



ANNUAL REPORT 2009







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This report is published by
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Printed by: Hansa Print, Cape Town

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vision and mission

The South African Cities Network (SACN) is:

- An established network of South African cities and partners that encourage 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 (formerly DPLG) and nine city municipalities, in partnership with the South African Local Government Association (SALGA).

The goals of 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.



Secretariat team building: Supriya Kalidas, Sithole Mbanga, Clement Mpurwana, Letlhogonolo Dibe, Sadhna Bhana, Sharon Lewis and Astrid Wood

members

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

partners

- Department of Cooperative Governance and Traditional Affairs (formerly DPLG)
- South African Local Government Association (SALGA)

secretariat

- Sithole Mbanga, CEO
- Supriya Kalidas, Executive Manager: Finance and Corporate Support Services
- Sharon Lewis: Executive Manager: Programmes
- Astrid Wood, Programmes Manager
- Sadhna Bhana, Programmes Coordinator
- Letlhogonolo Dibe and Clement Mpurwana, Finance and Corporate Support Services.





chairperson's report for the year ended 30 june 2009

Due to changing roles among municipal leaders in the South African Cities Network (SACN) member cities during 2008/09, a number of directors resigned from the Board, including the chairperson and former executive mayor of Buffalo City municipality, Ms Zintle Peter. Councillor Moses Maseko, from Ekurhuleni municipality, has served as acting chairperson since March 2009. Other resignations from the Board were Mr Andrew Boraine, who has served on the Board since the inception of SACN, Councillor Christine Walters, Mr Gaster Sharpley, and Dr Marietjie Kruger. The SACN secretariat is very grateful to all of these directors for the time and energy they put into governing SACN. Their guidance and leadership has been invaluable.

Chairperson's message

Members of the Board have examined the SACN's operational and financial systems, and found them to be robust and efficient. These systems bear testimony to a sound organisation, as reported by the auditors over the last five years. The table on the right is a summary of the SACN's total revenue and expenditure from 2002/03 to 2008/09, with projected estimates to 2011/12. The revenue and expenditure for the current reporting year are explained in detail in the directors' report of the annual financial statements.

In December 2009, the Board commissioned a mid-term review of the performance of SACN in terms of the Strategic Plan 2006-2011. The feedback received from stakeholders indicate that there is a general sense that the SACN has done exceedingly well in fulfilling its role within the realms of knowledge generation and knowledge dissemination. Overall, the review found that SACN is well managed, operates at a high level of efficiency, and provides cost-effective services to its member cities. The Board has also noted the key recommendations about improving performance in the remaining implementation period, including extending SACN's reach to municipalities beyond its member cities, and improving the marketing exposure of its knowledge products. One of the key chal-

lenges for SACN, as highlighted in the review, is how to encourage cities to translate the knowledge they acquire at learning events and through publications into action that would result in real improvement of city practices.

A number of programmes to extend SACN's reach beyond its nine member cities were added to the 2009/10 business plan. We are confident that the secretariat will manage the additional programmes well. Sharing our experience of developmental local government with other cities and towns in South Africa and on the African continent gives us an opportunity to test the organisational capacity of the SACN secretariat, and prepare ourselves for the next edition of the State of the Cities Report.

The Board has requested that the SACN adopt a proactive approach in advancing the urban agenda in South Africa's policy-making landscape by playing a greater role in supporting national departments engaged in policy-making and legislation that affects urban development. During the past year the SACN secretariat has played a key role in the development of the National Urban Development Framework, and has influenced the National Land Transport Act and the National Climate Change Response Policy by making strategic, evidence-based inputs. In order to ensure that these policy impacts are also felt in the local sphere, the board membership represents a productive and balanced mix between elected and appointed officials from the member cities.



Financial summary 2002/03 to 2011/12

R Thousand	OUTCOME							MEDIUM-TERM ESTIMATE		
	Audited	Audited	Audited	Audited	Audited	Audited	Audited			
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Revenue										
Of which:										
Subscriptions	1 350	2 025	2 228	2 450	2 695	2 965	3 261	3 587	3 946	4 340
Operational grant: DPLG		1 500	1 500	1 500	1 590	4 400	4 700	4 815	5 100	5 400
Other grants	1 091	3 061	2 315	4 646	3 838	2 739	8 616	9 410	4 000	4 000
Other income (interest, sale of goods)	32	12	276	717	609	590	1 397	400	450	450
Total revenue	2 473	6 598	6 319	9 313	8 732	10 694	17 974	18 212	13 496	14 190
Expenses										
Of which:										
Compensation of employees	608	1 581	2 198	2 307	2 572	2 873	3 820	4 690	5 300	5 989
Other secretariat running costs	1 105	1 498	1 386	1 193	800	778	1 089	817	923	1 043
Programme costs	1 023	3 131	2 617	4 910	4 985	7 176	12 288	12 705	7 273	7 159
Total expenses	2 736	6 210	6 201	8 410	8 357	10 827	17 197	18 212	13 496	14 190
Surplus / (Deficit)	(263)	388	118	903	375	(133)	777			
Retained earnings	(263)	125	243	1 146	1 521	1 388	2 165	2 165	2 165	2 165

The Board has approved an annual increase in funding, to be raised through an increase of 10 per cent in annual membership fees, and an additional once-off grant of R268 000 per member city for the next edition of the State of the Cities Report. We have carefully considered the need to extend the SACN's work on the State of Cities reporting, with the clear intention of supporting the member cities in their interactions on the global stage.

We remain satisfied that the SACN secretariat is in capable hands. The organisation continues to improve its operational efficiency and grow in strength. The sustained growth in the SACN budget and outputs requires increased oversight, and the directors are all committed to providing appropriate support to the secretariat. In keeping with the principles of transparency and efficiency, we are pleased to submit the 2008/09 annual financial statements to our partner organisations in government, the international and national donor community, the South African Local Government Association, and especially our member cities, confident in the knowledge that these have passed the highest level of scrutiny.

Councillor Moses Maseko
Acting Chairperson 2008/09



chief executive officer's report

1 July 2008 to 30 June 2009

The SACN's expenditure grew by an unprecedented 59 per cent in 2008/09. This was matched by a 49 per cent growth in the number of programme outputs (publications, learning events and video records of learning events). This report considers the extent to which the SACN has delivered programme outputs against targets in the 2008/09 business plan. It reflects on the quality of outputs and outcomes, and records the learning and policy impacts of the SACN programme in 2008/09.

Table 1: SACN expenditure and outputs since 2003/04

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	Total
Expenditure R'm	6.209	6.200	8.410	8.357	10.828	17.198	57.202
Increase on previous year (%)		-0.1	35.6	-0.6	29.6	58.8	
Number of outputs	8	21	29	40	37	55	190
Increase on previous year (%)		162.5	38.1	37.9	-7.5	48.6	

Programme performance against output targets

The SACN delivers two main types of outputs - publications and learning events. Publications are knowledge generation activities, and learning events are classified as knowledge dissemination activities. Due to increases in expenditure since 2006/07, the number of planned outputs in the 2008/09 business plan was significantly higher than in previous years.

Table 2: Summary of SACN outputs delivered since 2003/04

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2008/09 Planned
No. of learning events	6	17	21	26	29	37	40
No. of video records of events			1	9	3	3	3
No. of publications	2	4	7	5	5	15	17
Total number of outputs	8	21	29	40	37	55	60



Overall, the SACN completed 37 out of 40 planned learning events. Three events were postponed to July 2009 and will be counted as 2009/10 outputs. Fifteen of the 17 planned publications were completed; the remaining two are in production and should be completed early in 2009/10.

The following tables summarise the outputs delivered in 2008/09.

