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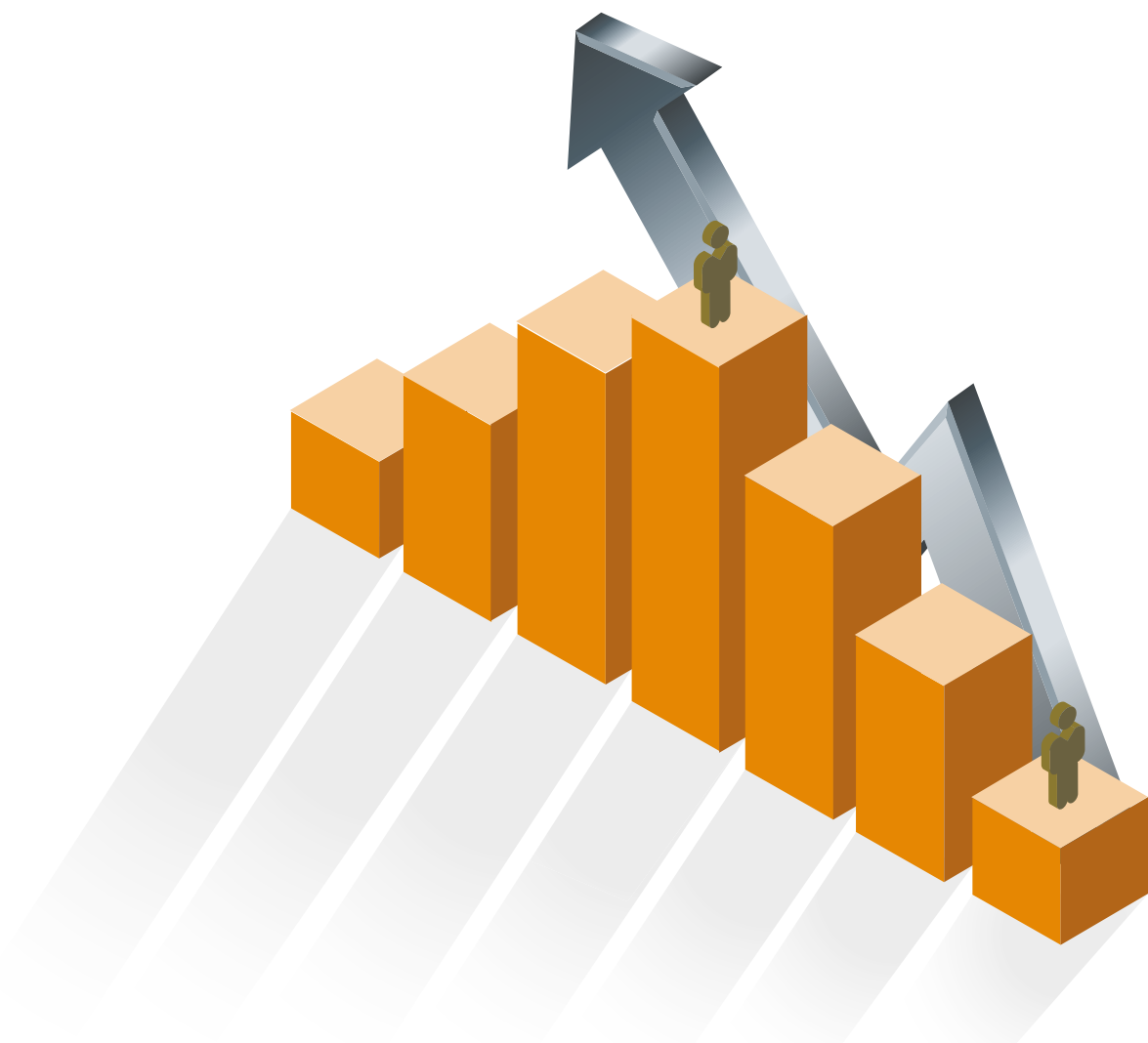
MISSION AND VISION

The South African Cities Network (SACN) is:

- An established network of South African cities and partners that encourages the exchange of information, experience and best practices on urban development and city management.
- An initiative of the Minister for Cooperative Governance and Traditional Affairs (CoGTA, formerly DPLG) and nine city municipalities, in partnership with the South African Local Government Association (SALGA).

The goals of the SACN are to:

- Promote good governance and management of South African cities.
- Analyse strategic challenges facing South African cities, particularly in the context of global economic integration and national development.
- Collect, collate, analyse, disseminate and apply the experience of large city government in a South African context.
- Promote a shared-learning partnership between different spheres of government to support the governance of South African cities.



MEMBERS AND PARTNERS

Members

- Buffalo City Metropolitan Municipality
- City of Cape Town Metropolitan Municipality
- City of Johannesburg Metropolitan Municipality
- City of Tshwane Metropolitan Municipality
- Ekurhuleni Metropolitan Municipality
- eThekweni Metropolitan Municipality
- Mangaung Metropolitan Municipality
- Msunduzi Local Municipality
- Nelson Mandela Bay Metropolitan Municipality

Partners

- Department of Cooperative Governance and Traditional Affairs (CoGTA)
- Department of Public Works
- Department of Transport
- Department of Human Settlements
- Department of Environmental Affairs
- South African Local Government Association (SALGA)

Secretariat

- Sithole Mbanga
- Yolisa Dambuza
- Letlhogonolo Dibe
- Sadhna Bhana
- Sandiswa Tshaka
- Geci Karuri-Sebina
- Stacey-Leigh Joseph
- Michael Kihato
- Thoko Vukea



BOARD OF DIRECTORS



CHAIRPERSON OF THE
SACN BOARD
MP Tau



SACN CHIEF EXECUTIVE
OFFICER
SMM Mbanga

SALGA



CX George

DEPARTMENT OF COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS



Y Carrim



T Fosi
(alternative)

DEPARTMENT OF HUMAN SETTLEMENTS



ZA Kota-Fredericks

DEPARTMENT OF PUBLIC WORKS



JP Cronin

DEPARTMENT OF TRANSPORT



MN Mokonyama
(alternative)

BUFFALO CITY MUNICIPALITY



ZC Ncitha

CITY OF CAPE TOWN



I Nielson



AE Ebrahim
(alternative)

CITY OF JOHANNESBURG



M Mokoena



T Fowler
(alternative)

CITY OF TSHWANE



J Ngobeni



K Ramokgopa
(alternative)

ETHEKWINI METROPOLITAN MUNICIPALITY



S Sithole



S Cele
(alternative)

EKURHULENI METROPOLITAN MUNICIPALITY



K Ngema



O Nkoane
(alternative)

MANGAUNG METROPOLITAN MUNICIPALITY



S Mazibuko



L Makhanya
(alternative)

MSUNDUZI LOCAL MUNICIPALITY



C Ndlela



M Nkosi
(alternative)

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY



N. Sihlwayi

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The current Board of Directors of the South African Cities Network (SACN) was appointed soon after the 2011 Local Government elections with the express mandate to build on the legacy of our predecessors, under the leadership of former Deputy Minister of Cooperative Governance and Traditional Affairs, the Honourable Yunis Carrim. In line with our mandate, we have since adopted a programme that comprises five pillars. Our shared objective is to transform the spatial inequalities and inefficiencies resulting from the apartheid-era administration and, thereby, shift the negative misperception associated with our municipalities and local government in general.



Municipal governance faces daily challenges that are compounded by the growing size of our population – a phenomenon popularly known as urbanisation, which is easily misunderstood and whose impact cannot, and should never, be ignored. In addition, our member municipalities need to grow the economic base from which both individuals and households make their lives worth living and businesses thrive.

Despite these unrelenting challenges, our strategic working relationship with the national departments of cooperative governance, environmental affairs, human settlements and transport is yielding positive results. Our joint endeavours will result in an Integrated Urban Development Framework (IUDF), a consensus-building policy instrument that begins to articulate how the principles of spatial transformation should be realised, thereby setting the tone and pace of urban development in our country. In addition, the IUDF will serve as a useful tool to implement the noble intentions and prescripts of the National Development Plan at local government level, creating a better life for all our citizens.



We are aware of national government's efforts to strengthen municipalities and, as the local sphere matures over time, we have a responsibility to sharpen our own skills, improve municipal capacity and align our expertise. Local government's ability to fully assume responsibility for sustainable human settlements is very important for creating effective citizen mobility and incentivising economic development through better land-use management. This implies that new rules of engagement will continue to be written and that local government is finally becoming the site of struggle for genuine people development.

At the helm of this transfiguration, in their quest for better and quality services, the question that local government must answer will relate to modernising municipal institutions, in other words, municipal human capital, technology and governance systems. The SACN undertook joint research with the Local Government Sector Education and Training Authority (LGSETA) on the effectiveness of current municipal work-skills planning, which will form the basis of our interaction with the LGSETA in the coming year. We are grateful to the LGSETA's cooperation in accelerating our research in matters of human development.

SACN member municipalities, in conjunction with secondary or intermediary municipalities, are partners for urban management in our country. Our development and growth is highly dependent on learning vertically and horizontally, from one another and from others. The SACN, whose creation was pivotal to attaining the objectives of the 1998 White Paper on Local Government, encourages the establishment of a complementary learning and knowledge-sharing platform, especially at district and local municipal level.

The SACN participated in the Metropolis Conference hosted by the City of Johannesburg Municipality in July 2013, at which world mayors and local government representatives gathered under the theme of Caring Cities. We will continue to participate in the other knowledge-sharing platforms that will be hosted by a number of partners, including the BRICS Cities Forum, C40 Cities, and United Cities and Local Governments of Africa (UCLGA).

As Chairperson of the Board, I would like to thank my fellow Board members for their guidance and support to me and the Secretariat in the governance and management of the affairs of the SACN. Further, I would like to express my sincere gratitude to the Secretariat for building a stimulating and conducive work environment.

I am pleased to present the audited 2012/2013 annual financial statements for public consumption. My hope is that our partners and the public will continue to support the SACN in its mandate to facilitate and encourage the exchange of information, knowledge, experiences and best practices on urban development and city development strategies.



Mpho Parks Tau

CHAIRMAN OF THE BOARD

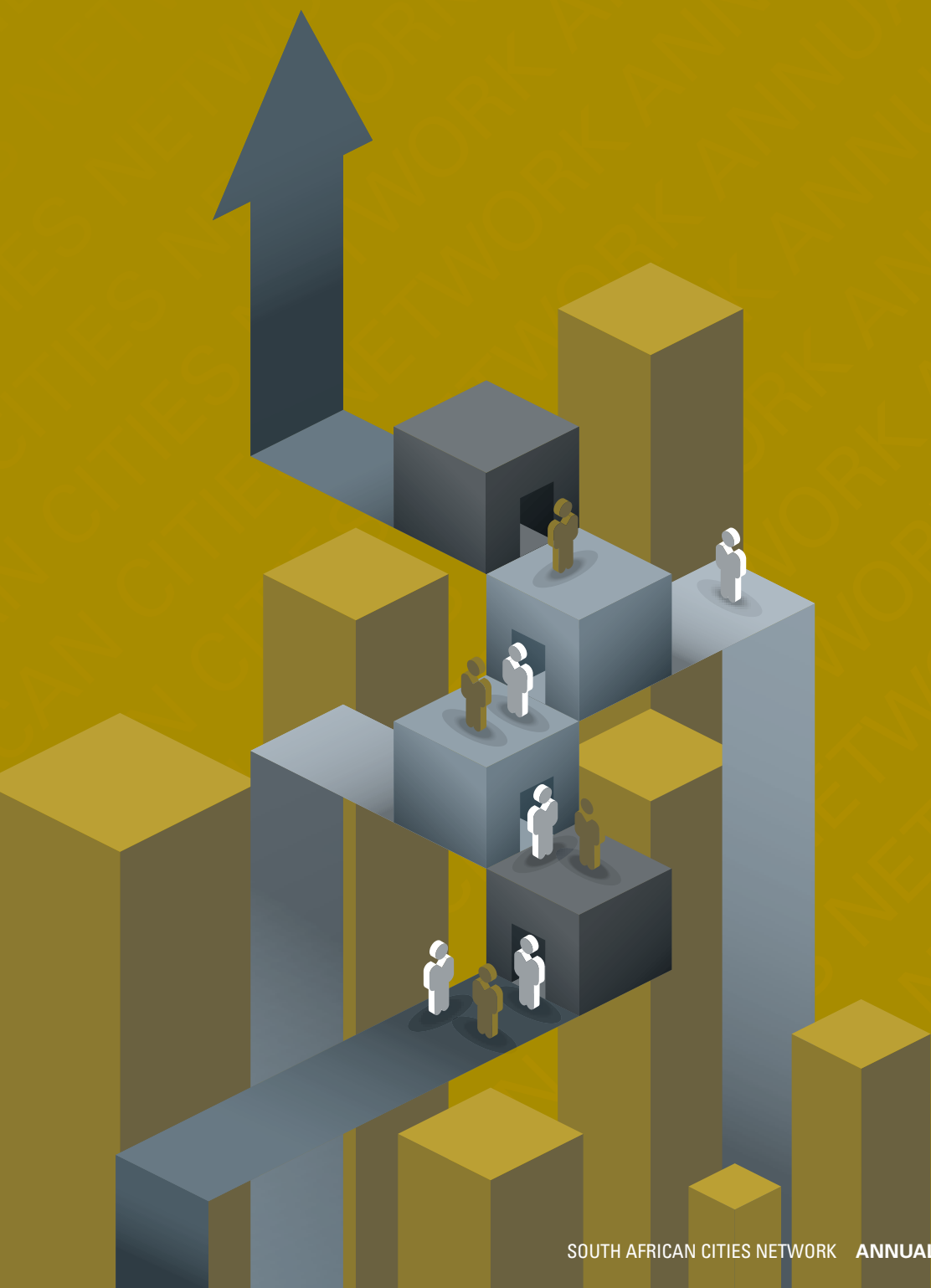
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THE CEO'S REPORT

