium design, financial analysis and technical feasibility studies of Green Point Stadium
- Detailed business plan for the Khayelitsha Air Pollution Strategy (KAPS) completed, and funding secured
- Completion of a review of Cape Town's Integrated Metropolitan Environmental Policy (IMEP)
- Proclamation of 953 ha of the Blaauwberg Conservation Area (BCA) as a formal Nature Reserve by the MEC
- Official opening of the False Bay Ecology Park (FBEP)
- Finalisation of five-year support for the City's shark spotting programme, and establishment of a Cape Town Shark Unit
- Expansion of the Youth Environmental School (YES) ad-hoc programme into a year-long programme
- Establishment of Green Goal 2010, to ensure that the planning and implementation of the 2010 World Cup is based on an environmentally sustainable footing
- The awarding of the Regional Secretariat of ICLEI Africa (Local Governments for Sustainability) to Cape Town
- Adoption of the City's Energy and Climate Change Strategy

### Challenges

Urbanisation, social and economic needs driving expansion and growth are increasing the pressure on Cape Town's unique natural assets. For the wellbeing of both current and future generations as well as to ensure that the City does not erode the very assets on which it is dependent, an environmentally sustainable future must be assured.

### BOX

Ensure that the minimum area-based targets as per the City's Biodiversity Network are protected.

- Annual target: 58% of total
- Actual performance: 26% (target not realistic and will be reviewed)

Percentage reduction in CO<sub>2</sub> emissions

- Annual target: 2.5% (target to achieve 10% reduction in levels by 2010)
- Actual performance: no data yet available



Percentage reduction in unconstrained water demand

- Annual target: 29%
- Actual performance: 25.5% (population and economic growth have impacted on the achievement of this indicator; new water demand programmes will now be implemented)

Percentage of airspace saved in relation to volume of waste disposed of

- Annual target: 14%
- Actual performance: 14.7%

## **Theme 5:- Equitable and Effective Service Delivery**

### **Achievements**

#### **Water and Sanitation**

- The elimination of the backlog in water provision, by achieving a density of less than 25 households per tap in informal settlements
- The completion and commissioning of the Berg River Water System
- The implementation and monitoring of a Water Demand Management and Conservation Strategy
- Delivery of 98 697 new water connections (compared to 43 539 the previous financial year)
- Delivery of 26 700 new sanitation connections (compared to 2 350 the previous financial year)
- All formal households are now serviced
- Achieved a service ratio for taps in informal settlements of 12.6 households per tap (12.6:1), better than the minimum standard of 25:1
- Eradication of the bucket system in formal households
- The conversion of bucket systems in informal households into modern sanitation systems: dry sanitation, anaerobic toilets and Enviro-loo
- All formal dwellings receive a door-to-door refuse collection service. Informal dwellings receive an integrated refuse collection service.

Solid Waste

- Delivery of 2 661 new solid waste connection points (to achieve a total of 83 042 service points)
- Recycling of 780 904 m<sup>3</sup> general waste

Electricity

- 13 568 new electricity connections

Challenges

It is the City's constitutional responsibility to provide services to residents, including water, sewerage, waste disposal and electricity. But while the city has almost doubled in geographic size over the past 20 years, the provision of new infrastructure has not kept up with this growth. Much of the city's older infrastructure is also in need of urgent replacement. Increased emphasis on maintenance is regarded as a priority.

During this financial year the City put in place an institutional framework that will ensure the effective investment in infrastructure maintenance, reduction of backlogs and new investment that is required to facilitate further economic growth. A campaign to attract technical skills, especially engineers and project managers to the City, was initiated.

Infrastructure and backlog elimination plans were developed that would see a budget increase of more than R 4 billion for the 2007/08 financial year.

The City's infrastructure plans indicate that significant funding will be required to address bulk infrastructure needs. Approximately R7.6 billion will be required over the 2005/06 to 2014/15 period to address water, sanitation and solid waste backlogs.