Table 3a: Learning events hosted by the SACN during 2008/09

Learning event	Date	Objective
First quarter of 2008/09		
City Development Strategy (CDS) reference group on the 2010 FIFA World Cup (FWC)	22-23 July 2008	To consider and discuss leading practice on fan parks and public viewing solutions for mega-events
Sustainable Cities seminar on sustainable public transport	14-15 August 2008	To share knowledge with international experts on sustainable public transport solutions for SA
Knowledge management reference group	26-29 August 2008	To discuss strategies for converting knowledge from tacit to explicit
Inclusive Cities seminar on economic development in township nodes (TTRI)	4-5 September 2008	To share knowledge about local economic development strategies in townships
Inclusive Cities reference group on EPWP	11-12 September 2008	To discuss institutional arrangements and skill requirements for EPWP delivery
Indicators reference group	16 September 2008	To discuss the review of State of the Cities Report methodology, and the review of the initial indicators
Productive Cities reference group on freight logistics	30 September 2008	To discuss how to elevate freight logistics planning into CDS processes
Second quarter of 2008/09		
Well-governed Cities seminar on sustainable municipal finance in Southern Africa	2-3 October 2008	To share knowledge within the region on municipal finance practices and borrowing strategies (with video record)
Sustainable Cities seminar on green building standards and by-laws	9 October 2008	To share knowledge about how to regulate green building construction
CDS reference group on 2010 FIFA World Cup (FWC)	23-24 October 2008	To discuss city marketing, beautification and tourism strategies for big events
Knowledge management reference group	13-14 November 2008	To discuss strategies for mentoring, learning communities and partnerships
Inclusive Cities reference group on the Expanded Public Works Programme (EPWP)	20-21 November 2008	To discuss EPWP delivery
Second SACN urban development conference	2-3 December 2008	To consult urban development experts about the National Urban Development Framework (with video record)
First meeting of the Board of Directors and AGM for 2008/09	3 December 2008	To approve the annual financial statements and review progress

Table 3a: Learning events hosted by the SACN during 2008/09 (continued)

Learning event	Date	Objective
Third quarter of 2008/09		
CDS reference group on 2010 FWC: Indicators	22 January 2009	To review the proposed indicators to be used in the 2010 Legacy Report
Sustainable Cities seminar on wind energy	23 January 2009	To share knowledge between Denmark and SA on wind energy production and associated economic development and job creation potential
CDS reference group on 2010 FWC	27-28 January 2009	To discuss protocol associated with hosting the 2010 FWC
Sustainable Cities seminar on urban biodiversity	29-30 January 2009	To share experiences of valuing ecological and environmental services in the cities
CDS reference group on 2010 FWC	29-30 January 2009	To discuss disaster-management planning for the 2010 FWC
Sustainable Cities reference group on waste-to-energy	3 February 2009	To consider and comment on the first draft of waste-to-energy case studies and the initial feasibility model
CDS expert knowledge sharing in Mangaung	12-14 February 2009	To advise Mangaung on strategic planning and financial management transformation required before becoming a metro
Sustainable Cities leadership study tour on renewable energy	14-21 February 2009	To explore international leading practice in promoting renewable energy strategies
Well-governed Cities seminar on municipal infrastructure investment planning	4-5 March 2009	To share knowledge about municipal infrastructure investment planning strategies and practices; and to apply the use of a planning tool developed by the DCGTA (ex DPLG)
Second meeting of the Board of Directors for 2008/09	20 March 2008	To approve the annual business plan, review progress, deal with governance issues, and share knowledge about the EPWP phase 2 and the National Urban Development Framework (NUDF) project
Knowledge management reference group	26-27 March 2009	To discuss strategies for mentoring, coaching, and collective intelligence; and learn to write case studies
Fourth quarter of 2008/09		
Well-governed expert knowledge sharing: credit enhancement in Msunduzi	6 April 2009	To advise Msunduzi on financial and operational management improvements required to improve credit rating and borrowing strategy
Well-governed Cities workshop on sustainable municipal finance in Southern Africa	8 April 2009	To debrief the project steering committee and reference group on the outputs and outcomes of the first phase of the sustainable municipal finance project
Indicators reference group	14 May 2009	To discuss urban observatories, and the progress made in reviewing indicators
Sustainable Cities reference group on waste-to-energy	22 May 2009	To consider and comment on the last draft of waste-to-energy case studies and feasibility model, and plan the launch seminar
Inclusive Cities seminar on township renewal (TTRI overview course)	1-4 June 2009	To share knowledge and experience of township renewal (with a focus on smaller towns)
Well-governed Cities seminar on municipal infrastructure funding	2-3 June 2009	To present and discuss the findings of World Bank Institute (WBI) research papers on infrastructure investment in South Africa
Inclusive Cities seminar on urban food security	10-12 June 2009	To present and discuss the findings of the African Food Security Network (AFSUN) research on urban food security in Southern Africa
Inclusive Cities reference group on EPWP	23 June 2009	To review EPWP phase 2 targets and implementation plans
Knowledge management reference group	25-26 June 2009	To discuss knowledge in action and review progress with writing case studies

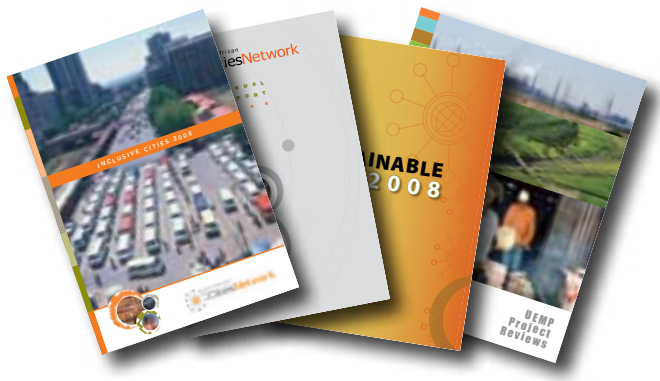


Table 3b: SACN publications completed during 2008/09

Publication	Launch date	Objective
Inclusive Cities Report 2008	August 2008	Annual round-up of inclusive city case studies and opinion pieces
Annual Report 2007/08	September 2008	Annual financial statements published as required by legislation
Sustainable Cities Report 2008	September 2008	Annual round-up of sustainable city case studies and articles
Green Rating Tool – Office v1.0	September 2008	Published by the Green Buildings Council of SA with sponsorship from SACN, this tool will allow the building industry to rate office buildings in terms of environmental performance
State of Cities reporting: Good practice guide and toolkit	October 2008	To provide guidance on how best to prepare State of the Cities Reports
Urban Space Economy Study	November 2008	To provide an evidence-based analysis of the urban space economy
Sustainable Public Transport Overview Report 2009	January 2009	To assemble concepts and leading practice in the field of sustainable public transport as a briefing report
State of Municipal Finance Report (Southern Africa) – Phase 1	February 2009	To provide an overview and analysis of the state of municipal finances in nine cities in the SADC region
Urban Environment Management Programme - project review file	May 2009	A case study file documenting the outcomes of completed projects in the SA-Denmark Urban Environmental Management Programme (UEMP)
State of City Finances Report (2009 update)	June 2009	To review and update the findings of the 2007 State of City Finances Report
Guide on how to secure municipal finance in Southern Africa	June 2009	A how-to guide that municipalities can use to gain a better understanding of municipal finance in the region
State of EPWP in the cities (2009)	June 2009	To present an analysis of city performance in delivering jobs through the EPWP
2010 FWC City Legacy Report	June 2009	To provide an overview of the potential legacy impacts of the 2010 FWC and identify benchmark data to measure this impact
Township Renewal Sourcebook	June 2009	Overview of township renewal principles, concepts and leading practice that will serve as a resource for teachers and trainers
Energy from waste toolkit and feasibility model	June 2009	A technical guide that explains how municipalities can design and implement biogas-generation projects and a feasibility model to allow them to do preliminary assessments of whether such projects will work in a local context

The distribution of outputs by theme during 2008/09 reflects an emphasis on CDS outputs because of the cross-cutting nature of this theme. The outputs for the Sustainable, Inclusive and Well-governed cities themes are fairly well-balanced, but there were few outputs in the Productive Cities theme in this year. This is because many of the Productive Cities projects have evolved into cross-cutting projects that are best categorised in the CDS theme.

Table 4: Summary of outputs by theme in 2008/09

	CDS	Productive	Inclusive	Well-governed	Sustainable	Other
No. of learning events	13	1	7	6	8	2
No. of video records of events	1	0	1	1	0	0
No. of publications	3	0	3	3	5	1
Total number of outputs	17	1	11	10	13	3



Quality of outputs

The quality of outputs is measured through a sample survey of participants at learning events, and by considering informal and anecdotal feedback from partners and members. During 2008/09, 230 participants completed survey questionnaires. Forty-two per cent of the respondents allocated the highest score (5) to the questions in the survey. In general, most participants at the SACN learning events were very satisfied with the quality of all aspects of these events.