In 2012/13, programme spending was double that of the previous year, which is considered a fair performance. Of course, there is room for improvement in budget expenditure. Some of the lessons from this year, which will form the basis of measures in the coming financial year (2013/14), include:



- Standardise, as far as possible, the implementation cycles and expenditure patterns of projects, to enable, for example, earlier intervention in projects that may not be on track. This will require programme managers to manage and report more precisely.
- Establish a quarterly budget adjustment cycle to reduce month-to-month volatility of budget appropriation at project level. This is expected to yield greater predictability through improved planning and accountability.
- Plan projects so that deliverables and outcomes dependent on external funding are separated from those with committed funding. This will reduce the risk of project expenditure being affected by co-funding arrangements that fall through (as happened in 2012/13).
- Take on additional staff members in key programme areas in order to provide the Secretariat with the necessary capacity to deliver on its ambitious plans. This intervention has been identified as necessary in previous reports and confirmed in the HR Review process.

TABLE 1 SACN expenditure summary since 2002/03

EXPENDITURE SUMMARY FOR THE SACN											
Audited Results											
R thousand	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Expenses											
Operational costs (including salaries)	1 713	3 079	3 584	3 500	3 372	3 651	4 909	4 422	4 652	6 154	8 316
Percentage	63	50	58	42	40	34	29	34	21	35	25
Programme costs	1 023	3 131	2 617	4 910	4 985	7 176	12 288	8 549	17 980	11 543	24 576
Percentage	37	50	42	58	60	66	71	66	79	65	75
Total expenses	2 736	6 210	6 201	8 410	8 357	10 827	17 197	12 971	22 632	17 697	32 892

This report considers the extent to which the SACN has met expectations by:

- Measuring outputs delivered against targets defined in the 2012/13 business plan;
- Considering the quality of outputs and outcomes achieved; and
- Reflecting on the lessons learnt and the way forward.

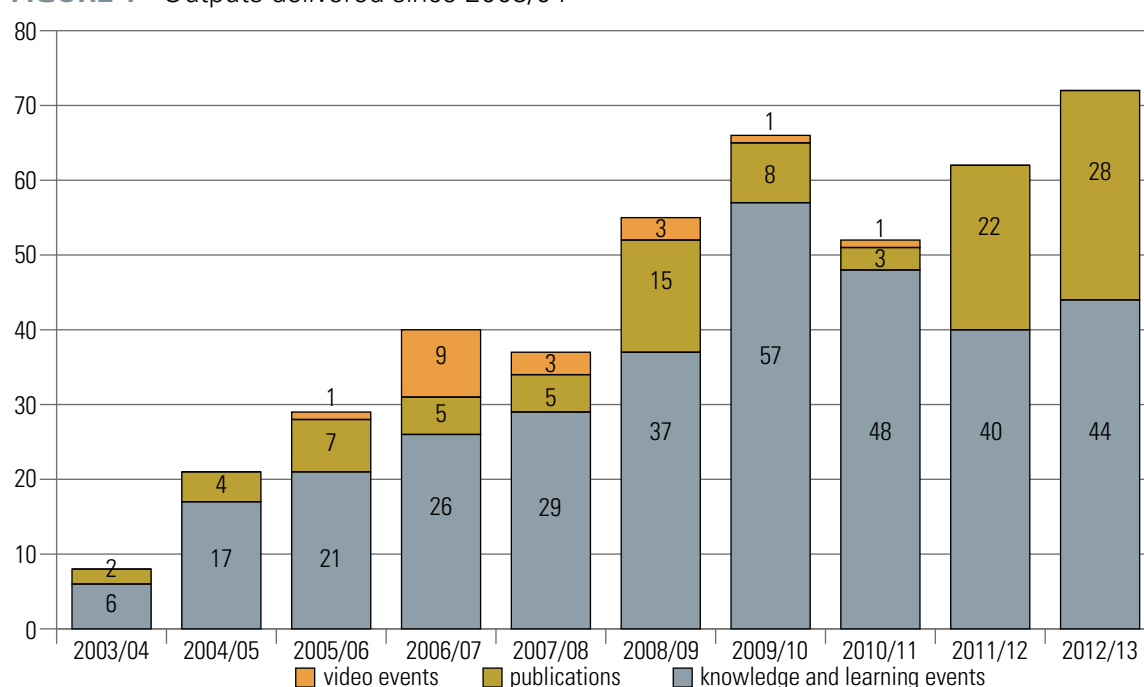
Performance against output targets

The SACN defines two primary categories of outputs: learning events (which are outputs of the knowledge dissemination function) and publications (which are outputs of the knowledge generation function).

Number of outputs

As Figure 1 illustrates, in 2012/13 the upward trend of the previous year continued, with an increase in the number of both publications and events. Knowledge and learning events increased by 10% (up to 44 events this year, compared to 40 last year), while publications were up by nearly 25%. This year saw the organisation achieve its highest number of publications (28) in its 10 years of existence.

FIGURE 1 Outputs delivered since 2003/04



However, as Table 2 shows, the outputs represented only 62% of the ambitious target of doubling output. To improve on target setting and delivery against those targets, the organisation is working on strengthening project planning and management, as well as increasing staff capacity.

TABLE 2 Summary of outputs delivered since 2003/04

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Number of knowledge exchange and networking events	6	17	21	26	29	37	57	48	40	44
Number of publications	2	4	7	5	5	15	8	3	22	28
Number of video records of events			1	9	3	3	5	1	0	0
Total number of outputs	8	21	29	40	37	55	70	52	62	72



CLIMATE CHANGE

The SACN continues to support its member cities in their endeavours to mitigate and adapt to the impact of climate change. The COP17 legacy has been sustained through the Local Government Programme for Climate Change (LGP4CC), which is a partnership between SALGA, the Department of Environmental Affairs and municipalities. During the course of this year, the LGP4CC collaborated with the Climate Technology Initiative Private Financing Advisory Network (CTI PFAN) to generate knowledge and exchange information on municipal climate change adaptation and mitigation projects in South Africa. The rationale for this collaboration was that:

- The LGP4CC had a plan of action to embark on a road-show to a number of municipalities between January and June 2013, in order to develop a database of climate change projects and to create awareness on climate change in general, while
- The CTI PFAN wanted to conduct seminars with Cape Town, Tshwane and Nelson Mandela Bay municipalities in the first quarter of 2013, to source projects on climate change adaptation that they could support.

This collaboration included jointly hosting a project-sourcing session in Tshwane in February 2013 and releasing a call for proposals of municipal climate change adaptation and mitigation projects that require funding.





WASTE MANAGEMENT

During 2012, the SACN established a Reference Group on Waste Management to report on and share information about waste management issues. The Reference Group comprises waste management practitioners from all the nine cities and from SALGA. Its main purpose is to be a platform for generating and disseminating knowledge, learning and sharing best practices and challenges, as well as lobbying national and provincial government on waste management issues at local government level. It met three times over the past year to share experiences and knowledge between the different spheres of government.



One of the projects initiated by the Reference Group was the preparation of a State of Waste Management in the Cities Report for 2013. This is a publication that aims to provide baseline data on waste management in cities in the years leading up to the next State of the Cities Report (2016). Together with the cities, a set of indicators (adapted from existing local government key performance indicators sources) was developed and populated, using a standard template. This initiative forms part of the SACN's South African Urban Indicators project to investigate a long-term plan for sustainable reporting of city performance. The State of Waste Management Report will be published in the next financial year.

Output analysis

Tables 3 and 4 list the learning events and publications that were completed during 2012/13.

TABLE 3 Learning events completed during 2012/13

NO	EVENT NAME	DATE	EVENT OBJECTIVE
1	India-Brazil-South Africa (IBSA) Video Conference	11-Jul-12	To allow experts from the three countries to exchange knowledge and experiences related to methodologies and/or monitoring and evaluation methods developed or being developed by their governments. The event enabled the experts to debate, seek to understand each other's methodologies and share solutions where applicable.
2	Infrastructure Dialogues – <i>Matching SIPS to skills: can our infrastructure programme better leverage our skills reality?</i>	02-Aug-12	To stimulate discussions and a sharing of different perspectives among senior government members, private sector and civil society stakeholders in the infrastructure sector.
3	IBSA Video Conference	13-Aug-12	To allow experts from the three countries to exchange knowledge and experiences related to methodologies and/or monitoring and evaluation methods developed or being developed by their governments. The event enabled the experts to debate, seek to understand each other's methodologies and share solutions where applicable.
4	State of South African Cities Regional Reports – Draft Review Workshop	22-Aug-12	To review the report that is intended to go beyond generalisations about the metros to explore the distinctive circumstances, institutions and policies of each city, with a view to identifying particular achievements and issues that warrant further attention.
5	Round Table on Planning Law Reform	22-Aug-12	To contribute to debate around planning law reform by bringing together officials and planners from various provinces and municipalities, representatives of the Portfolio Committee in Parliament, and the Department of Rural Development and Land Reform (DRDLR) to exchange ideas and build some common understanding on planning law reform. The Round Table was organised jointly by the Community Law Centre (UWC) the SACN, Urban Landmark and the DRDLR.
6	<i>State of City Finances 2012</i> – Writers Meeting	24-Aug-12	To discuss important emerging themes and content issues.
7	City Futures Workshop	27-Aug-12	To plan a collaborative project to develop participatory futuring methodology at community level, beginning with Johannesburg and Nelson Mandela Bay.
8	Knowledge Management Reference Group (KMRG) Meeting	30-Aug-12	To share cities' knowledge and experiences of knowledge management.
9	World Urban Forum – Sixth Session	01-Sep-12	To attend the UN Habitat World Urban Forum VI held in Naples, Italy.
10	South African Planning Institute (SAPI) Spatial Planning Africa 2012	17-Sep-12	To participate in the continent-wide conference for planners themed <i>Growth, democracy and inclusion: navigating contested futures</i> through a SACN information booth, as panellists in the programme's sessions and as collaborators for a book launch.
11	Joint Session of City Geo-Information System (GIS) Professionals with Spatial Planning and Land Use Management Forum	19-Sep-12	To provide a peer-learning platform whereby cities with relatively advanced GIS can provide information on their experiences and lessons. To reinforce the critical synergy between land-use planners and decision makers. To create a platform where land-use management professionals can interact. To launch, with the support of the City of Johannesburg, a forum for GIS practitioners.
12	Advisory Group on Waste Management	28-Sep-12	To provide an open-ended forum for waste management practitioners of the nine member cities.

continues ...