BOX

Percentage of households earning less than R1 100 per month with access to basic levels of water

- Annual target: 100%
- Actual performance: 100%

Percentage of households earning less than R1 100 per month with access to basic levels of sanitation

- Annual target: 86%
- Actual performance: 93.3%

Percentage of households earning less than R1 100 per month with access to basic levels of solid waste removal

- Annual target: 99%
- Actual performance: 99%

Percentage of households earning less than R1 100 per month with access to basic levels of electricity

- Annual target: 63%
- Actual performance: 66.64%

Ratio of informal households per tap

- Annual target: 17.4:1
- Actual performance: 12.6:1

Ratio of informal households per toilet

- Annual target: 7.5:1
- Actual performance: 7.9:1

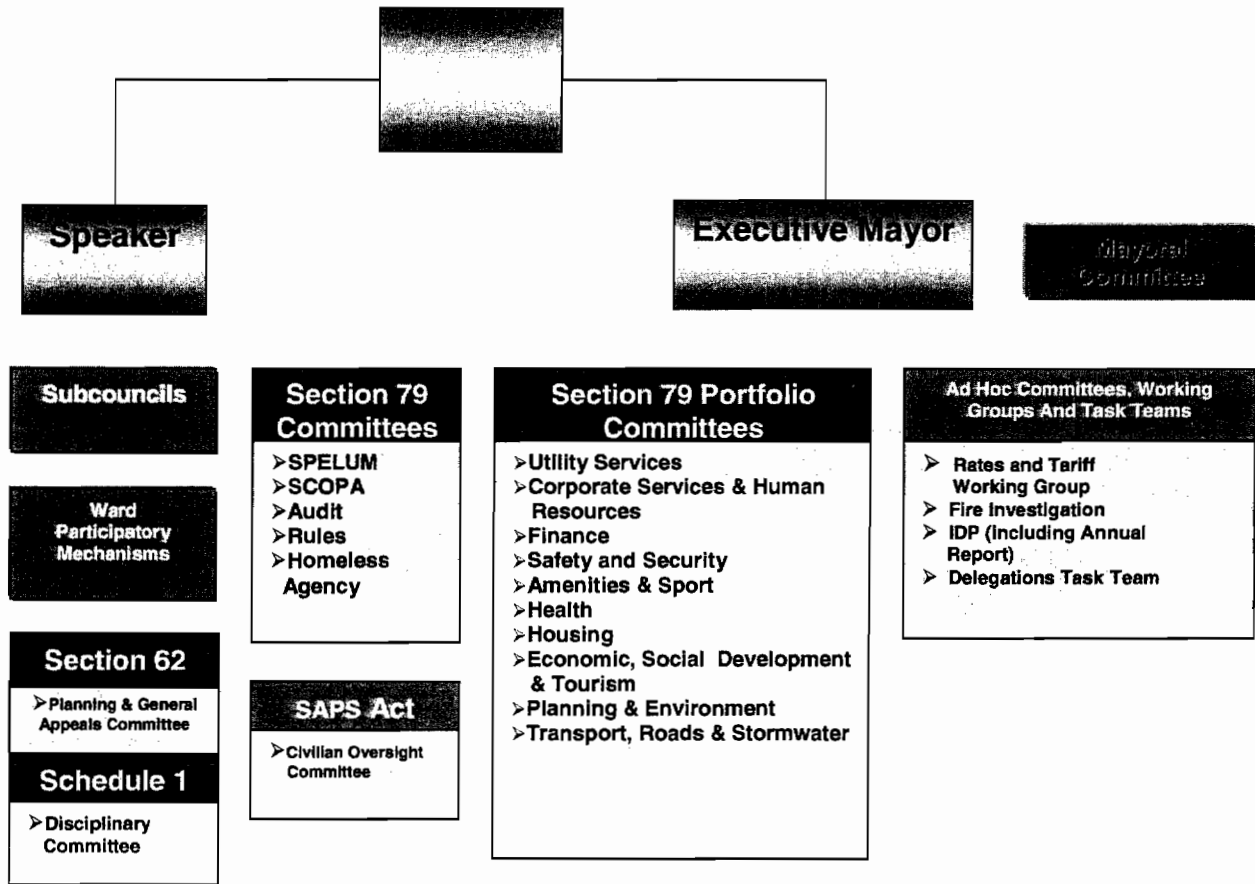
## **Theme 6: Enabling Institutional Framework**