Table 5: Results of quality surveys completed for SACN learning events during 2008/09

	Rating (1= Bad or little; 5 = Good or a lot)				
	1	2	3	4	5
Did you learn something new today?	1	7	42	120	118
Did the information you received inspire you to do something new or different in your work?	2	5	47	87	102
Will the information you received help you to do your job better?	2	12	50	106	119
Invitation quality score	3	12	34	55	128
Preparatory information quality score	2	7	56	76	111
Venue and catering quality score	6	13	60	89	118
Total	16	56	289	533	696

Four new learning approaches were tested by the SACN in 2008/09:

- The leadership study tour on renewable energy allowed a small group (15 people) of municipal leaders and senior decision makers to travel to the UK, Germany and Denmark to see renewable energy solutions first-hand.
- The Well-governed Cities seminar on municipal infrastructure investment planning provided an intensive learning experience in a workshop environment, with facilitators guiding a group of 20 municipal officials through the application of a computer-based municipal infrastructure investment planning tool.
- The CDS knowledge-sharing workshop in Mangaung and the Well-governed knowledge-sharing workshop on credit enhancement in Msunduzi brought together municipal experts and senior officials in these two municipalities. This allowed for a strategic and applied exchange of ideas, with a view to supporting the cities with specific and targeted learning interventions.

- The Sustainable Cities reference group on waste-to-energy used teleconferencing for all of its meetings. This proved to be very cost- and time-efficient.

Performance outcomes

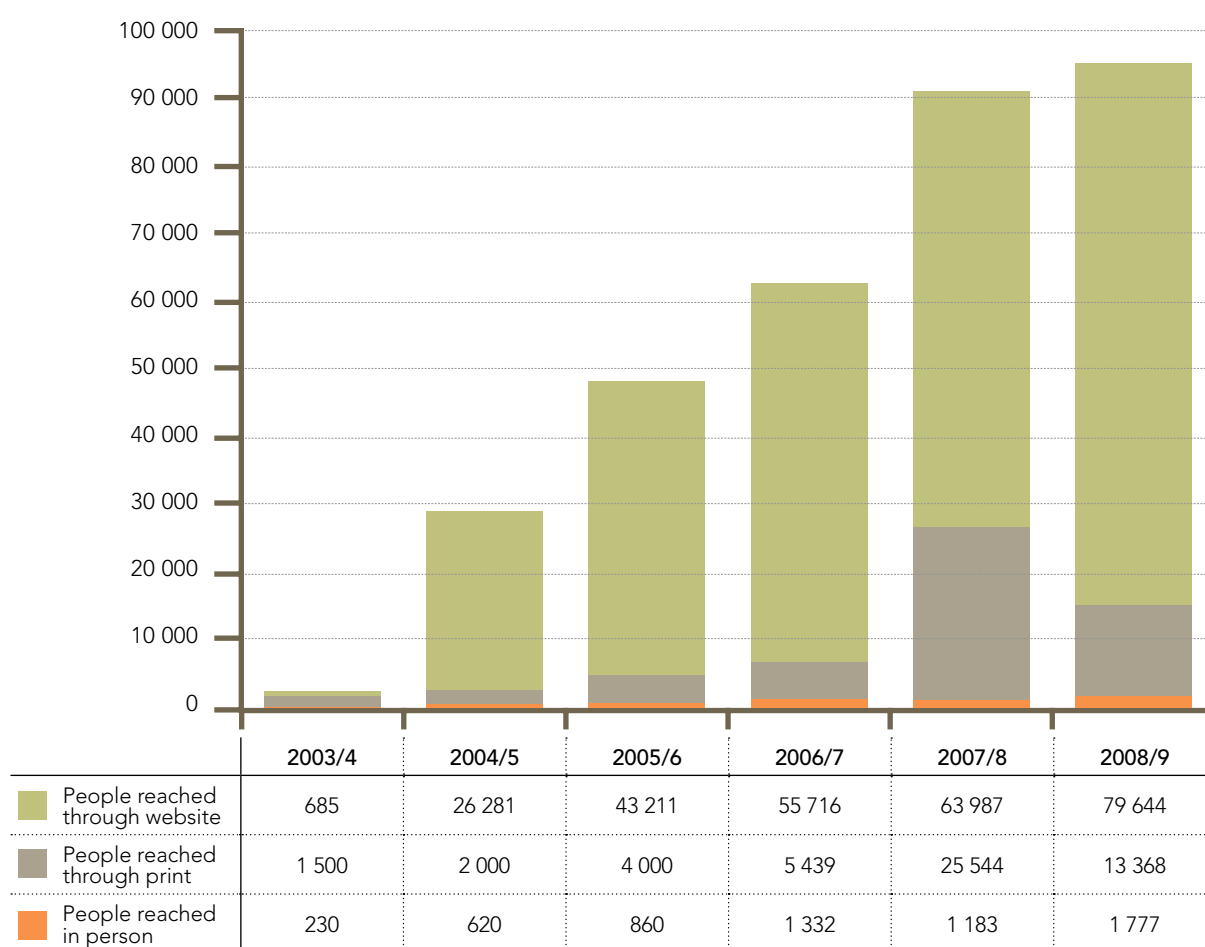
These can be measured in terms of the number and profile of people reached, networking outcomes, expenditure results, and the cost-effectiveness of the particular output.

Number of people reached

SACN's knowledge generation and knowledge dissemination strategies reach people in person, through publications and the website. In total, 97 879 people were reached in 2008/09. This is 4 per cent higher than the figure for 2007/08. Overall, the total reach achieved by the SACN has grown significantly every year.

SACN's knowledge generation and knowledge dissemination strategies reach people in person, through publications and the website

Figure 1: The number of people reached by the SACN per year



The 37 learning events hosted by SACN in 2008/09 account for 354 hours of learning, and can be extrapolated to 17 792 person hours of learning. By comparison, all of SACN's learning events in 2007/08 accounted for 198 hours of learning and 9 544 person hours. This dramatic growth in 2008/09 was due to the increased number of events; an increase in the average length of events; and an increase in the average number of people that attended each event.

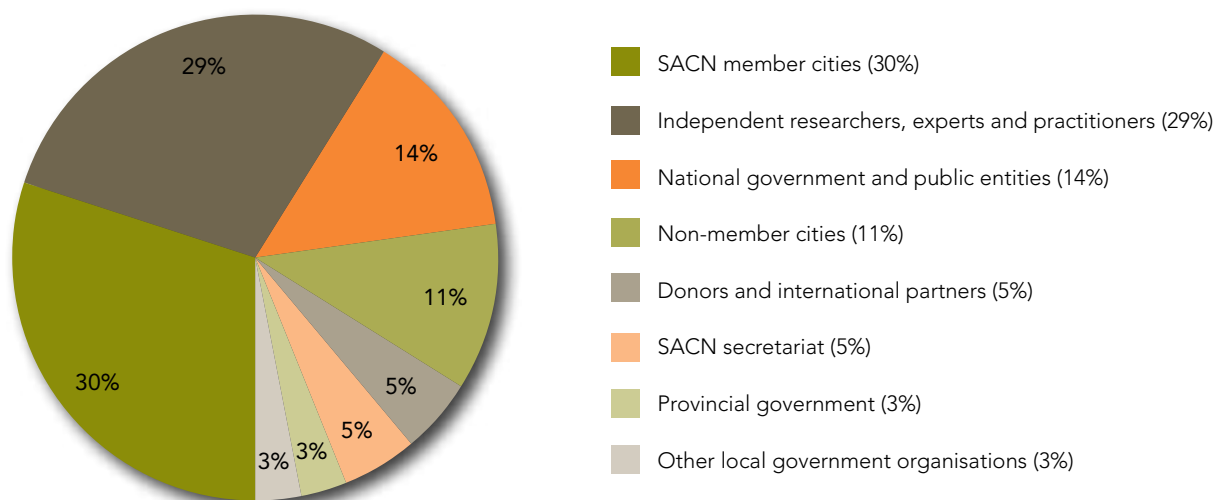
Only one learning event in 2008/09 had to be postponed due to insufficient attendance, compared to four in 2007/08. The secretariat has found that most learning events achieve attendance figures that exceed the targets set during event planning. For example, the Sustainable

Cities seminar on wind energy in January 2009 had 284 participants, making it one of the biggest events ever hosted by SACN.