NO	EVENT NAME	DATE	EVENT OBJECTIVE
13	SACN Strategic Conversation and 10-year Celebration	04-Oct-12	To have an expanded dialogue session between South African city leadership and key stakeholders on issues of urban development and policy.
14	SACN Board Meeting – 1 of 2012/13	05-Oct-12	To report on progress made in achieving the organisation's annual objectives.
15	SACN/South African Property Owners Association (SAPOA) Interaction	05-Oct-12	To provide a leadership forum for SACN and SAPOA.
16	Waste Management Advisory Reference Group Meeting	09-Oct-12	To address all aspects of the waste management hierarchy, including elements such as planning, infrastructure, operational support, permits, monitoring and evaluation. The intention is to uplift and create linkages on initiatives/programmes that could contribute to sustainable job creation and economic development within the cities.
17	Infrastructure Dialogues – <i>Listening, reflecting, and acting</i>	17-Oct-12	To stimulate discussions and a sharing of different perspectives between senior government, private sector and civil society stakeholders in the infrastructure sector.
18	<i>State of City Finances 2012</i> – Workshop	06-Nov-12	To discuss content and progress of the chapters, and to update the city financials. Attendees included chief financial officers (CFOs) from the cities, specialists from private practice and the chapter authors.
19	Msunduzi CDS Reference Group Meeting	09-Nov-12	To assist the Msunduzi metro conceptualise and design its city development strategy (CDS).
20	Spatial Planning and Land Use Management Forum	22-Nov-12	To discuss the current zoning schemes being introduced in SACN member cities.
21	National Research Task Team (NRTT)	22-Nov-12	To analyse long-range development strategies and plans. The NRTT research team meets on a quarterly basis. It is made up of officials in the research units of provincial and local government as well as a number of housing institutions and partners.
22	Workshop on Urban LandMark Guide: Managing Urban Land – A Guide for Municipal Practitioners	22-Nov-12	To discuss capacity building using a guide for municipal planning practitioners.
23	KMRG Meeting	27-Nov-12	To share cities' knowledge and experiences of knowledge management.
24	Infrastructure Dialogues – <i>Municipal service delivery-improving quality and quantity: How do we square the circle?</i>	06-Dec-12	To stimulate discussions and a sharing of different perspectives between senior government, private sector and civil society stakeholders in the infrastructure sector.
25	Urban and Rural Interdependencies	16-Jan-13	To support the network by generating and disseminating knowledge about urban policy and development issues.
26	Knowledge Network Session	29-Jan-13	To reflect on the spatial transformation of the city, with the aim of interpreting what the call for spatial transformation of our cities could literally mean, in action, taking a long-range perspective.
27	Climate Change Adaptation	26-Feb-13	To launch CTI-PFAN's call for project proposals on climate change adaptation at a workshop for municipalities.
28	Expanded Public Works Programme (EPWP) Reference Group Meeting	28-Feb-13	To share lessons learnt.
29	Research Committee meeting on research – IMFO	07-Mar-13	
			<i>continues ...</i>

NO	EVENT NAME	DATE	EVENT OBJECTIVE
30	SA Cities Strategic Conversation	08-Mar-13	To update senior municipal leaders on current national developments that directly impact on urban municipalities. To provide senior leadership with an opportunity to debate with the national leadership, representatives of national and international development partners and other key stakeholders.
31	SACN Board Meeting – 2 of 2012/13	08-Mar-13	To report on progress made in achieving the organisation's annual objectives.
32	KMRG Meeting	13-Mar-13	To share cities' knowledge and experiences of knowledge management.
33	KMRG – MILE Master Class	13-Mar-13	To run a two-day learning exchange workshop on knowledge management in local government.
34	Infrastructure Dialogues – <i>The state of South Africa within the global economy: implications for infrastructure sector decision-making</i>	14-Mar-13	To stimulate discussions and a sharing of different perspectives between senior government, private sector and civil society stakeholders in the infrastructure sector.
35	United Cities and Local Government (UCLG) Intermediary Cities Learning Exchange	18-Mar-13	To provide an arena for engagement among researchers, policy developers and local government practitioners. To present and discuss new and on-going practices with a view to forging closer links between those involved in city learning.
36	The Space Economy – An Important Consideration in Spatial Development Planning	27-Mar-13	To explore from a state perspective its experience with interventions in the space economy, lessons learnt, aspirations and mechanisms for orienting and improving economic planning and the quality of outcomes.
37	Municipal Services Costs for Developing and Holding Land: A Municipal Right of Reply	30-Apr-13	To allow municipalities an opportunity to engage in and critique findings and to provide uniquely municipal insights into issues raised.
38	Strategic Discussion on Rural-Urban Interdependencies	20-May-13	To define a research agenda for the rural-urban interdependencies work-stream of the SACN Strategic Framework of 2016.
39	Stakeholder Consultation on Urban Indicators Project	22-May-13	To consult with stakeholders.
40	IBSA Working Group on Human Settlements (IBSA WGHS) Workshop	23-May-13	To bring together stakeholders active in education, policy and practice of informal settlement upgrading, with a focus on research, projects and partnerships between South African, Indian and/or Brazilian counterparts. This will further feed into the IBSA WGHS initiatives aimed at improving and sharing practices across the three countries.
41	Socio-political Instability Workshop	24-May-13	To explore current problems besetting our cities' performances and possible measures of socio-political instability in the cities: public demonstrations and protests, urban violence, migration and weak social accountability. To determine pertinent research questions.
42	EPWP Reference Group Meeting	11-Jun-13	To share lessons learnt.
43	KMRG Reference Group Meeting	12-Jun-13	To share cities' knowledge and experiences of knowledge management.
44	SACN Board Meeting – 3 of 2012/13	15-Jul-13	To report on progress made in achieving the organisation's annual objectives.

TABLE 4 Publications completed in 2012/13

NO	PUBLICATION	DATE	OBJECTIVE
1	Partnerships for Development: Bakubung-Ba-Ratheo and Wesizwe Platinum Case Study	Jul 2012	The Bakubung-Ba-Ratheo and Wesizwe Platinum case study is about a unique partnership between a local community and a mining company. This case study focuses on the partnership process so far, its key achievements and challenges. It provides a valuable opportunity to learn about how mining companies can work in new and more sustainable ways with local communities.
2	Infrastructure Dialogues: Skills Challenges – Can Our Infrastructure Programme Better Leverage Our Skills Reality?	Aug 2012	Government must harness short-, medium- and long-term skills development initiatives to support its current infrastructure programme and to ensure sustainable economic and social development. In addition, emphasis needs to be placed not only on maintaining existing and planned infrastructure but also on building new assets under the programme, which could involve expenditure of as much as R3.2 trillion over the next 10 years.
3	Report on a Round Table on Law Reform in Planning	Aug 2012	The year 2012 is likely to become the year of planning. A number of crucial legislative and reform processes pertaining to the planning sector are underway. These processes entail the drafting of law and reviewing of planning practice to determine how best to harmonise the planning roles of local, provincial and national government.
4	Managing Urban Land – A Guide for Municipal Practitioners	Aug 2012	The way urban land markets work has a profound impact on how poor households are able to access the jobs, amenities and services offered in the city. More expensive land is bought for higher value uses such as retail centres, office blocks and high density residential developments. Less expensive land, which is further from town centres, tends to be used for lower value uses such as low-income housing. This type of housing, delivered in large numbers through the government housing subsidy programme in South Africa, was initially built at low densities and on land that was vacant and available.
5	The South African Informal City	Sept 2012	Twenty projects on urban informality, which formed the basis of the exhibition, are arranged thematically in four categories: research, reflections and modelling; inner city informality; in-situ upgrading and integrated urban developments; and catalytic projects.
6	Perspective on Storm-water Drainage Issues in Low-Income Human Settlements	Sep 2012	A report on a four-day trip to gain first-hand experience of slum and housing environments, to meet and network with other peers/superiors in the field of housing, to participate in policy debate and to broaden the knowledge base of professionals from the different countries involved in the evolution of human settlements. In its eight sections, the report captures the places visited, the people met, the events that took place and the issues discussed.
7	Report on Conference on Slum Upgrading and Prevention Policy	Sep 2012	The conference was organised around seven thematic areas: legal and institutional framework and governance; infrastructure and services; housing and shelter; planning, development control and environment; land tenure and administration; safety and security; socioeconomic factors. Working groups and plenary sessions enabled the exchange of best practices.
8	Report on Visits to Mathare Valley and Kambi Moto in Huruma	Sep 2012	Kambi Moto and Mathare Valley are two settlements outside Nairobi that present completely different environments. Mathare is one of the oldest and worst slum areas in Nairobi. Approximately 600 000 people live in an area of three square miles, with most surviving on an income of less than one dollar per day. It provides shelter to house needy people. In contrast Kambi Moto reflects a sense of community and of belonging. Started in 2003, the Kambi Moto Housing Project (which is located in Huruma informal settlements) is considered a pioneer in community-led slum upgrading processes. To date nearly 200 housing units have been constructed.

continues ...

NO	PUBLICATION	DATE	OBJECTIVE
9	Report on The National Cooperative Housing Union (NACHU) Office and UNHabitat Office	Sep 2012	Formed in 1979, NACHU is an organisation of registered primary housing cooperatives that works to provide affordable and decent housing to Kenyans within low- and modest-income communities. It offers housing microfinance, capacity building and technical services. In 2011, more than 390 housing cooperatives from the seven regions of Kenya were registered with NACHU.
10	Affordable and Other Housing Markets in Buffalo City	Sep 2012	This report provides a profile of affordable and other housing markets in the Buffalo City Metropolitan Municipality.
11	Affordable and Other Housing Markets in Johannesburg	Sep 2012	This report provides a profile of affordable and other housing markets in the City of Johannesburg.
12	Affordable and Other Housing Markets in Ekurhuleni	Sep 2012	This report provides a profile of the affordable and other housing markets in the Ekurhuleni Metropolitan Municipality.
13	Affordable and Other Housing Markets in Cape Town	Sep 2012	This report provides a profile of the affordable and other housing markets in the Cape Town Metropolitan Municipality.
14	Affordable and Other Housing Markets in Nelson Mandela Bay	Sep 2012	This report provides a profile of the affordable and other housing markets in Nelson Mandela Bay Metropolitan Municipality.
15	Affordable and Other Housing Markets in eThekweni	Sep 2012	This report provides a profile of the affordable and other housing markets in the eThekweni Metropolitan Municipality.
16	Affordable and Other Housing Markets in Mangaung	Sep 2012	This report provides a profile of the affordable and other housing markets in the Mangaung Metropolitan Municipality.
17	Affordable and Other Housing Markets in Msunduzi	Sep 2012	This report provides a profile of affordable and other housing markets in the Msunduzi Metropolitan Municipality.
18	Affordable and Other Housing Markets in Nelson Mandela Bay	Sep 2012	This report provides a profile of the affordable and other housing markets in the Nelson Mandela Bay Metropolitan Municipality.
19	Celebrating 10 Years as a Learning Network of South Africa's Largest Cities	Oct 2012	In 2012, the South African Cities Network celebrated its 10-year anniversary as the established network of cities and partners that encourages the exchange of information, experience and best practices on urban development and city management in South Africa.
20	Listening, Reflecting and Acting: Seeking Lessons from our Infrastructure Sector Performances	Oct 2012	A comprehensive study identifying critical challenges and issues in implementing government's planned three-year, R800-billion infrastructure development programme. The 164-page study, commissioned by the Department of Performance Monitoring and Evaluation (DPME) in the Presidency and the Development Bank of Southern Africa (DBSA), formed the basis of discussion by public and private sector representatives at the 20th Infrastructure Dialogues.
21	Perspective on Diverging Approaches to Slum Upgrading	Oct 2012	This report is based on a field trip to Nairobi, Kenya, as part of the MBE Housing Course on Informal Settlement Upgrading and Management of Existing Housing Stock at the University of the Witwatersrand. The aim of the trip was to enable students to gain insight into informal settlement upgrading at an international level and to make contributions to a Slum Upgrading and Prevention Policy being conceptualised for the Kenyan Government. The field trip included visits to the informal settlements of Kibera and Mathare, meetings with NACHU and UN-Habitat, and a workshop hosted by the Pamoja Trust on the formulation of the Slum Upgrading and Prevention Policy of Kenya. The workshop included presentations that showcased how informal settlement upgrading is being tackled in different parts of the world.

continues ...