### **Overview of City of Cape Town Governance**

After the election of a new Council in March 2005, the City opted for an executive Mayoral system with Section 79 Portfolio Committees and an 11- person Mayoral Committee (MAYCO). Provision was also made for sub-councils (23) and Ward Participatory Mechanisms. The City's Integrated Development Plan (IDP) was structured into strategic themes, each with identified objectives, interventions to action the themes and output targets (*For more information - see 06/07 IDP document – [www.capetown.gov.za](http://www.capetown.gov.za)*). These themes were used as a framework to direct budget, human and other resources. These themes are

1. Economic development and job creation
2. Integrated access and mobility
3. Integrated Human Settlements
4. Building strong communities

- 5. Equitable and effective service delivery
- 6. Enabling institutional framework.



**Mayoral Committee (MAYCO)**

Councillor / Alderman	Portfolios
Ald H Zille	Executive Mayor
Cllr C Williams	Executive Deputy Mayor
Cllr G Haskin	Amenities and Sport
Cllr S Grindrod	Economic, Social Development and Tourism
Cllr D Ximbi	Safety & Security
Cllr M Fienies	Health
Cllr E Thompson	Transport, Roads & Stormwater
Cllr M Niewoudt	Planning & Environment
Cllr D Plato	Housing
Cllr B Walker	Corporate Services & Human Resources
Cllr L Roelf	Utility Services
Cllr I Neilson	Finance

**Section 79 Portfolio Committees and Chairpersons**

<b>Committee</b>	<b>Chair</b>
Utility Services	Cllr C Justus
Corporate Services & Human Resources	Cllr S Pringle
Finance	Cllr I Iversen
Safety & Security	Cllr JP Smith
Amenities & Sport	Cllr G Cavanagh
Health	Cllr J Vos
Housing	Cllr N Ross
Economic, Social Development and Tourism	Cllr P Hill
Planning & Environment	Cllr B Watkyns
Transport, Roads & Stormwater	Cllr E Berry

**Human Resources restructuring and transformation**

The aim of the restructuring and transformation programme was to improve the efficiency of the City's administration in order to ensure delivery. This meant getting the right people – particularly engineers and project managers – to the right place in the organisation and improving the service culture and work ethic.

This process delivered:

- A City Manager and Executive Management Team aligned with the Mayoral Committee (MAYCO) Portfolio structure
- Placement of 21 500 employees into organisational structure with generic, comparable designations and job descriptions
- Foundation and framework for implementation of TASK job evaluation and full parity over the two years that follow
- Stabilisation of the City's skills base through:
  - Setting in motion a process for the filling of more than 200 critical vacancies in the fields of engineering, project management and technical services
  - Employment into permanent positions of more than 2 000 previously fixed-term contract employees
  - Conversion of labour-broker staff to permanent positions
  - Filling of acting positions
  - Basic parity based on common benchmark grades, salary scale and conditions of service.

During this financial year, the City also achieved:

- Closer alignment of staff and skills to business strategies through increasing skills and resources required to deliver on Capital expenditure projects and geographic relocation of employees to high priority areas
- Initiation of business improvement projects in key areas of the City, including Supply Chain Management and Fleet Management.

### **Performance Management**

The performance reporting in the City is in line with the required performance legislation, eg The Municipal Finance Management Act (MFMA) and the Municipal Systems Act (MSA).

The City's status with regard to the nine phases in performance management during the 2006/07 financial year was done in terms of the Municipal Systems Act requirements.

### **Achievements**

- Adoption of the City's Integrated Development Plan (IDP)
- Review of the Performance Management System (PMS), which uses the Balanced Scorecard methodology
- Development and implementation of key performance indicators (KPI)
- Setting of targets for key performance indicators
- Internal monitoring of performance
- Internal control of the Performance Management System
- Performance measurement and reporting
- Revision of City's performance.