Profile of people reached

Most of the 1 777 participants at SACN learning events in 2008/09 were from the nine member cities (31 per cent). Independent researchers and analysts accounted for 29 per cent, largely due to the large number of private-sector participants at the wind energy seminar in January 2009. National government and public entities made up 14 per cent of participants. Participants from non-member cities made up 11 per cent of the learning event audience in 2008/09, a small but steadily rising sector.

Figure 2: Breakdown of participants at SACN learning events in 2008/09



Networking outcomes

Networking meetings are defined as ad hoc meetings with partners, members and other organisations that serve to expand or enhance SACN's network of contacts, and help to further the objectives of SACN. The SACN secretariat has kept a record of all networking meetings since 2007/08.

During 2008/09, the SACN secretariat participated in 401 networking meetings. Of these, 84 were convened by SACN. A total of 16 948 people (excluding secretariat members) were reached through these meetings, and 2 330 working hours were dedicated to networking activities.

As in 2007/08, the majority of the networking meetings (28 per cent) were to provide assistance to partner

organisations including the Department of Cooperative Governance and Traditional Affairs (ex DPLG), South African Local Government Association (SALGA), United Cities and Local Governments of Africa (UCLGA), Local Governments for Sustainability (ICLEI), and other national government departments.

Cost-effectiveness of SACN operations

The minimum requirement for cost-effectiveness is that each member city's subscription expenditure should provide value for money. In order to assess this, the expenditure on SACN programmes is evaluated as a proportion of the overall budget; and the costs of SACN's learning approaches and costs per person are analysed.

Table 6: Programme spending as a proportion of total budget

R Thousand	OUTCOME						
	Audited	Audited	Audited	Audited	Audited	Audited	Audited
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Expenses							
Operational costs (including salaries)	1 713	3 079	3 584	3 500	3 372	3 673	4 909
Percentage	63	50	58	42	40	34	29
Programme costs	1 023	3 131	2 617	4 910	4 985	7 154	12 288
Percentage	37	50	42	58	60	66	71
Total expenses	2 736	6 210	6 201	8 410	8 357	10 827	17 197

If one views the budget separately in terms of programme expenditure (as a proxy for spending on knowledge outputs) and operational spend, then it is clear that the secretariat is on a positive trend towards greater efficiency. The percentage of expenditure on programmes (and thus outputs) rose from 42 per cent in 2004/05 to 66 per cent in 2007/08. This trend was maintained in 2008/09, with the ratio rising to 71 per cent. The secretariat will aim to

increase this ratio to 80 per cent over the medium term to achieve the international best practice benchmark for similar programmes.

During 2008/09, reference group meetings have cost an average of R230 per person per event, and seminars have cost around R1 340 per person per event. The renewable energy study tour was not included in these averages, as this learning approach cost over R80 000 per person.

Table 7: Average cost of learning events during first three quarters of 2008/09

	Reference group meetings		Seminars and conferences		Total
SACN learning event expenditure	R	145 965	R	1 470 090	R 1 616 055
Average spend per event	R	8 586	R	91 881	R 46 173
Average spend per participant at learning events	R	227	R	1 339	R 909

This is a significant reduction on the costs of learning events in 2007/08. The cost savings are due to the increased number of attendees at learning events, as well as cost-saving strategies employed by the SACN secretariat. By comparison, a two-day commercial conference currently costs approximately R12 000 per person, and an executive course or master class offered by an academic institution is approximately R3 500 per day.

Learning and policy impacts

The SACN's analyses of national policy issues at learning events and in its publications often have a direct impact on the formation and implementation of these policies.

During 2008/09, the SACN was able to influence national policy in the following ways:

- The Municipal Demarcation Board recommended that the three non-metro member cities of SACN should be reclassified as metropolitan municipalities with the associated devolution of functions that this implies. Much of the quantitative analysis used to support this recommendation was drawn from SACN's 2006 State of the Cities Report.
- The Parliamentary Portfolio Committee on transport invited inputs from SACN into discussions about the National Land Transport Bill. The bill deals with intergovernmental arrangements for public transport functions, and will have a significant impact on the autonomy of cities in dealing with public transport infrastructure and operations. On the basis of supplementary work flowing from the State of Municipal Finances Report 2007, SACN made an evidence-based input that strengthened the case for clear devolution of public transport functions and funding. This input was well received by the PPC, resulting in support for this approach in the legislation.
- In the February 2008 Budget, the then Minister of Finance announced a five-year extension in the urban development zone tax incentive. This was a direct response to a submission by SACN to the National Treasury, on behalf of member cities. In order to implement this extension, SACN was asked to facilitate comments on the Taxation Laws Amendment Act by member cities. Three submissions were forwarded to the National Treasury, and the amendment act was passed in September 2008.
- The evaluation report on EPWP outcomes in the cities, commissioned by SACN, was submitted to the National Department of Public Works. The report served as an

input into the design of the second phase of the EPWP. The EPWP received significant additional allocations in the February 2009 Budget. The planning for this programme is informed by the analysis commissioned by SACN for the EPWP reference group.

- SACN has been invited to participate in meetings of the City Budget Forum, a new intergovernmental forum convened by the National Treasury to coordinate inputs into the budget process.
- The renewable energy feed-in tariff was announced by the National Energy Regulator of South Africa (NERSA) in March 2009. This was a positive response to the call for a feed-in tariff made at the SACN's Renewable Energy City Summit in May 2008. In July 2009, NERSA made a presentation that indicated the inclusion of biogas generation in the renewable energy feed-in tariff in future. The SACN understands that this development was hastened by the launch of SACN's toolkit and feasibility model for waste-to-energy through biogas.
- At the sustainable public transport seminar in August 2008, Enrique Penalosa, former mayor of Bogota, Colombia, shared his experience of managing resistance and protests against the introduction of the Bogota BRT system - a system that is now hailed as best practice in international transit. The lessons he shared with local public transport champions have been applied in the implementation of the Rea Vaya transit system as a pilot project in Johannesburg.
- The SACN was invited to participate in a series of consultations about the new human settlements strategy. These included the National Treasury's stakeholder consultations on the human settlements budget; the Department of Human Settlement's internal strategic planning session towards a new human settlement development programme; and the Presidency's informal consultations on measuring performance in human settlement development. It remains to be seen whether these inputs will result in policy or institutional change, and the SACN intends to follow developments and report on them.

Procurement impacts

All services are procured in terms of SACN's procurement policy, which requires that any contract exceeding R50 000 must be procured through a competitive bidding process. A scoring system to evaluate quotes includes price, quality and representivity criteria.

The weighting for these scoring criteria vary from contract to contract, but tend to be 40 per cent for price; 40 per cent for quality (including experience, qualifications and project proposal); and 20 per cent for gender and

population group representivity in the project team. Bid evaluations are scored by an objective panel of secretariat officers, and a selection report is compiled for each recommendation.

The CEO approves contracts, but those exceeding R250 000 must be endorsed by the Management Committee, and those exceeding R500 000 must be endorsed by the Board of Directors.

In order to understand the impact of its procurement practices, the SACN analysed all services contracted from 2002 to 2008.

Table 8: Summary of contracts issued by the SACN since 2002/03

Year	Number of contracts	Value of contracts (ZAR)	Average value of contracts (ZAR)
2002/03	1	66 728	66 728
2003/04	18	1 816 053	100 892
2004/05	16	1 932 970	120 811
2005/06	19	3 689 158	194 166
2006/07	7	1 592 620	227 517
2007/08	17	6 102 447	358 967
2008/09	19	5 026 739	264 565
Totals	97	20 226 714	208 523

Overall, these contracts were for the purpose of generating or disseminating knowledge. Most of the expenditure was on knowledge production through research, and printing of publications (87 per cent of the total contract value). Twelve per cent of the contracts were for facilitation support.