NO	PUBLICATION	DATE	OBJECTIVE
22	Perspective: Non-Conventional Management Practices between Landlords and Tenants	Oct 2012	This report is based on a field trip to Nairobi, Kenya, as part of the MBE Housing Course on Informal Settlement Upgrading and Management of Existing Housing Stock at the University of the Witwatersrand. The aim of the trip was to enable students to gain insight into informal settlement upgrading at an international level and to make contributions to a Slum Upgrading and Prevention Policy being conceptualised for the Kenyan Government. The field trip included visits to Kibera (considered the biggest slum in Africa), Huruma and Kambi Moto (an upgraded settlement), meetings with NACHU and UN-Habitat and participation at the conference organised by the Pamoja Trust on the formulation of the Slum Upgrading and Prevention Policy of Kenya. The workshop included presentations that showcased how informal settlement upgrading is being tackled in different parts of the world.
23	Slum Upgrading Initiatives and their Impact on Livelihoods	Oct 2012	This report is based on a field trip to Nairobi, Kenya. The report focuses on the housing provision initiatives that are currently being implemented by various role players, from the Ministry of Housing to NGOs, cooperatives and community initiatives. These include the Kenya Slum Upgrading Programme in Kibera, upgrading initiatives by Umande Trust in Kibera, Huruma tenements (a private rental housing initiative) and a community-based upgrading programme in Kambi Moto.
24	New Provincial Planning Legislation for South African Cities: Understanding and Learning from the Reform Process	Nov 2012	In 1994 one of the major problems facing the newly elected government was the distortion of urban space as a result of apartheid planning and development. KwaZulu-Natal (KZN) was one of the first provinces in the country to engage with the challenges presented by the fragmentation of the old order planning and related legislation. The experience of the KZN PDA was used to examine the implications and the lessons to be learnt from the introduction of provincial planning and development legislation across the country, focusing on the extent to which such legislation is able to contribute to spatial transformation. The study assesses the impact of the introduction of the Act on the spatial transformation of municipal spaces, the decision-making processes across the local and provincial sphere of government, and private and public sector development. Key lessons learnt are highlighted to form the basis of the legislative-formulation process in other provinces and key recommendations are provided for further consideration.
25	Municipal Service Delivery: Improving Quality and Quantity: How do We Square the Circle?	Dec 2012	Water and sanitation services are an example of the challenges to improving service delivery. While, significant progress has been made to reduce sanitation backlogs, these are in danger of being reversed because of a lack of maintenance of infrastructure and burgeoning informal settlements that require new infrastructure. Government's target of universal access to sanitation by 2014 is unlikely to be met, and an estimated investment of R50 billion is required to eliminate backlogs. In addition to new municipal service delivery models being developed by government and the DBSA, a number of ideas were proposed by Dialogue participants, including: greater involvement of the private sector in the planning of infrastructure; easing of regulations to enable municipalities to contract business services more effectively; using the 'negotiated outcomes' provision in the national human settlement upgrading programme to enable communities to set their own priorities and standards of the services they need; restoration of site and service schemes; and municipalities looking at different ways of funding services and their delivery.

continues ...

NO	PUBLICATION	DATE	OBJECTIVE
26	Social Dialogue Knowledge Network Session Report	Jan 2013	This report serves as a summary of the first in a series of knowledge-sharing sessions jointly held by the Department of Economic Development (EDD): National Social Dialogue and Strategic Frameworks Programme; and the SACN. The sessions are intended to contribute to a knowledge network by inviting a diverse set of perspectives to advise policy making and business planning. The subject of this first Social Dialogue session was the notion of spatial transformation in South African cities. It stimulated debate by exploring contested, competing and often contradictory notions/imaginings of the spatial transformation of our cities.
27	Capacity Building Through Knowledge Management: A Toolkit for South African Municipalities	Mar 2013	Municipalities with effective knowledge management (KM) systems are more competitive and better able to serve their citizens. This toolkit aims to build the KM capacities of South African municipalities, which play an essential role in the country's economy.
28	Compendium: Infrastructure Dialogues 2012	Mar 2013	The purpose of this Compendium is not to provide a detailed, extensive reflection on each of the Dialogues but rather to discuss certain key themes and issues that emerged during the year's deliberations, in the anticipation that the insights so provided will assist in constructively expediting the future delivery of infrastructure in South Africa. The Compendium concludes by reflecting on the need for much improved communication and engagement, as well as greater clarity on roles and responsibilities. It offers suggestions for improved participation, enhanced leadership, and deepening of private sector involvement.

The distribution of outputs by theme during 2012/13 is reflected in Table 5:

TABLE 5 Outputs by theme for 2012/13

	CDS	PRODUCTIVE	INCLUSIVE	WELL- GOVERNED	SUSTAINABLE	OTHER
No. of learning events	23	0	8	7	5	1
No. of video records of events	0	0	0	0	0	0
No. of publications	10	0	12	6	0	0
Total number of outputs	33	0	20	13	5	1

The majority (45%) of learning events predictably emerged from the CDS theme, which has tended to be a catch-all for a range of events including City Futures work, the KMRG and the CDS work in Msunduzi.

The high number of publications under the Inclusive Cities theme is attributable mainly to the release of a series of Training for Township Renewal (TTRI) products, as well as a range of affordable housing profiles and slum upgrade fieldtrip reports that were produced during the year.



INFRASTRUCTURE DIALOGUES STRENGTHEN AND GROW

Launched in 2009, the Infrastructure Dialogues are currently hosted through a partnership between the SACN, the Development Bank of Southern Africa (DBSA), the National Business Initiative (NBI), the Department of Performance Monitoring and Evaluation at the Presidency (Infrastructure Outcome), and Creamer Media's *Engineering News* (media partner).

The purpose of the Infrastructure Dialogues is to provide a high-level and regular platform for discussion and a sharing of views and perspectives on relevant topics between senior government representatives, the private sector and civil society stakeholders in the infrastructure sector. The desired outcome of the collective outputs of the Dialogues is an **improved climate for policy and decision-making**, and **strengthened cooperation within the infrastructure sector**.

To date, 21 Dialogues have been held, reports of which are published on the website www.infrastructuredialogues.co.za. Themes covered in the 2012/13 financial year were:

- *The state of South Africa within the global economy* – 14 March 2013
- *Municipal service delivery, improving quality and quantity: how do we square the circle?* – 06 December 2012
- *Listening, reflecting, and acting: seeking lessons from our infrastructure sector performances* – 17 October 2012
- *Skills challenges: can our infrastructure programme better leverage our skills reality?* – 02 August 2012

An innovation this year was the creation of a compendium of 'a year in Dialogue', which was published in *Engineering News* in May 2013. This initiative aims: i) to craft a compelling story about the South African infrastructure sector and stakeholder perspectives based upon the Dialogue series, and ii) to inform a broader audience about the Infrastructure Dialogues. The impact of this initiative has not yet been assessed, but clearly a far greater outreach was achieved through Creamer Media's circulation (12,500 copies distributed nationally) than the usual distribution through the SACN's website and mailing list.

Session evaluations indicate that the open nature of the Dialogues is appealing; the platform allows for discussion/networking among policy makers, practitioners and business people who do not always, in their day-to-day work, have the opportunity to share information. However, the approach also needs to evolve to sustain high-level engagement and relevance. For example, the SACN has noted declining attendance by local government stakeholders. These issues will be addressed in the Dialogues planned for the next year.

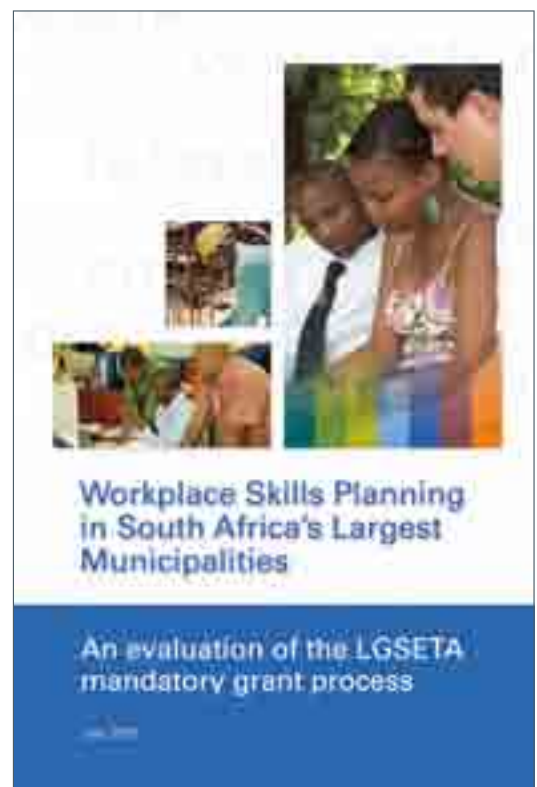


LGSETA HUMAN RESOURCES CAPACITY STUDY

This study evaluated how and to what extent SACN member cities are using Workplace Skills Plans (WSPs) and Annual Training Reports (ATRs) to plan, implement, monitor and evaluate, and measure the impact of skills development funded through mandatory grants.

According to the Local Government Municipal Systems Act (No. 32 of 2000), municipalities must develop their staff to a level that enables them to perform their functions effectively and efficiently, in compliance with legislation. Every municipality pays a skills development levy equal to 1% of its payroll, which is then allocated to the Local Government Sector Education and Training Authority (LGSETA). The LGSETA pays 50% of the levy back to municipalities as a mandatory grant after receiving their Workplace Skills Plans (WSPs). Over a four-year period, from 2007/08 to 2010/2011, the mandatory grants allocated to the nine SACN member cities almost doubled in value, from R63 million to more than R112 million.

The LGSETA identifies priority and non-priority training for municipalities. Broadly speaking, priority training relates to municipal key performance areas as well as Adult Basic Education (ABET) and workplace training systems. Training that does not contribute to improving municipal performance and effectiveness is considered non-priority. The annual evaluations suggest that the bulk of training in the local government sector is in non-priority areas (and so does not contribute substantially to improving municipal performance). The sector also appears to significantly under-spend skills development grants.





The LGSETA has not undertaken an extensive evaluation of its processes, outcomes and impacts since its establishment. This study served such a purpose. It was aimed at developing an understanding of how and to what extent SACN member cities are using WSPs and Annual Training Reports (ATRs) to plan, implement, monitor, and evaluate skills development. Ultimately, its aim was to enable LGSETA stakeholders to formulate strategies that will strengthen the impact of mandatory grants on local government skills development, thus enhancing the relationship between skills development and the cities' ability to fulfill their legislative mandate. Data was gathered and analysed in respect of:

- How and to what extent the nine SACN member cities align their skills development plans with their development priorities and objectives.
- The challenges experienced by these cities in implementing the WSPs effectively and efficiently.
- The management of, and accountability for, the mandatory grant allocations.
- Ways in which the cities monitor and report on WSP implementation.
- How these cities measure the relevance and impact of the skills development programmes funded by the mandatory grant.
- Ways in which the relationship between the LGSETA and the cities can be enhanced in order to improve the planning and implementation of mandatory grant-funded skills programmes.

The research found that some of the challenges facing cities included budgetary and capacity constraints, the lack of local service providers (outside of the larger cities), lengthy procurement lead times, and line managers who do not prioritise or see the benefits of training and developing their employees. For the larger cities, talent management is a challenge, as their staff are highly mobile and are also attractive to the private sector.

The report included recommendations related to the skills development legislative and policy framework, the LGSETA's relations with cities, city-level institutional arrangements and skills development strategies, the preparation and implementation of WSPs and ATRs, mandatory grant funding and expenditure management, monitoring and reporting, and impact evaluation.

The overall finding was that cities could do more to elevate the importance of skills development, which needs to be supported at executive level.



STATE OF KNOWLEDGE MANAGEMENT (KM) AND KM TOOLS IN THE CITIES

The Knowledge Management Reference Group (KMRG) was conceptualised in 2005 to promote a shared-learning partnership around knowledge management (KM) in member cities, in support of performance and good governance. In October 2007, reinforced by a strategic partnership between the SACN and SALGA, the formation was given new strategic direction. This was underpinned by the recognition that municipalities require deliberate knowledge-management capabilities so that they can benefit from their existing know-how, thereby enhancing their efficient and effective delivery performance. The KMRG has continued to meet quarterly, and is now recognised by the Provincial Legislatures' Knowledge Forum and CoGTA as an important means of convening city-based capabilities.