### ***Financial health of the City***

#### **Achievements**

- CA-ratings upgraded the City's rating from A+long term/A1 short term to AA-long term/A1+ short term; this indicates a strong capacity to repay long-term liabilities and fulfil short-term obligations
- 96.83% of debt collected
- The spending of all National Municipal Infrastructure Grant (MIG) allocations

- The amendment of Supply Chain Management Policy to speed up delivery
- Opening up of tender processes to the public and the media
- Filling of critical posts
- Improved capital expenditure (76.79% compared to 71.4% the previous financial year, and 63.2% the financial year before). Capital expenditure incurred during the year amounted to R 1,983 billion
- Specialised sections set up to deal with the top 1 000 debtors
- Publication of Credit Control and Debt Collection By-law in the Provincial Gazette on 15 June 2006; this by-law empowers the City to carry out debt management actions in terms of its policies
- 4 300 residents registered on the City's Indigent Register to assist poor households
- R1,5 billion of the R4 billion debt (owed by residents for rates, services and housing rentals) was written off
- Increased proportion of contracts held by BEE concerns (from 42% to 52% in less than a year)
- The operating results for the year were very positive yielding an operating surplus of R 907 million and a net surplus of R 435 million after amounts appropriated in the statement of changes in net assets. The accumulated surplus increased from R 927 million to R1 358 million. Actual revenue in 2007 was approximately 10% higher and the expenditure approximately 2 % lower than in 2006
- The value of property, plant and equipment increased from R 8,644 billion to R 9,993 billion. The current year purchases were funded mostly from internal funds and grants and donations
- Reserves increased from R 994 million to R 1, 357 billion
- The 2006/07 financial year is the fourth consecutive year in which the City of Cape Town received an unqualified audit report from the Auditor- General.

### Challenges

Cape Town's development challenges cut across the responsibilities of all spheres of government and civil society. The City is committed to work, within its constitutional mandate, with other spheres of government to address these challenges.

The City also aims to improve governance by putting in place effective citizen participatory mechanisms.

However, roles and responsibilities between the different spheres of government with regard to certain functions (eg transport and crime prevention) are not always clear.

The City has raised the issue of unfunded mandates with the Provincial Government, but this issue remains unresolved. Between 2000 and 2004 the City spent over R2 billion (approximately R500 million per year) on unfunded services and initiatives, which do not resort under its responsibilities.

## **Governance**

### **Achievements**

- Extensive public participation campaign for IDP process, drawing in the full range of stakeholders including the public, business and state-owned enterprises
- The City of Cape Town and the Provincial Government held various meetings to share information on the needs, projects and plans of the different spheres of government
- Several meetings were held between the City of Cape Town, Transnet, Portnet, ACSA and Eskom as part of the City's spatial planning and infrastructure development process
- To facilitate the ongoing participation of local communities in civic matters, the City has established ward forums, which may consist of either sector-based representation or geographic-based representation or a combination of the two types in one ward. The registration period for interest groups wanting to be represented in ward forums closed on 14 August 2007.

### **Challenges**

Specific areas where the City is experiencing constraints and where the intergovernmental process could achieve improved delivery include:

facilitating the delivery of housing by:

- Increasing the supply of land for housing through the transfer of land from Province to the City as allowed for under the Housing Act of 1997
- Making available state-owned land for affordable housing, eg Culemborg, Youngsfield and Ysterplaat
- Provision of funding by the Department of Land Affairs to the City for the acquisition of land for housing
- Speeding up the processing and approval of subsidy applications
- Approving the City's Business Plan for Housing accreditation
- Obtaining EIA approvals



- Timeous annual subsidy confirmations.

Facilitating speedy development and investment in the City by:

- Reducing 'red tape' with respect to planning approvals and Environmental Impact Assessments applications, through, for example better alignment of the planning and budgeting processes and speedier transfer of funding
- Review of supply chain management regulations to facilitate implementation.