Table 9: Summary of contracts by output category (2002/03 – 2008/09)

Type of contract	Number of contracts	Value of contracts (ZAR)	% of total value
Knowledge production: Research	60	15 325 166	76%
Knowledge production: Publications	19	2 291 245	11%
Knowledge dissemination: Facilitation	17	2 433 685	12%
Other services	1	176 617	1%
Totals	97	20 226 714	100%

Most companies that are contracted to provide services to the SACN are small (employing less than 50 people). An amount of R11.7 million of SACN's spend since 2002 has therefore contributed to the profitability of the SMME sector in South Africa.

Table 10: Summary of contractors by company size (2002/03 – 2008/09)

Type of contractor	Number of contracts	Value of contracts (ZAR)	% of total value
Individual experts	32	4 464 088	22%
Small companies	52	11 706 480	58%
Large companies	13	4 056 145	20%
Totals	97	20 226 714	100%

Academic and science institutions have won 22 per cent of all contracts, including the University of Cape Town (UCT), the Human Sciences Research Council (HSRC), and the Council for Scientific and Industrial Research (CSIR). The remaining 78 per cent of contract spend is through private companies and individuals (R15.7 million since 2002/03).

Table 11: Summary of contractors by ownership profile (2002/03 – 2008/09)

Type of contractor	Number of contracts	Value of contracts (ZAR)	% of total value
Academic and science institutions	16	4 474 418	22%
Private sector companies and individuals	81	15 752 396	78%
<i>Of which:</i>			
<i>Black owned</i>	29	7 126 513	45%
<i>Women owned</i>	36	5 370 557	34%

SACN in the media

During 2008/09 the SACN subscribed to Meltwater News, an electronic newsclip service. This service allows SACN to track local and international print and electronic media reports about municipalities in South Africa (SACN member cities in particular). There is a scrolling link to these news stories on the SACN website.

The SACN featured in 31 media reports during 2008/09. There were large variations in the number of stories per month, with seven reports in January (mostly about wind energy), and no references for August, September and October in 2008, and February to April in 2009. The SACN will take steps during 2009/10 to try to achieve at least two references in the media every month of the year.

Only one of the 31 stories was written in a negative tone, eight were positive and 18 were neutral.

Most of these references were in the local media, with three stories in international publications.

Engineering News published five stories about the SACN, and Independent Newspapers (IOL) published two. The most interesting international reference was in www.anarkis.net.

Mid-term review of the SACN's performance in terms of the Strategic Plan 2006-2011

Stakeholders who were interviewed for the mid-term review felt that the SACN had fulfilled their knowledge generation and knowledge dissemination role very well. When asked whether the SACN is well managed, and if it provides cost-effective services to member cities, all respondents emphatically said... "absolutely yes." A representative of one of the member cities remarked: "The energy, eagerness and excitement of the SACN team and what they do for their member cities is a plus, and is welcomed. The team is good at conferences, and provides

good quality, best technology, well presented staff, and well packaged documents. As a member it is not difficult to get information and documents from the SACN." Member cities also feel that they receive a good return on investment for their annual subscriptions.

Secretariat staffing

The SACN secretariat staffing remained relatively stable for the third year in a row. We were sad to lose our Programme Manager, Mr Seana Nkhahle. His contributions to the success of the SACN are immeasurable, in particular his strategic perspectives on urban management. We were pleased to welcome a new Programme Manager, Ms Astrid Wood, in February 2009. Astrid has a Masters Degree in City Planning from the Massachusetts Institute of Technology, and is contracted to the SACN for three years.

I would like to thank every member of the secretariat for the hard work they do, and for their commitment to excellence in achieving the SACN mandate.

The SACN continues to attract enquiries from students and graduates from the best academic institutions, and we are developing an internship programme that we tested for the first time with Ms Nokuzola Jeness, an undergraduate at Brown University, in July and August 2009. I would like to thank her for her constructive feedback on how to scope the internship programme.

Finally, on behalf of the secretariat, I would like to thank the individuals working and learning in the member cities and partner organisations for their enthusiasm in sharing experiences and finding innovative solutions to the urban development and city management challenges that face us all in South Africa.



Sithole Mbanga
Chief Executive Officer

board of directors

Acting Chairperson



M Maseko

DCGTA (ex DPLG)



N J O Lester



Y E Patel
(Alternate)

City of Tshwane



K D Kekana

Chief Executive Director



S M Mbanga

SALGA



C X George



D D Van Rooyen
(Alternate)

Ekurhuleni Metropolitan Municipality



L H Mekgwe



M Maseko
(Alternate)

Cape Town Partnership



A M Boraine

eThekweni Metropolitan Municipality



Dr M O Sutcliffe



S Cele (Alternate)

Mangaung Municipality



T M Manyoni



L Makhanya
(Alternate)



Nelson Mandela Metropolitan Municipality



Adv J G Richard



P S Ndoni
(Alternate)

Buffalo City Municipality



Z C Faku



C E Walters

City of Johannesburg

City of Cape Town



E Achmat



I Nielson
(Alternate)

Msunduzi Municipality



Z I Hlatshwayo



B S Ngubane
(Alternate)



annual financial statements

Index to the annual financial statements for the year ended 30 June 2009

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

Detailed expenditure schedule	35-36
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Approval

The annual financial statements set out on pages 18 to 34 have been approved by the Board of Directors and are signed on its behalf by:



Councillor M. Maseko
Acting Chairperson



Mr S M Mbanga
Chief Executive Officer

Certificate by the secretary

I confirm that South African Cities Network (Association Incorporated under Section 21) has complied with all its statutory requirements.



Mrs S Kalidas



Directors' responsibility statement for the year ended 30 June 2009

The directors are responsible for the preparation, integrity and fair presentation of the financial statements and other financial information in this report. In preparing these financial statements, South African Statements of Generally Accepted Accounting Practice have been followed, applicable accounting assumptions have been used, and prudent judgments and estimates have been made.


The going concern basis has been used in the preparation of the financial statements. Based on forecasts and available cash resources, the directors have no reason to believe that the company will not be a going concern in the foreseeable future. The financial statements support the viability of the company.

The financial statements have been audited by the independent accounting firm, Xabiso Chartered Accountants Inc., who were given unrestricted access to all financial records and related data, including minutes of all meetings of the Board of Directors and committees of the Board. The directors believe that all representations made to the independent auditors during the audit were valid and appropriate.

The financial statements were approved by the directors on 11 September 2009.



Councillor M Maseko
Acting Chairperson



Mr S M Mbanga
Chief Executive Officer

Independent auditors' report to the members of South African Cities Network

We have audited the annual financial statements of South African Cities Network (Association Incorporated under section 21), which comprise the balance sheet as at 30 June 2009, the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 21 to 36.

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 South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act of South Africa. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable under the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Except as described in the following paragraph, 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 that the 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' judgment, 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, and designs audit procedures that are appropriate under 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 qualified audit opinion.

Basis for qualified opinion

In common with similar organisations, it is not feasible for the company to institute accounting controls for cash collections from grants prior to initial entry of the collections in the accounting records. Accordingly, it was impractical for us to extend our examination beyond the receipts actually recorded.

Qualified opinion

In our opinion, except for the possible effects of matters described in the 'basis for qualified opinion' paragraph, the financial position of the South African Cities Network (Association Incorporated under section 21) as of 30 June 2009, and its financial performance and cash flows for the year then ended, is in accordance with South African Statements of Generally Accepted Accounting Practice, and the requirements of the Companies Act of South Africa.

Supplementary information

The schedules set out on pages 35 and 36 have been attached for information purposes only, and are not covered by the audit opinion.



Xabiso Chartered Accountants Inc.
Registered Auditors
Chartered Accountants (SA)
Per L Dhlamini RA CA (SA): Director

11 September 2009

Directors' report for the year ended 30 June 2009

The directors present the attached annual financial statements and submit their report for the year ended 30 June 2009.

General review of finances: Directors report

The SACN spent R17.2 million in 2008/09, an increase of 59 per cent on 2007/08, and R2 million more than the budgeted expenditure for the year. The additional funding was raised through a grant from the former Department of Provincial and Local Government for the research work towards the National Urban Development Framework.