In March 2013, two publications were published: a guidance tool *Capacity Building through Knowledge Management: A Toolkit for South African Municipalities* and a more strategic overview *Knowledge Management in South African Cities 2013*. The publications came from a study that looked at how local government can build knowledge competences and improve institutional performance in order to contribute to the growth and development of South Africa's cities, towns and settlements. The study was financed by the LGSETA, which is mandated to 'develop a skilled and capable workforce supporting a responsive, accountable, efficient and effective local government system'.

Stronger KM support, alignment and commitment is needed in the cities. To embed knowledge and a learning culture in cities requires a **systemic approach to KM** and an appreciation of the role of KM in effective city governance, particularly in the context of high staff turnover and the traditional approach of departments that work in silos.

The SACN Board has an important role to play here in helping their organisations to recognise the value of KM.



THE COSTS OF DEVELOPING AND HOLDING LAND: A MUNICIPAL RIGHT OF REPLY

The cost-of-doing-business issue in municipalities is a recurrent one. It has regained prominence recently with the steep tariff increases in municipal services (driven largely by high energy costs) and tighter municipal revenues. The National Development Plan repeatedly addresses this issue, noting its effects on the cost of living for the poor, on small businesses and on the country's overall competitiveness.

The South African Property Owners Association (SAPOA) and the Gauteng Growth and Development Agency (GGDA) commissioned research to determine the costs of developing and holding property in 16 of the country's cities. The report, *Property Development: Comparison of Municipal Services Costs: REPORT 2013*, was distributed to the senior political leadership, including the mayors of the municipalities. It was discussed in a vigorous (and at times heated) debate at a session hosted by the SACN on 30 April in Johannesburg. The cities and the commissioners of the research agreed on the importance of the report but felt that the report needs to include more macro-policy issues and improve the context provided and the methodology used.

Together with cities and partners, the SACN will commission further research into the cost of doing business and the competitiveness of cities. This will help in assessing the viability of cities as investment destinations.

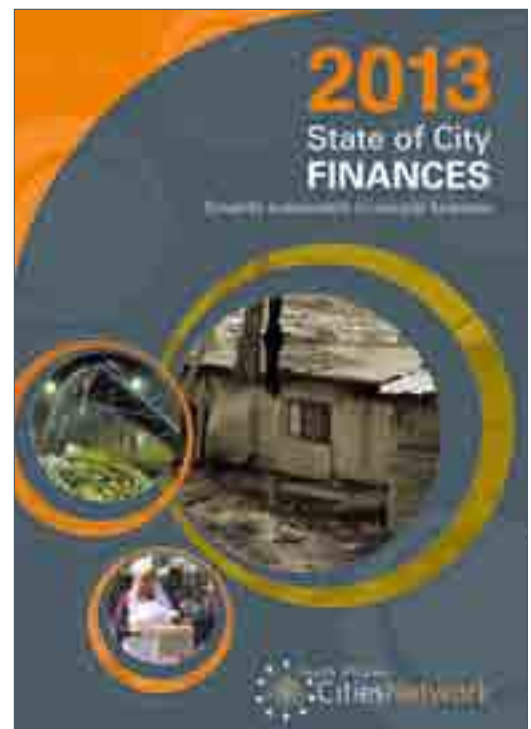




STATE OF CITY FINANCES REPORT 2013

For many years, the SACN has been monitoring the financial health of the country's nine largest cities. The previous edition (in 2011) told the story of cities that had just survived a considerable dip in their fortunes: in 2009 city economic growth rates fell sharply, as did many other important indicators of financial health. The 2010 World Cup and other spending may have spurred on infrastructure build but did not sufficiently buffer member cities from financial stress, such as real declines in own revenues, lower surpluses, and falls in cash and short-term investments. The theme of the 2011 publication was "resilient cities", showing that the cities had proved resilient in challenging global and national economic conditions.

The theme for 2013 was "sustainable municipal finances", as cities face growing populations and rising demands for services – the latest Census found cities to be the major recipients of immigration from rural areas and smaller towns. The *State of City Finances 2013* revealed that the city financial positions have improved but have not returned to pre-2009 levels. Collectively the cities had stronger cash positions and better audit outcomes for the 2011/2012 financial year. Five SACN member cities achieved unqualified audit opinions (with findings), and two (Nelson Mandela Bay and Buffalo City) received qualified opinions, compared to adverse opinions the previous year. Many of these improvements are being driven by pockets of excellence within the cities' financial management. After a short-term decline, cities are also beginning to spend more on infrastructure, a trend that should continue according to recent city budgets.





Many difficulties remain. SACN member cities have some way to go to achieve universally clean audit outcomes. Cities should use their money and report with greater effectiveness and transparency. In a number of metros, more accurate and complete billing is needed. Rising debt owed by both private households and government departments continues to hold back city operations. Tax payers are growing increasingly weary, as displayed by the stiff resistance from local businesses to a proposed municipal business tax, which was reported in the 2011 edition. Stability in political leadership has also been reemphasised as critical for city success.

This publication draws attention to a number of other equally important issues. One is the rapidly increasing tariffs for services, particularly electricity, which is outside the city's control but has an important influence on finances. Rising tariffs will be a stern test and one of the biggest challenges to city sustainability in the medium term. This is because of declining affordability and high indebtedness at household level. As the housing accreditation process unfolds, cities are also now taking centre stage in housing delivery. The developing practice around the green economy highlights a new and exciting frontier in city development thinking. It presents numerous opportunities – and challenges – to city finances.

Going forward, city financial sustainability means moving beyond being resilient, to a more proactive posture. Cities urgently need to work on getting the basics right. Equally, however, they need to explore and encourage greater innovation to deal with the new challenges and opportunities. The SACN will continue to report on these developments, and hopefully create a useful body of knowledge that assists our members to evolve going into the future.

Analysis of the quality of outputs

the quality of outputs is measured through a sample survey of the views of participants at learning events and by considering informal and anecdotal feedback received from partners and members.

During the end of the fourth quarter of 2012/13, the event survey was administered for the following events:

- Infrastructure Dialogues – *Matching SIPS to skills: can our infrastructure programme better leverage our skills reality?*
- Two KMRG Meetings
- SACN Strategic Conversation and 10-year Celebration
- Infrastructure Dialogues – *Listening, reflecting, and acting*
- Infrastructure Dialogues – *Municipal service delivery – improving quality and quantity: how do we square the circle?*
- Knowledge Network Session that reflected on the spatial transformation of the city.
- Two EPWP Reference Group Meetings
- Infrastructure Dialogues – *The state of South Africa within the global economy: implications for infrastructure sector decision-making*
- The Space Economy – An Important Consideration in Spatial Development Planning

FIGURE 2 Surveys completed for SACN learning events during 2012/13

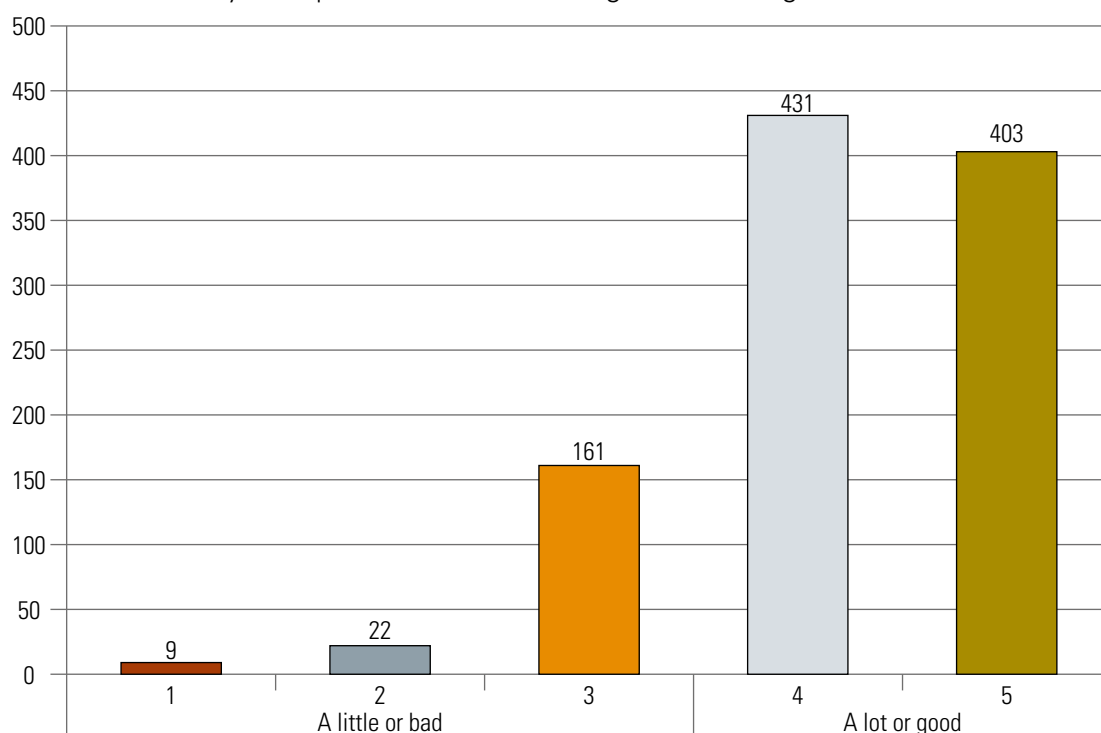


TABLE 6 Results of quality surveys completed for SACN learning events during 2012/13

QUESTIONS	SCORES				
	A LITTLE OR BAD		3	A LOT OR GOOD	
	1	2		4	5
Question 1: Did you learn something new today?	2	0	23	67	79
Question 2: Did the information you received inspire you to do something new or different in your work?	1	2	38	65	65
Question 3: Will the information you received help you to do your job better?	1	4	32	70	64
Question 4: Invitation quality score?	3	1	17	88	62
Question 5: Preparatory information quality score?	1	10	32	62	66
Question 6: Venue and catering quality score?	1	5	19	79	67
Total	9	22	161	431	403

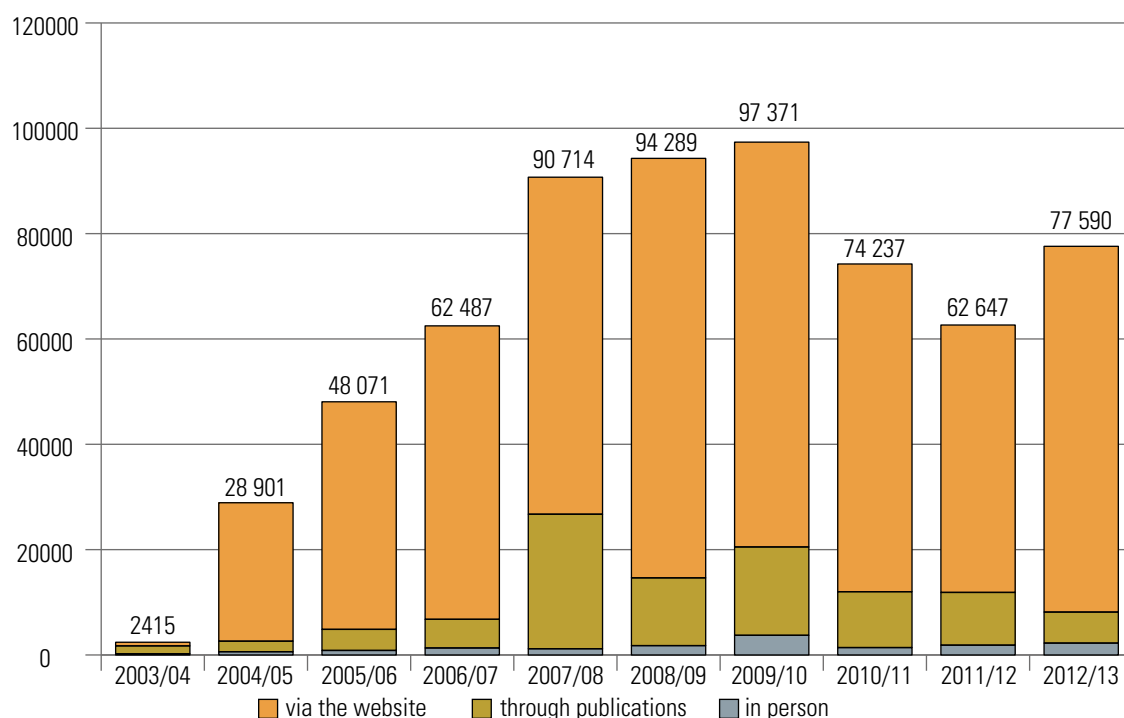
During 2012/2013, 1026 people completed the survey questionnaires. About 81% of all responses allocated 4/5 and 5/5, the two highest possible scores, in respect of six questions about the content and logistics related to the events.