### BOX

Completion of re-alignment project

- Annual target: completion of phase 1 by March 2007
- Actual performance: Substantially completed

Number of community/ward participatory mechanisms

- Annual target: 100%
- Actual performance: 0 (ward forums only to be elected in October 2007)

Percentage implementation of the Performance Management System for Section 57 employees

- Annual target: 100%
- Actual performance: 100%

Maintain City's credit rating

- Annual target: A.1/A+
- Actual performance: A1+ / AA-

Percentage of City's Capital budget spent

- Annual target: 95%
- Actual performance: 76.66% (generally because of implementation capacities and tender award delays)

Percentage of City's operating budget spent

- Annual target: 95%
- Actual performance: 92% (lower than planned bulk purchases, etc)

## Key Programmes and Projects

### 2010 FIFA World Cup™

The 2010 FIFA World Cup™ will leave a positive legacy in both the City and the rest of the country with investment in transport, infrastructure, and a boost to socio-economic growth. For the City of Cape Town, hosting the event has provided the opportunity for a development legacy and to boost the City's status as a major international tourist destination.

The 2010 FIFA World Cup™ preparations was identified as one of the Mayor's key flagship projects in 2006/07 with a focus on transport and the identification and preparation of Cape Town's new stadium venue. The stadium will play host to a semi-final and nine other World Cup matches. An estimated R2.857 billion will be spent on building and preparing the new stadium.

#### Achievements

Submission of initial business plan to National Treasury, including the objectives, initiatives and budgets of 20 work streams associated with the event. These included safety and security, fan parks, health, economic development and tourism.

#### *Green Point 68 000-seater stadium*

- Timeous delivery n the City's obligations in respect of bulk and link infrastructure services in support of the stadium
- Timeous securing of the land required for the stadium and related facilities
- EIA completed and Record of Decision (ROD) by the Provincial Minister for Environment, Planning and Economic Development, rezoning process and approval of the building plans for the stadium. The ROD prescribes the height of the stadium, the size of the roof to mitigate noise pollution, parking and the number of seats post the event
- The approval of the stadium budget in March 2007; all governmental spheres contributed to the stadium budget of R2.857 billion
- Commencement of construction
- Public participation to discuss the long-term use of the stadium and the urban park after 2010.

Transport

- Identification of transport initiatives and infrastructure in support of the 2010 event
- Collective submissions by the City and the province approved for funding by the National Department of Transport
- Widening of the N2 freeway and the introduction of dedicated public transport lanes
- Participation in the development of the 2010 High Level Transport Operations Plan.

**Expanded Public Works Programme (EPWP)**

- 10 817 local, unemployed people have benefited from the programme since its inception
- 120 City officials received training in labour-intensive construction methods to strengthen the design, planning and implementation of the programme
- 26 Contractor Development (Vu'kuphile) Learnerships were in progress at the City during this financial year
- Partnerships with National and Provincial Government and other key stakeholders and role players were established to facilitate the rollout of the EPWP.

**The Presidential Urban Renewal Programme (URP)**

The Urban Renewal Programme in Khayelitsha anchor projects (CBD, Rail Extension, Housing Programme and HIV and AIDS programme) were rolled out during this financial year.

**Project Consolidate**

The City of Cape Town has aligned Project Consolidate with the Presidential Urban Renewal Programme (URP). The URP Unit was tasked to drive Project Consolidate through the line departments in partnership with other spheres of government and the beneficiary communities.

The City actively participates in monthly Project Consolidate monthly meetings co-ordinated by the province. The Provincial Department of Local Government and Housing has played an effective supporting role with regard to Project Consolidate.

**Achievements**

- Planning and designs completed for Remembrance Square
- 70% of households relocated in the Enkanini Relocation Project

- Planning and designs completed for the Ntlazane and Spine Roads Traffic Calming Project
- Completion of the Swartklip Sports Complex
- The construction of 1 845 housing units as part of the Eastridge and Tafelsig Housing Programme and the completion of the Lentegeur Public Interchange and Station Forecourt Upgrade.