This expenditure yielded programme outputs that included 15 new publications, and 37 learning events that were attended by almost 1 800 people. Programme expenditure made up 71 per cent of total spend; salaries made up the second largest spending component at 22 per cent; and other operating costs amounted to 7 per cent.

Within programme expenditure most of the spending was on the City Development Strategies theme at R4.7 million (38 per cent of programme spend); R2.7 million (22 per cent) was spent on the Well-governed Cities theme, and R2.5 million (20 per cent) was spent on the Sustainable Cities theme.

The three largest projects undertaken during 2008/09 were the Sustainable Municipal Finance project, covering nine municipalities within the Southern African Development Community (SADC) region; the renewable energy leadership study tour to three European countries; and the urban space economy research undertaken in support of the National Urban Development Framework.

The detailed financial statements for the year are submitted for your consideration.

Share capital and dividends

The company has no share capital and its memorandum and articles of association prohibit the payment of dividends to members.

Equipment

During the year under review, the company acquired equipment to the value of R49 243 (2008: R78 423).

Statements of responsibility

The directors are responsible for the maintenance of adequate accounting records. The auditors are responsible for reporting on the fair presentation of the financial statements. The financial statements have been prepared in accordance with Generally Accepted Accounting Practice, and the requirements of the Companies Act of South Africa, 1973.

The directors are also responsible for the company's systems of internal control. These are designed to provide reasonable, but not absolute assurance as to the reliability of the financial statements, to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect misstatement and loss. Nothing has been brought to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

Results for the year

The results of operations for the year are fully disclosed in the attached financial statements.

Post balance sheet events

No material fact or circumstance has occurred between the balance sheet date and the date of this report.



Directors

The directors of the company during the year, and as at the date of this report are as follows:

BOARD MEMBERS	ALTERNATE DIRECTORS	DESIGNATION/ AFFILIATION
Councillor M Maseko		Acting Chairperson
A M Boraine		Cape Town Partnership
S M M Mbanga		Chief Executive Director
N J O Lester	Y E Patel (appointed 20 February 2009)	Department of Cooperative Governance and Traditional Affairs (formerly DPLG)
C X George	D D Van Rooyen (appointed 16 February 2009)	SALGA
Dr M O Sutcliffe	S Cele	eThekweni Metropolitan Municipality
K D Kekana (appointed 1 December 2008)		City of Tshwane
L H Mekgwe	M Maseko	Ekurhuleni Metropolitan Municipality
T M Manyoni	L Makhanya	Mangaung Municipality
Adv J G Richards	P S Ndoni	Nelson Mandela Metropolitan Municipality
Z C Faku (appointed 30 March 2009)		Buffalo City Municipality
C E Walters		City of Johannesburg
E Achmat	I Nielson	City of Cape Town
Z I Hlatshwayo	B S Ngubane	Msunduzi Municipality

Resignations		
N C Peter (resigned 20 March 2009)		Chairperson & Buffalo City Municipality
Dr M Kruger (resigned 20 February 2009)		Department of Cooperative Governance and Traditional Affairs (formerly DPLG)
G Sharpley (resigned 30 March 2009)		Buffalo City Municipality

Secretary

Secretarial services are performed by S Kalidas.

Physical address and registered offices

Joburg Metro Building
158 Loveday Street
Braamfontein
Johannesburg

Postal address

P.O.Box 32160
Braamfontein
2017

Auditors

Xabiso Chartered Accountants Inc.
1st Floor, Building 22B
Cnr Woodlands and Kelvin Drive
The Woodlands Office Park
Woodmead
Telephone: +27(11) 802 4155
Facsimile: +27(11) 802 5857

Xabiso Chartered Accountants Inc. will continue in office in accordance with section 270(2) of the Companies Act.

Balance sheet as at 30 June 2009

	Notes	2009 R	2008 R
ASSETS		5 147 369	5 622 038
Non-current assets		66 423	98 211
Equipment	3	66 423	98 211
Current assets		5 080 946	5 523 827
Trade and other receivables	4	15 390	22 560
Accrued income	5	7 330	735 141
Cash and cash equivalents	6	5 058 226	4 766 126
Total assets		5 147 369	5 622 038
RESERVES AND LIABILITIES		5 147 369	5 622 038
Reserves		2 164 160	1 388 317
Accumulated funds		2 164 160	1 388 317
Non-current liabilities		-	8 583
Deferred operating lease rentals		-	8 583
Current liabilities		2 983 209	4 225 138
Trade and other payables	7	1 577 982	1 485 152
Provisions	8	407 751	84 155
Deferred operating lease rentals		8 858	-
Deferred grant income	9	988 618	2 655 831
Total reserves and liabilities		5 147 369	5 622 038

Income statement for the year ended 30 June 2009

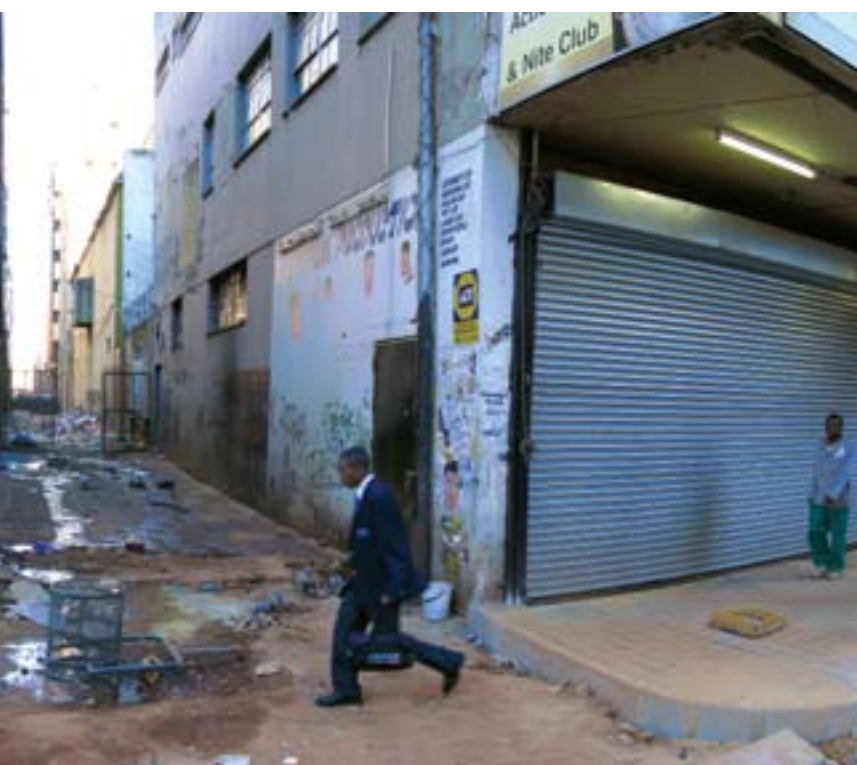
	Notes	2009 R	2008 R
INCOME		17 974 049	10 694 449
Grants	10	13 315 875	7 139 887
Interest received	12	491 539	236 944
Subscriptions received	11	3 261 285	2 964 804
Other income		905 350	352 814
EXPENDITURE		17 198 206	10 827 918
Secretariat costs		4 828 394	3 596 750
Information technology		81 262	76 828
Knowledge management and communications		1 278 174	791 339
City Development Strategies		4 682 734	894 692
Productive Cities		242 339	1 267 109
Inclusive Cities		872 793	759 264
Sustainable Cities		2 498 180	2 002 802
Well-governed Cities		2 714 330	1 439 134
SURPLUS / (DEFICIT) FOR THE YEAR		775 843	(133 469)

Statement of changes in reserves for the year ended 30 June 2009

	TOTAL ACCUMULATED FUNDS R
Balance at 1 July 2007	1 521 786
Deficit for the year	(133 469)
Balance at 30 June 2008	1 388 317
Surplus for the year	775 843
Balance at 30 June 2009	2 164 160

Cash flow statement for the year ended 30 June 2009 (Direct Method)

	Notes	2009 R	2008 R
Cash received from funders and subscribers		16 550 278	11 297 515
Cash paid to programmes, suppliers and employees		(16 732 578)	(9 957 828)
Cash (utilised by) generated from operations	15	(182 300)	1 339 687
Interest received	12	491 539	236 944
Net Cash inflows from operating activities		309 239	1 576 631
Cash flows utilised in investing activities		(8 556)	(48 990)
Acquisition of equipment	3	(49 243)	(78 423)
Proceeds from disposal of assets		40 687	29 433
Cash flows (utilised by) generated from financing activities		(8 583)	8 583
Decrease in long-term liabilities		(8 583)	8 583
Net increase in cash and cash equivalents		292 100	1 536 224
Cash and cash equivalents at beginning of year		4 766 126	3 229 902
Cash and cash equivalents at end of year	6	5 058 226	4 766 126



Notes to the annual financial statements for the year ended 30 June 2009

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 South African Statements of Generally Accepted Accounting Practice and the Companies Act of South Africa. The annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below.