Analysis of outcomes

Performance outcomes can be measured in terms of the number of people reached, the profile of people reached and networking outcomes.

Reach of knowledge dissemination strategies

The SACN's knowledge dissemination reaches people in person, through publications and through the website. In total, 77 590 people were reached during 2012/13. After dipping in the last two years, the SACN performance is well on track to resuming its past reach.

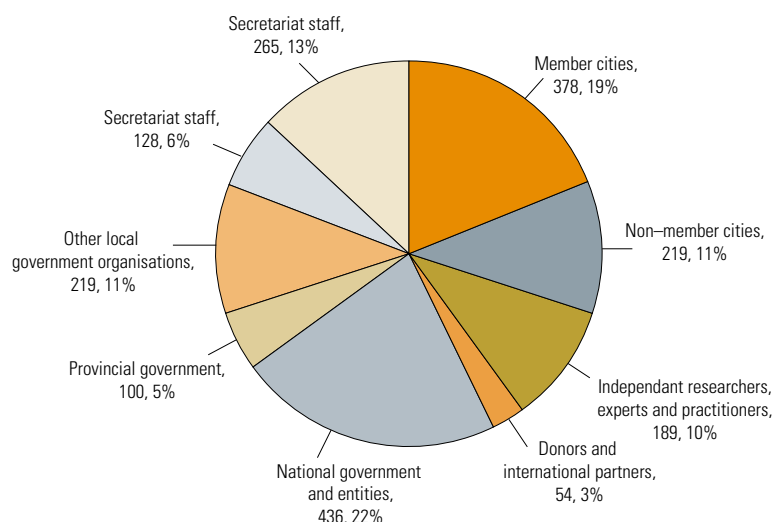
FIGURE 3 Number of people reached since 2003/04

The 44 learning events hosted in 2012/13 accounted for an estimated 308 hours of learning.

Profile of people reached through learning events

The participation mix at SACN learning events in 2012/2013 is shown in Figure 4.

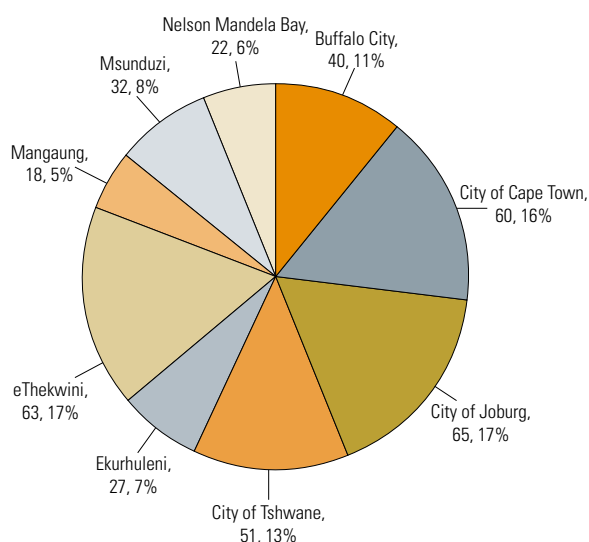
FIGURE 4 Breakdown of participants at SACN learning events during 2012/2013



National government continues to feature prominently, representing 22% of participants, while the number of non-member cities attending Node events has increased. This is most likely the result of the SACN working closely with the national departments of housing and human settlements, cooperative governance and Treasury during this year, a trend that is envisaged to continue. While member cities continue to take advantage of the learning options offered by the SACN, a specific concern has been raised around the low level of participation by member cities (and the local government sector in general) at learning events such as the Infrastructure Dialogues. Some events seem to attract more national government participants and private sector consultants but fewer local stakeholders. The SACN is looking at why this is the case and how the intended primary beneficiaries are being targeted (through outreach and content design) and are gaining value.

The level of participation by the member cities in the SACN learning events is shown in Figure 5.

FIGURE 5 Breakdown of participants by member cities at learning events during 2012/2013



Although the larger cities continue to dominate, which may be predictable given where the events take place (see Table 7), all member cities participated in at least one event during the year. This is encouraging and shows that the SACN retains some level of relevance and appeal to all the member cities, irrespective of location and size.

TABLE 7 Location of learning events in 2012/2013

CITY	TOTAL EVENTS
Buffalo City	2
City of Cape Town	7
City of Joburg	18
City of Tshwane	6
Ekurhuleni	4
eThekweni	6
International	1
Msunduzi	1
Total	45

Table 7 shows a good, though not necessarily even, spread of event locations across the provinces and our member cities. Several Reference Groups make a particular point of rotating their meetings between member cities.



Learning and policy impacts

Some of the policy and learning impacts that emerged from the SACN activities this year were:

- The completion of a high-impact State of City Finances report, which was launched to much acclaim and media attention in July 2013.
- The KMRG completed and published a survey of the status of knowledge management in cities and engaged with CoGTA and the Provincial Legislatures about how they can learn from cities' knowledge management practices.

- The Infrastructure Dialogues continued to engage sector leaders in direct debate and exchange. The release of an eight-page annual compendium through the *Engineering News*, which has a circulation of over 100 000 subscribers, was the first large-scale dissemination of the Dialogues content and is expected to boost the role of the platform.
- The Social Dialogues, hosted in partnership with the Economic Development Department, have been an important means of convening a broad base of spatial planners, practitioners and thinkers to engage more systematically in concrete conversation and analysis about South Africa's spatial agenda.
- The SACN continues to support its member cities in their endeavours to mitigate and adapt to climate change impacts. The activities performed under the LGP4CC collaboration (the Local Government Programme on Climate Change is a partnership programme between SALGA, the Department of Environmental Affairs and other municipalities) included jointly hosting a municipal projects sourcing session in Tshwane in February 2013 and releasing a call for proposals for municipal climate change adaptation and mitigation projects requiring funding.
- The SACN established a new Reference Group on Waste Management, which comprises waste management practitioners from all the nine cities and SALGA. The main purpose of the Reference Group is to be a platform for knowledge generation, dissemination, learning and sharing of best practices and challenges, and to lobby national and provincial government on waste management issues at local government level.

Important action items for the next financial year

The SACN will be dealing with a number of important projects and programmes in the new financial year. As mentioned in the introduction, the following measures have been specifically proposed:

- Standardisation (as far as possible) of the implementation cycles and expenditure patterns of projects, to be able to identify patterns and intervene earlier, e.g. in projects that may not be on track. Programme managers will be required to manage and report more precisely.
- Establishment of a quarterly budget adjustment cycle in order to reduce month-to-month volatility of budget allocation at project level. The expected result will be greater predictability through improved planning and accountability.
- Planning clear project deliverables and outcomes that are independent from committed funding, so that delivery is not subject to external factors. This will reduce the risk of project expenditure being affected by co-funding arrangements that fall through.
- Employing additional staff members in key programme areas. This will increase the Secretariat's capacity and enable it to deliver on its ambitious plans.

ANNUAL FINANCIAL STATEMENTS

ABOUT SACN

CHAIRPERSON'S REPORT

CHIEF EXECUTIVE
OFFICER'S REPORT

ANNUAL FINANCIAL
STATEMENTS

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

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The following schedule has been attached for information purposes only and does not form part of the audited financial statements.

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Certificate by secretary

I confirm that South African Cities Network has complied with all its statutory requirements.



Yolisa Dambuza
COMPANY SECRETARY

Financial statements prepared by:



Yolisa Dambuza
FINANCIAL ACCOUNTANT

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

Directors' Responsibilities and Approval

The directors are required by the Companies Act 71 of 2008, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.


The directors have reviewed the company's cash flow forecast for the year to 30 June 2014 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on pages 38 & 39.

The annual financial statements set out on pages 42 to 60, which have been prepared on the going concern basis, were approved by the board of directors on 15 October 2013 and were signed on its behalf by:



Mpho Parks Tau
CHAIRPERSON



Mr SM Mbanga
CHIEF EXECUTIVE OFFICER

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

Independent Auditors Report

To the members of South African Cities Network (NPC)

We have audited the financial statements of South African Cities Network (NPC) set out on pages 42 to 60, which comprise the statement of financial position as at 30 June 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and the requirements of the Companies Act 71 of 2008, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of South African Cities Network (NPC) at 30 June 2013, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act 71 of 2008.

Emphasis of Matter

Without qualifying our opinion, we draw attention to the fact that this organisation, in common with many other of similar size and organisation, derives income from voluntary donations which cannot be fully controlled until they are entered in the accounting records, and are not therefore susceptible to independent audit verification.

Accordingly, it was impracticable for us to extend our examination beyond the receipts actually recorded.

The company has not complied with the sections of the Value Added Tax (VAT) Act for the period 01 June 2006 to date. The company is not yet registered for VAT and did not declare and pay any output VAT to the South African Revenue Service (SARS). In 2011 the company obtained an instruction from SARS to register for VAT and declare and pay over VAT. The company completed their application process in terms of registering for VAT and is currently waiting for the outcome of the application from SARS. The VAT liability reflected in the statement of financial position includes the calculated VAT amount (capital) and the calculated penalties and interest. Refer to the VAT liability disclosed in note 23 to the financial statements.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 30 June 2013, we have read the directors' report for the purpose of identifying whether there are material inconsistencies between the report and the audited financial statements. The report is the responsibility of the respective preparers. Based on reading the report we have not identified material inconsistencies between the report and the audited financial statements. However, we have not audited the report and accordingly do not express a conclusion on the report.

Supplementary Information

Without qualifying our opinion, we draw your attention to the fact that the supplementary information set out on pages 61 to 63 does not form part of the annual financial statements and is presented as additional information. We have not audited this information and accordingly do not express an opinion thereon.



JPC van Zyl
PARTNER
REGISTERED AUDITOR

30 June 2014

221 Garsfontein Road
Summit Place Office Park, Building 4
Pretoria, Gauteng

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

Report of the Directors

The directors have pleasure in submitting their report on the financial statements of South African Cities Networks NPC (SACN) for the year ended 30 June 2013.

1. Main Business and Operations

The South African Cities Network was established in 2002 by the South African Minister for the Department of Cooperative Governance and Traditional Affairs (former Department of Provincial and Local Government) in collaboration with the mayors of South Africa's largest cities and the South African Local Government Association (SALGA), as a non-profit company, with the mandate to:

- promote good governance and management in South African cities
- Analyse strategic challenges facing South African cities, particularly in the context of global economic integration and national development challenges
- Collect, collate, analyse, assess, disseminate, and apply the experience of large city government in a South African context, and
- Promote shared learning partnerships between different spheres of government to support the management of South African Cities

General Overview

The SACN is a not-for-profit voluntary membership organisation. In order to achieve its objectives, the SACN works with a broad range of organisations including national and provincial government, private sector organisations, universities and research institutes, regional and global networks dealing with city and urban issues and other non-governmental organisations.

2. Financial Results

The net surplus of the South African Cities Network NPC was R 1 357 920 (2012: R1 563 316 surplus).

During the year under review, the company acquired equipment to the value of R 65 543 (2012: R 44 895).

3. Going concern

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. Other than the pending SARS matter described in note 23 to the annual financial statements, the directors are not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

4. Events after reporting period

The directors are not aware of any event which occurred after the reporting date and up to the date of this report.

5. Company Secretary Statement

I hereby certify that the South African Cities Network has complied with all its statutory requirements.

BOARD MEMBERS	APPOINTMENT / RESIGNATION DATE	ALTERNATE DIRECTORS	APPOINTMENT / RESIGNATION DATE	DESIGNATION / AFFILIATION
MP Tau				Chairperson
SMM Mbanga				Chief Executive Officer
Y Carrim		T Fosi		CoGTA
C X George				SALGA
		M N Mokonyama		Department of Transport
J P Cronin				Department of Public Works
Z A Kota-Fredericks				Department of Human Settlements
S Sithole		S Cele		eThekweni Metropolitan Municipality
J Ngobeni		M Boshielo	June 2013 (resigned)	City of Tshwane
		K Ramokgopa	June 2013 (appointed)	City of Tshwane
K Ngema		O Nkoane		Ekurhuleni Metropolitan Municipality
S Mazibuko		L Makhanya		Mangaung Municipality
I Tsatsire	March 2013 (resigned)	N Sihlwayi		Nelson Mandela Bay Metropolitan Municipality
Z C Ncitha	10 March 2012			Buffalo City Municipality
M Mokoena		T Fowler		City of Johannesburg
I Nielson		A E Abraham		City of Cape Town
C Ndlela		M Nkosi		Msunduzi Municipality
Secretary Secretarial services are performed by Yolisa Dambuza.		Auditors SizweNtsalubaGobodo Inc. 221 Garsfontein Road Summit Place Office Park, Building 4 Pretoria, Gauteng Telephone: +27 (0) 86 117 6782 Facsimile: +27 (0) 12 460 1277 <i>SizweNtsalubaGobodo Inc. will continue in office in accordance with section 90 of the Companies Act.</i>		
Physical address and registered offices Joburg Metro Building 158 Loveday Street Braamfontein Johannesburg		Postal address P.O.Box 32160 Braamfontein 2017		

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

Statement of financial position

	Notes	2013 R	2012 R
Assets		17,606,544	7,956,190
Non current assets		87,641	67,332
Equipment	4	87,641	67,332
Current assets		17,518,903	7,888,857
Trade and other receivables	5	17,522	17,522
Accrued income	6	12,050,255	557,303
Cash and cash equivalents	7	5,451,125	7,314,031
Total assets		17,606,544	7,956,190
Reserves and liabilities		17,606,544	7,956,189
Reserves		2,891,932	1,534,012
Accumulated funds		2,891,932	1,534,012
Current liabilities		14,714,614	6,422,177
Trade and other payables	8	6,831,700	705,699
VAT	23	5,284,799	4,452,589
Deferred grant income	9	2,598,114	1,263,889
Total reserves and liabilities		17,606,544	7,956,190

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

Statement of comprehensive income

	Notes	2013 R	2012 R
Income		34,059,824	19,260,165
Grants	10	28,443,060	13,179,853
Interest received	13	293,585	282,790
Subscriptions received	11	4,774,844	4,340,768
Other income	12	548,335	1,456,754
Expenditure		32,701,904	17,696,849
Secretariat Costs		7,734,320	6,153,902
Networking and Strategic Input		500,689	109,750
Information Technology		149,894	137,090
Knowledge Management and Communications		571,507	405,316
City Development Strategies		18,919,447	4,457,134
Productive Cities		484,131	107,013
Inclusive Cities		806,881	211,935
Sustainable Cities		987,123	5,947,320
Well Governed Cities		2,547,912	167,390
Surplus / (deficit) for the year		1,357,920	1,563,316
Other comprehensive Income / (Deficit)		—	—
Total comprehensive income / (deficit)		1,357,920	1,563,316

ABOUT SACN

CHAIRPERSON'S REPORT

CHIEF EXECUTIVE
OFFICER'S REPORT

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ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

Statement of changes in equity

	Total accumulated funds R
Balance as at 01 July 2011	(29,304)
Surplus for the year	1,563,316
Opening balance as 01 July 2012	1,534,012
Surplus for the year	1,357,920
Balance at 30 June 2013	2,891,932

Statement of cash flows

	Note	2013 R	2012 R
Cash flows from operating activities			
Cash received from funders and subscribers		22,273,287	18,870,865
Cash paid to programmes, suppliers and employees		(24,362,736)	(21,606,072)
Cash generated from operations	14	(2,089,449)	(2,735,207)
Interest received	13	293,585	282,790
Net Cash inflows from operating activities		(1,795,864)	(2,452,417)
Cash flows utilised in investing activities		(67,042)	(35,760)
Purchase of equipment	4	(65,543)	(44,895)
Proceeds from disposal of assets		(1,500)	9,135
Total cash movement for the year		(1,862,906)	(2,488,177)
Cash at the beginning of the year		7,314,031	9,802,207
Total cash at end of year	7	5,451,125	7,314,031

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently in all material respects.

1. Presentation of annual financial statements

The annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008. The annual financial statements have been prepared on the historical cost basis and incorporate the principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with the previous period.

1.1 Accounting convention

The company is registered under the Companies Act 71 of 2008, as a non profit company and as such no part of its income or property shall be transferred to members, directly or indirectly. All reserves of the company are consequently non-distributable.

1.2 Significant judgements

In preparing the annual financial statements, management is required to make estimates and assumptions that effect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

There are no significant judgements and estimates made by management other those disclosed.

1.3 Equipment

The cost of an asset is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the company; and
- the cost of the item can be measured reliably.

Costs include costs incurred initially to acquire or construct an item of tangible assets and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of tangible assets, the carrying amount of the replaced part is derecognised.

Assets are carried at cost less accumulated depreciation and any impairment losses.

Depreciation is provided on all assets to write down the cost, less residual value, by equal instalments over their useful lives as follows:

ITEM	USEFUL LIFE
Computer equipment	3 years
Furniture and fittings	5 years
Office equipment	5 years

The depreciation charge for each period is recognised in profit or loss, unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognising of an item of property, plant and equipment is included in the equipment fund when the item is derecognised. The gain or loss arising from the derecognising of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.4 Financial instruments

1.4.1 Classification

The company classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities measured at amortised cost

1.4.2 Initial recognition

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised on the company's balance sheet when the company becomes party to the contractual provisions of the instruments.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

1.4.3 Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest rate method.

1.4.4 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

1.5 Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss.

1.6 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

1.7 Impairment of assets

The company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.8 Trade and other payables

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

1.9 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. Leases are classified as either operating or finance leases at the inception of the lease.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. This liability is not discounted.

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

1.11 Revenue

Income from grants and subscriptions are accounted for in the period to which it relates. All other income is brought to account as and when received.

Interest is recognised, in profit or loss, using the effective interest rate method.

1.12 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

1.13 Project accounting and expense allocation

In terms of its contractual obligations to donors, the company's policy is to allocate project expenses that are clearly identifiable as such, directly against project funds. Indirect and shared costs are either apportioned on the basis of management estimates, or accounted for in the management systems fund or recovered through either the levy of a project implementation, consulting or administration fee.

Accrued and deferred grant income is based on the balance of the project fund after taking into account the direct, indirect and shared costs as described above. The unexpended surplus of the project fund is deferred to the following year or the deficit is accrued in the year under review.

2. Members' guarantee

In terms of the company's memorandum and articles of association, the guarantee of each member in the event of the company being wound up is R1.

At the balance sheet date, the guarantee value amounted to R9.

3 New standards and interpretations

3.1 Standards, interpretations and amendments effective and adopted in the current year

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

- IFRS 7 Disclosures – Offsetting financial assets and liabilities (effective 1 January 2013)
- IFRS 13 Fair Value Measurement (effective 1 January 2013)
- IAS 1 Presentation of items of other comprehensive income (effective 1 July 2012)
- Annual improvements to IFRSs 2009-2011 cycle

3.2 Standards, interpretations and amendments not yet effective but relevant

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 01 March 2013 or later periods.

- IFRS 9 Financial Instruments (effective 1 January 2015)(revised in 2011)
- IAS 32 Offsetting financial assets and financial liabilities (effective 1 January 2014)

3.3 Standards, interpretations and amendments effective but not relevant

The following standards and interpretations have been published and are mandatory for the company's accounting periods beginning on or after 01 March 2013 or later periods but are not relevant to its operations:

- IFRS 1 Government loans (effective 1 January 2013)
- IFRS 10 Consolidated Financial Statements (effective 1 January 2013)
- IFRS 11 Joint Arrangements (effective 1 January 2013)

- IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2013)
- IAS 19 Employee Benefits-Recognition and Disclosure (effective 1 January 2013) (revised in 2011)
- IAS 27 Separate Financial Statements (effective 1 January 2013)(as revised in 2011)
- IAS 28 Investments in Associates and Joint Ventures (effective 1 January 2013) (revised in 2011)

Management is currently reviewing the impact of these standards on the company.

It is unlikely that the amendments will have a material impact on the company's annual financial statements.

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FOR THE YEAR ENDED 30 JUNE 2013

Notes to the Annual Financial Statements

4 Equipment

	Computer equipment R	Office equipment R	Furniture and fittings R	Total R
30 June 2013				
Net book value 30 June 2012	48,162	6,681	12,489	67,332
At cost	259,654	119,508	22,008	401,170
Accumulated depreciation	(211,492)	(112,827)	(9,519)	(333,838)
Additions during the year	65,543	–	–	65,543
Depreciation for the year	(35,845)	(2,792)	(3,059)	(41,696)
Disposal of assets	(3,176)	–	–	(3,176)
At cost	(8,467)	–	–	(8,467)
Accumulated depreciation	5,291	–	–	5,291
Net book value 30 June 2013	74,323	3,888	9,430	87,641
At cost	316,370	119,508	22,008	457,886
Accumulated depreciation	(242,047)	(115,620)	(12,578)	(370,244)
30 June 2012				
Net book value 30 June 2011	59,212	9,564	–	68,776
At cost	240,939	119,508	6,715	367,162
Accumulated depreciation	(181,727)	(109,944)	(6,715)	(298,386)
Additions during the year	29,602	–	15,293	44,895
Depreciation for the year	(31,428)	(2,883)	(2,804)	(37,115)
Disposal of assets	9,224	–	–	9,224
At cost	(10,887)	–	–	(10,887)
Accumulated depreciation	1,663	–	–	1,663
Net book value 30 June 2012	48,162	6,681	12,489	67,332
At cost	259,654	119,508	22,008	401,170
Accumulated depreciation	(211,492)	(112,827)	(9,519)	(333,838)

5 Trade and other receivables

	2013 R	2012 R
Deposits	15,390	15,390
Prepayments	2,133	2,133
	17,522	17,522

The carrying value of trade and other receivables reflects the approximate fair value at year end.

6 Accrued income

	2013 R	2012 R
Accrued income	12,050,255	557,303
	12,050,255	557,303

7 Cash and cash equivalents

	2013 R	2012 R
Bank balances	740,127	842,336
Short term deposits	4,709,498	6,470,195
Cash on hand	1,500	1,500
	5,451,125	7,314,031

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the entity, and earn interest at the respective short-term deposit rates.

8 Trade and other payables

	2013 R	2012 R
Trade payables	5,266,510	240,909
Other payables and accruals	869,484	272,939
Employee related accruals	695,707	191,851
	6,831,700	705,699

The carrying value of trade and other payables reflect the approximate fair value at year end.

Leave pay accrual

Leave pay is provided for when it accrues to employees, with reference to services rendered up to the balance sheet date.