1.1 Accounting convention

The Association is registered under the Companies Act, 1973, as an association not for gain and as such no part of its income or property shall be transferred to members, directly or indirectly. All reserves of the Association are consequently non-distributable.

1.2 Significant judgements

In preparing the annual financial statements, management is required to make estimates and assumptions that affect 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 judgments and estimates made by management other than 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 installments over their useful lives as follows:

<i>Item</i>	<i>Useful life</i>
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.

1.4 Financial instruments

1.4.1 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.

Financial assets and liabilities are recognised initially at fair value. In the case of financial assets or liabilities not classified at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument are added to the fair value.

A regular purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting.

An asset that is subsequently measured at cost or amortised cost is recognised initially at its fair value on the trade date.

Any change in the fair value of the asset to be received during the period between the trade date and the settlement date is not recognised for assets carried at cost or amortised cost, other than impairment losses.

Assets carried at fair value: the change in fair value shall be recognised in profit or loss, or in equity, as appropriate.

1.4.2 Subsequent measurement

After initial recognition, financial assets are measured as follows:

- Loans and receivables and held-to-maturity investments are measured at amortised cost using the effective interest method;

- Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are measured at cost;
- Other financial assets, including derivatives, at fair value, without any deduction for transaction costs which may be incurred on sale or other disposal.

After initial recognition, financial liabilities are measured as follows:

- Financial liabilities, including derivatives that are liabilities, are measured at fair value through profit and loss;
- Other financial liabilities are measured at amortised cost using the effective interest method.

1.4.3 Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- A gain or loss on a financial asset or financial liability classified as at fair value through profit or loss is recognised in profit or loss;
- A gain or loss on an available-for-sale financial asset is recognised directly in equity, through the statement of changes in equity, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss;
- Financial assets and financial liabilities carried at amortised cost: a gain or loss is recognised in profit or loss when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

1.5 Trade and other receivables

Trade and other receivables and accrued income are stated at cost less provision for impairment losses.

1.6 Cash and equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, and are subject to insignificant risk in change in value.

Cash and cash equivalents are measured 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 and other payables are measured at amortised cost using the effective interest 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.

1.10 Revenue

Income from grants is brought to account in the period to which it relates. All other income is brought to account as and when received. Interest is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is probable that such income will accrue to the company.

1.11 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. EQUIPMENT

	Computer equipment R	Office equipment R	Furniture and fittings R	Total R
30 June 2009				
Net book value 30 June 2008	63 286	31 008	3 917	98 211
At cost	179 845	105 548	6 715	292 108
Accumulated depreciation	(116 559)	(74 540)	(2 798)	(193 897)
Additions during the year	46 508	2 735		49 243
Depreciation for the year	(31 312)	(15 717)	(1 343)	(48 372)
Disposal of assets	(32 659)	-	-	(32 659)
At cost	(48 770)	-	-	(48 770)
Accumulated depreciation	16 111	-	-	16 111
Net book value 30 June 2009	45 823	18 026	2 574	66 423
At cost	177 583	108 283	6 715	292 581
Accumulated depreciation	(131 760)	(90 257)	(4 141)	(226 158)
30 June 2008				
Net book value 30 June 2007	35 032	53 542	5 260	93 834
At cost	164 758	105 548	6 715	277 021
Accumulated depreciation	(129 726)	(52 006)	(1 455)	(183 187)
Additions during the year	78 423			78 423
Depreciation for the year	(36 364)	(22 534)	(1 343)	(60 241)
Disposal of assets	(13 805)	-	-	(13 805)
At cost	(63 336)	-	-	(63 336)
Accumulated depreciation	49 531	-	-	49 531
Net book value 30 June 2008	63 286	31 008	3 917	98 211
At cost	179 845	105 548	6 715	292 108
Accumulated depreciation	(116 559)	(74 540)	(2 798)	(193 897)

	2009	2008
	R	R
4. TRADE AND OTHER RECEIVABLES		
Deposits	15 390	15 390
Advances	-	7 170
	15 390	22 560

5. ACCRUED INCOME

City of Tshwane subscriptions (2007/8)	-	329 423
Royal Danish Embassy (104.SAF.1.MFS.82.01)	-	234 649
SANERI	-	50 000
USAID/ISLGS	-	65 000
Interest received	-	56 069
Sanlam refund	7 330	-
	7 330	735 141

6. CASH AND CASH EQUIVALENTS

Nedbank - Current account	1 176 984	87 783
Nedbank - 32 day deposit	3 879 742	2 773 450
Nedbank - 3 month deposit	-	12 473
Nedbank - 60 day deposit	-	815 228
Nedbank - Call deposit	-	10 442
Nedbank - Money 24 Inv	-	1 065 250
Petty cash	1 500	1 500
	5 058 226	4 766 126

Cash at banks earn 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. The fair value of cash and short-term deposits is R5 058 226 (2008: R4 766 126).



	2009 R	2008 R
7. TRADE AND OTHER PAYABLES		
Accruals	1 569 457	1 485 152
Other liabilities	8 525	-
	<u>1 577 982</u>	<u>1 485 152</u>

8. PROVISIONS

Leave

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

Opening balance	84 155	56 883
Additions during the year	33 201	27 272
Utilised during the year	-	-
Closing balance	<u>117 356</u>	<u>84 155</u>

Deferred compensation

Provision for retention of staff	<u>290 395</u>	<u>-</u>
Total provision	<u>407 751</u>	<u>84 155</u>

9. DEFERRED GRANT INCOME

World Bank (DGF File: 203108-07)	79 094	2 655 831
Department of Provincial and Local Government - NUDF	350 000	-
Department of Public Works	150 000	-
Royal Danish Embassy (104.SAF.1.MFS.82.01)	123 524	-
Ekurhuleni Metropolitan Municipality – State of Cities reporting	<u>286 000</u>	<u>-</u>
	<u>988 618</u>	<u>2 655 831</u>



10. GRANTS

	2009 R	2008 R
World Bank DGF File 203108-07	2 576 737	117 619
Received	2 655 831	2 773 450
Deferred to 2009	-	(2 655 831)
Deferred to 2010	(79 094)	-
Department of Provincial and Local Government NUDF	2 263 798	-
Received	2 613 798	-
Deferred to 2010	(350 000)	-
Department of Provincial and Local Government	4 700 000	4 400 000
Received	4 700 000	4 400 000
Department of Public Works	-	-
Received	150 000	-
Deferred to 2010	(150 000)	-
SIDA (U.11.11.3\SACN)	-	361 812
Received	-	61 196
Deferred from 2007	-	300 616
Royal Danish Embassy (104.SAF.1.MFS.82.01)	3 625 340	1 652 968
Received	3 537 577	1 430 000
Accrued	211 287	11 681
Deferred to 2010	(123 524)	211 287
Development Bank of Southern Africa (DBSA10268)	150 000	-
Received	150 000	-
Ekurhuleni Metropolitan Municipality – State of Cities reporting	-	-
Received	286 000	-
Deferred to 2010	(286 000)	-
USAID / ISLGS	-	92 488
Received	-	92 488
SANERI	-	265 000
Received in 2008	-	265 000
Development Bank of Southern Africa (SoCF)	-	250 000
Received in 2008	-	250 000
	13 315 875	7 139 887