The leave pay accrual is included in the employee related accruals above and is made up as follows:

Opening balance	184,663	130,169
Additions during the year	179,030	184,664
Utilised during the year	–	(130,169)
Closing balance	363,693	184,663

9 Deferred grant income

	2013 R	2012 R
Department of Cooperative Governance and Traditional Affairs – NUDF	316,809	316,809
Department of Public Works	722,054	39,794
Local Government Seta	1,209,860	657,895
Buffalo City Municipality – Municipal Transformation	–	–
Mangaung Local Municipality	249,391	249,391
Johannesburg Development Agency	100,000	–
	2,598,114	1,263,889

10 Grants

	2013 R	2012 R
Department of Cooperative Governance and Traditional Affairs – NUDF	–	24,561
Received	316,809	341,370
Deferred from 2010/2011	–	–
Deferred to 2011 / 2012	–	(316,809)
Deferred to 2013 / 2014	(316,809)	–
Department of Cooperative Governance and Traditional Affairs	5,540,000	5,282,000
Received	3,693,334	5,282,000
Accrued 2013/2014	1,846,666	–
Department of Public Works	317,740	20,329
Received	1,000,000	60,123
Deferred from 2010/2011	–	–
Deferred to 2012 / 2013	–	(39,794)
Deferred to 2013 / 2014	(682,260)	–
Johannesburg Development Agency	100,000	–
Received	200,000	–
Deferred to 2013/2014	(100,000)	–
Mandela Bay Development Agency		
Department of Human Settlements	869,000	–
Received	869,000	–
Deferred to 2013 / 2014	–	–
Department of Environmental Affairs – COP 17	–	2,478,070
Received	–	2,478,070
Buffalo City Municipality – Municipal Transformation	17,669,180	190,539
Received	12,762,659	(74,456)
Accrued 2013 / 2014	4,906,521	–
Deferred to 2011 / 2012	–	–
Accrued 2012 / 2013	–	264,995
Mangaung Local Municipality	–	3,379,488
Received	249,391	3,628,879
Deferred to 2011 / 2012	–	–
Deferred to 2012 / 2013	–	(249,391)
Deferred to 2013 / 2014	(249,391)	–
Local Government Seta	947,140	–
Received	858,790	657,895
Accrued 2013 / 2014	1,298,210	–
Deferred – 2012/ 2013	–	(657,895)
Deferred – 2013/ 2014	(1,209,860)	–
Department of Cooperative Governance and Traditional Affairs – IUDF	3,000,000	–
Accrued 2013/2014	3,000,000	–
	–	–
COGTA – SPLUM	–	1,804,866
Accrued	–	–
World Bank	–	1,804,866
	28,443,060	13,179,853

11 Subscriptions received

	2013 R	2012 R
Buffalo City Municipality	321,538	292,308
City of Cape Town	739,538	672,307
Ekurhuleni Metropolitan Municipality	554,654	504,231
eThekweni Metropolitan Municipality	739,538	672,307
City of Johannesburg	739,538	672,307
Mangaung Municipality	321,538	292,308
Msunduzi Municipality	321,538	292,308
Nelson Mandela Metropolitan Municipality	482,307	438,461
City of Tshwane	554,654	504,231
	4,774,844	4,340,768

12 Other income

	2013 R	2012 R
	548,335	1,456,754

Other income mainly consist of recoveries. These recoveries relate to project management fees, supervision fees and fees for attending meetings.

13 Net interest received

	2013 R	2012 R
Interest received – call accounts	293,585	282,790
	293,585	282,790

The following is an analysis of investment revenue earned per financial asset category:

Available-for-sale financial assets	293,585	282,790
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14 Cash Generated from Operations

	2013 R	2012 R
Surplus (Deficit) from operations	1 357 920	1 563 316
Adjustment for:		
– depreciation	41,696	37,115
– other non-cash item	360	–
– profit (loss) on disposal of assets	4,676	88
– interest received	(293,585)	(282,790)
– increase (decrease) in deferred income	1,334,225	(2,736,933)
– increase (decrease) in provision for deferred compensation	–	–
– decrease (increase) in accrued income	(11 492 952)	(107,303)
Operating cash flows before movements in working capital	(9 047 661)	(1,526,508)
	6 958 212	(1,208,699)
Decrease (increase) in accounts receivable	–	793
Increase (decrease) in accounts payable	6 958 212	(1,209,492)
Cash (utilised by) generated from operations	(2 089 449)	(2,735,207)

15 Directors' remuneration

				2013 R	2012 R
Executive 2013	Emoluments	Pension paid or receivable	Compensation for loss of office	Gain on exercise of options	Total
For services as directors	1,582,424	–	–	–	1,582,424
	1,582,424	–	–	–	1,582,424

				2013 R	2012 R
Executive 2012	Emoluments	Pension paid or receivable	Compensation for loss of office	Gain on exercise of options	Total
For services as directors	1,446,968	–	–	–	1,446,968
	1,446,968	–	–	–	1,446,968

16 Operating lease commitments

	2013 R	2012 R
Minimum lease payments due:		
– within one year	138,695	120,566
– in third to fifth year inclusive	349,249	438,981
	487,944	559,547

Operating lease payments represent rentals payable by the company for its office space. Leases were negotiated for terms of 3 to 5 years and rentals escalate by 10% per annum. The lease agreement was renewed for a period of five years starting 1 July 2010. The company has commitments in respect of operating lease charges for premises and office equipment.

17 Taxation

No provision for taxation has been made as the company has qualified for exemption from income tax in terms of section 10(1) (cN) as read with section 30 of the Income Tax Act.

18 Surplus for the year

	2013 R	2012 R
The surplus for the year is arrived at after taking into account the following:		
Auditors' remuneration and other fees		
– South African Cities Network annual audit	167,143	144,982
– World Bank audit	–	34,978
Depreciation	41,696	37,115
Staff costs	6,435,207	5,139,889
Office rental	152,567	120,566
Lease payment made	152,567	120,566
Deferred payment	–	–
Profit/(loss) on disposables of computer equipment	4,676	(59)

19 Related parties

2013	Relationship	Grant Received	Subscription	Accrued Income	Deferred Income	Total
Department of Cooperative Governance and Traditional Affairs	Partner	(3,693,334)	–	(1,846,666)	–	(5,540,000)
Department of Public Works	Partner	(317,740)	–	–	(722,054)	(1,039,794)
Ekurhuleni Metropolitan Municipality	Member cities	–	(554,653)	(632,305)	–	(1,186,958)
City of Tshwane	Member cities	–	(554,653)	–	–	(554,653)
eThekweni Metropolitan Municipality	Member cities	–	(739,538)	–	–	(739,538)
Mangaung Local Municipality	Member cities	–	(321,538)	(366,553)	(249,391)	(937,482)
Nelson Mandela Metropolitan Municipality	Member cities	–	(482,307)	–	–	(482,307)
Buffalo City Municipality	Member cities	–	(321,538)	–	–	(321,538)
City of Johannesburg	Member cities	–	(739,538)	–	–	(739,538)
Msunduzi Municipality	Member cities	–	(321,538)	–	–	(321,538)
City of Cape Town	Member cities	–	(739,538)	–	–	(739,538)
Local Government Seta	Partner	(858,790)	–	(1,298,210)	(1,209,860)	(3,366,860)
Department of Human Settlements	Partner	(869,000)	–	–	–	(869,000)
Buffalo City Municipality – Municipal Transformation	Partner	(12,762,659)	–	(4,906,521)	–	(17,669,180)
Department of Cooperative Governance and Traditional Affairs – IUDF	Partner	–	–	(3,000,000)	(316,809)	(3,316,809)
Johannesburg Development Agency	Partner	(100,000)	–	–	(100,000)	(200,000)
Mandela Bay Development Agency	Partner	–	–	–	–	–

20 Financial assets by category

	2013 R	2012 R
The accounting policies for financial instruments have been applied to the line items below:		
30 June 2013	Loans and receivables R	Total R
Trade and other receivables	17,522	17,522
Accrued income	12,050,255	12,050,255
Cash and cash equivalents	5,451,125	5,451,125
	17,518,903	17,518,903
30 June 2012		
Trade and other receivables	17,522	17,522
Accrued income	557,303	557,303
Cash and cash equivalents	7,314,031	7,314,031
	7,888,856	7,888,856

21 Financial liabilities by category

	2013 R	2012 R
The accounting policies for financial instruments have been applied to the line items below:		
30 June 2013	Financial liabilities at amortised cost R	Total R
Trade and other payables	12,116,500	12,116,500
Deferred income	2,598,114	2,598,114
	14,714,614	14,714,614
30 June 2012		
Trade and other payables	5,158,288	698,512
Deferred income	1,263,889	1,263,889
	6,422,177	1,962,401

22 Going concern

There are no current conditions or events that may effect the going concern of the company. The need for knowledge sharing and management strategies across the cities exists and remains a major focus of the company, its partners and donors.

23 Value Added Tax

	2013 R	2012 R
Value Added Tax Payable to SARS	5,284,799	4,452,588

In 2011 the company obtained instruction from South African Revenue Services (SARS) to be registered for Value Added Tax (VAT). Currently, the company is not yet registered for VAT and, as such, did not declare any VAT outputs on income received to date. In 2011, the company applied for the voluntary disclosure program (VDP) at SARS. Following numerous written and verbal communication, as well as after various meetings with SARS, the directors have been informed that the VDP application was still being processed. Due to the delay the directors have escalated the matter with the Ministry and Department of Co-operative Government and Traditional Affairs (COGTA) and are awaiting feedback. The liability reflected in the statement of financial position is based on the calculated VAT amount (capital) as well as the calculated penalties and interest. SARS can at their discretion waive the penalties or they can levy 200% additional taxes as stated in the VAT Act. Refer to the emphasis of matter paragraph in the audit report.

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Detailed expenditure schedule

	2013 R	2012 R
Expenditure		
Secretariat Costs	7,734,320	6,153,902
Salaries	6,435,207	5,139,889
Office Consumables	703,869	427,025
Rent and services	152,567	120,566
Relocation Costs	11,340	—
Recruitment Fees	57,456	—
Office refreshments	14,255	6,874
Office sundries	17,372	16,851
Interest and penalties on PAYE	—	—
Contingency fees	84,916	12,832
Loss on disposable of computer equipment	4,676	88
Postage and courier	40,246	13,773
Travel - local (staff)	60,309	31,151
Printing and stationery	74,948	67,673
Bank charges	10,108	8,222
Office insurance	30,535	42,713
Depreciation	41,696	37,115
Telephone and cellphone	103,447	69,167
Financial and Legal Fees	345,631	346,988
Audit fees and other financial services	167,143	148,463
Interest and penalties on VAT	178,487	170,350
Legal fees	—	28,175
Organisational Development	249,612	240,000
Organisational Development	209,673	240,000
Staff training and development	39,939	—
Performance Review -mid term evaluation	—	—
Networking and Strategic Input	500,689	109,750
Management and Board Meetings	219,090	52,798
Governance Support	281,599	—
Local and international conferences	—	56,952
Information Technology	149,894	137,090
IT Support , Maintenance and internet	138,363	119,725
Software & licenses	11,532	17,365

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Detailed expenditure schedule (continued)

	2013 R	2012 R
City Development Strategies	18,919,447	4,457,135
National Urban Development Framework	—	24,561
Intergrated Urban Development Framework	299,357	—
State of Cities Report	59,946	458,444
Travel to support programmes	223,666	54,923
City Futures	553,757	—
Rural - Urban Interdependencies	123,595	—
Metropolitan Transformation - Buffalo City Municipality	16,968,286	203,747
City foresight initiative / WC fore	—	49,860
Indicators Project	599,894	35,382
Metropolisation Project - Nelson Mandela	—	40,338
Cities Support Programme	—	10,382
Partnerships & Events	—	245,219
Secondary Cities	—	204,474
Planning Africa	66,212	—
Msunduzi - CDS	24,734	—
Metropolitan Transformation - Mangaung Local Municipality	—	3,129,805
Balance carried forward	27,304,350	10,857,876

The supplementary information presented does not form part of the financial statements and is unaudited

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Detailed expenditure schedule (continued)

	2013 R	2012 R
Balance brought forward	27,304,350	10,857,876
Productive Cities	484,131	107,013
Infrastructure Dialogues	201,147	86,684
EPWP	232,983	20,329
Public Transport	50,000	—
Inclusive Cities	806,881	211,934
Affordable housing markets in munic	—	146,343
State of Land Use in South Africa - Indicators	—	65,591
Performance of Land Use Management Systems	218,935	—
World Urban Forum	—	—
Spatial Planning and Land Use Management	37,354	—
IBSA	274,072	—
Socio-political Stability	684	—
Metropolis - Caring Cities	275,836	—
Well Governed Cities	2,547,912	167,390
Citizens Guide to Municipal Finance	—	143,201
Sustainable Municipal Finance in Southern Africa	—	24,189
State of City Finances	934,862	—
Human Capacity	1 025 454	—
KMRG	519,196	—
Municipal Barometer	68,400	—
Sustainable Cities	987,123	5,947,320
Energy Efficiency and Renewable Energy Program	—	—
State of Waste Management in Cities	315,512	—
Non-Motorised Transport	482 061	—
Climate Change Response Legacy	—	—
Rio 20 Exhibition	—	549,870
COP 17 – Local Government Programme	—	3,591,252
Climate Change	189,550	1,806,198
Knowledge Management and Communications	571,507	405,316
Internships	53,524	19,650
Public Relations	179,577	54,000
Publications	51,721	50,602
Learning sessions	—	—
Website maintenance	286,684	281,064
	32,701,904	17,696,849

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