	2009 R	2008 R
11. SUBSCRIPTIONS RECEIVED		
Buffalo City Municipality	219 615	219 615
City of Cape Town	505 115	439 230
Ekurhuleni Metropolitan Municipality	378 836	329 423
eThekweni Metropolitan Municipality	505 115	439 230
City of Johannesburg	505 115	439 230
Mangaung Municipality	219 615	219 615
Msunduzi Municipality	219 615	219 615
Nelson Mandela Metropolitan Municipality	329 423	329 423
City of Tshwane	378 836	329 423
	3 261 285	2 964 804

12. NET INTEREST RECEIVED

Interest received - call accounts	491 539	236 944
	491 539	236 944

13. DIRECTORS' REMUNERATION

For managerial services	1 068 304	809 078
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14. OPERATING LEASE COMMITMENTS

SACN leases office space over a period of three years starting 1 July 2007. The company has commitments in respect of operating lease charges for premises and office equipment as follows:

Payable within one year	99 665	90 605
Payable within 2-5 years	-	99 665
	99 665	190 270



	2009 R	2008 R
15. RECONCILIATION OF SURPLUS FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES		
Surplus (deficit) from operations	775 843	(133 469)
Adjustment for:		
- depreciation	48 372	60 243
- profit on disposal of assets	(8 028)	(15 628)
- interest received	(491 539)	(236 944)
- increase (decrease) in deferred income	(1 667 213)	1 255 215
- increase in leave provision	323 596	27 272
- increase in provision for deferred compensation	8 858	-
- decrease/(increase) in accrued income	727 811	(423 985)
Operating cash flows before movements in working capital	(282 300)	532 704
	100 000	806 983
Decrease in accounts receivable	7 170	8 781
Increase in accounts payable	92 830	798 202
Cash (utilised by) generated from operations	(182 300)	1 339 687

16. 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.

17. DEFICIT FOR THE YEAR

The deficit for the year is arrived at after taking into account the following:

Auditors' remuneration	48 467	30 139
Depreciation	48 372	60 243
Staff costs	3 819 782	2 872 752
Office rental	90 879	90 879
Lease payment made	90 605	82 296
Deferred payment	275	8 583
Profit on disposal of computer equipment	(8 028)	(15 628)

18. RELATED PARTIES

2009	Relationship	Grant received	Subscription	Deferred income	Total
Department of Cooperative Governance and Traditional Affairs (formerly DPLG)	Partner	(4 700 000)	-	-	(4 700 000)
Department of Public Works	Partner	(150 000)	-	150 000	-
Ekurhuleni Metropolitan Municipality	Member cities	(286 000)	(378 836)	286 000	(378 836)
City of Tshwane	Member cities	-	(378 836)	-	(378 836)
eThekweni Metropolitan Municipality	Member cities	-	(505 115)	-	(505 115)
Manguang Local Municipality	Member cities	-	(219 615)	-	(219 615)
Nelson Mandela Metropolitan Municipality	Member cities	-	(329 423)	-	(329 423)
Buffalo City Municipality	Member cities	-	(219 615)	-	(219 615)
City of Johannesburg	Member cities	-	(505 115)	-	(505 115)
Msunduzi Municipality	Member cities	-	(219 615)	-	(219 615)
City of Cape Town	Member cities	-	(505 115)	-	(505 115)
Department of Provincial and Local Government -NUDF	Partner	(2 613 798)	-	350 000	(2 263 798)
Royal Danish Embassy (104.SAF.1.MFS.82.01)	Development partner/donor	(3 748 864)	-	123 524	(3 625 340)
Development Bank of South Africa (DBSA10268)	Development partner/donor	(150 000)	-	-	(150 000)
World Bank(DGF file:203108-07)	Development partner/donor	(2 655 831)	-	79 094	(2 576 737)

		Employee benefits	Total
Key management personnel			
Short-term employee benefits	Executive Director	1 068 304	1 068 304

19. GOING CONCERN

There are no current conditions or events that may affect 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.

20. FINANCIAL RISKS

20.1 Solvency risk

The company is exposed to currency risk to the extent that grants are received by the company in foreign currency.

20.2 Interest rate risk

The company is exposed to interest rate risk, as it places

funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rates and placing within market expectations.

20.3 Credit risk

The company's credit risk is attributable to accounts receivable, accrued income and liquid funds. The credit risk on liquid funds is limited because the counter party is a bank with credit rating assigned by international credit-rating agencies. The company has no significant concentration of credit risk.

20.4 Liquidity risk

The company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash reserves are maintained.

Detailed expenditure schedule for the year ended 30 June 2009

	2009 R	2008 R
Secretariat costs	4 561 137	3 369 958
Salaries	3 819 782	2 872 751
Office consumables	377 153	404 947
Rent and services	90 879	90 936
Rental of office equipment	47 483	45 713
Office refreshments	7 801	8 492
Office sundries	30 206	12 176
Contingent expenses	-	25 337
Loss on trade-in of office equipment	-	-
Profit on disposal of computer equipment	(8 028)	(15 628)
Postage and courier	9 025	15 414
Travel - local (staff)	12 886	18 961
Printing and stationery	33 805	14 277
Bank charges	7 709	3 870
Office insurance	32 328	36 055
Depreciation	48 372	60 242
Telephone and cellphone	64 687	89 102
Financial and legal fees	50 092	34 756
Audit fees and other financial services	48 467	30 139
Interest paid on instalment sale agreement	-	-
Legal fees	1 625	4 617
Organisational development	314 110	57 504
Organisational development	84 941	50 431
Staff training and development	11 500	7 073
Performance review – mid-term evaluation	217 669	-
Networking and strategic input	267 257	226 792
Management and board meetings	70 099	86 910
Local and international conferences	120 467	58 087
Annual Report	76 691	81 795
Information technology	81 262	76 828
IT support, maintenance and internet	67 584	68 776
Software and licenses	13 678	8 052
City Development Strategies	4 682 734	894 692
National Urban Development Framework	1 841 974	380 505
Sustainable Municipal Finances in Southern Africa	-	117 619
State of Cities Report - toolkit	120 798	76 845
Urban Indicators	784 018	209 405
Travel to support programmes	128 808	110 318
2010 FIFA World Cup legacy project	325 926	-
Strategic action learning for leadership development	1 243 006	-
Knowledge sharing enhancement project	238 204	-
Balance carried forward	9 592 390	4 568 270

continues over

Detailed expenditure schedule for the year ended 30 June 2009 (continued)

	2009 R	2008 R
Balance brought forward	9 592 390	4 568 270
Productive Cities	242 339	1 267 109
City regions	-	240 289
2010 City Legacy Report	-	733 507
Freight logistics strategy	242 339	293 313
Inclusive Cities	872 793	759 264
Expanded Public Works Programme	251 185	246 274
Inclusive Cities – conference	-	151 178
Training for township renewal	293 496	-
Urban land markets	328 112	-
Communities of practice – HIV/AIDS	-	361 812
Well-governed Cities	2 714 330	1 439 134
Urban development partnerships	-	504 150
National Land Transport Bill	52 663	49 248
Land use management	-	65 750
Asset management	84 930	-
Sustainable Municipal Finance in Southern Africa	2 576 737	-
State of City Finances	-	819 986
Sustainable Cities	2 498 180	2 002 802
Annual Report – Sustainable Cities Reference Group (SCRG)	116 147	197 016
Guidance for cities - sustainable transport systems	141 066	30 000
Project management fee	190 000	341 002
Urban Environmental Management (UEM) coaching service for councillors and senior managers	113 825	446 215
Seminars on UEM themes	-	628 885
Environmental Indicators	-	75 924
UEM content production	365 654	151 760
Urban biodiversity	36 889	-
Sustainable waste management	351 359	-
Green by-laws and building standards	312 821	-
International climate change cooperation	641 452	-
Website updates – Sustainable Cities and project co-ordination	228 967	132 000
Knowledge management and communications	1 278 174	791 339
Branding and marketing material	-	71 558
Capacity building cities	-	48 592
Publications	520 189	-
Public relations	38 920	123 632
Learning sessions	403 057	267 117
Website maintenance	316 008	280 440
	17 198 206	10 827 918



