



# ANNUAL REPORT **2010**

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## VISION AND MISSION

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, PARTNERS AND SECRETARIAT

## 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 (CoGTA)
- South African Local Government Association (SALGA)

## Secretariat

- Sithole Mbanga, CEO
- Supriya Kalidas
- Letlhogonolo Dibe
- Sathna Bhana



## CHAIRPERSON'S REPORT FOR THE YEAR ENDED 30 JUNE 2010



**This year we bid farewell to outgoing acting Chairperson Moses Maseko. We thank him for the time and energy that he has contributed to the South African Cities Network (SACN).**

The auditor's report attests to the SACN's continued sound financial management over the past financial year. The Board has noted the year-on-year decrease in funding for the organisation, which can be explained by the generally constrained financial environment faced by its partners. However, it is gratifying that the organisation has been proactively pursuing funding from alternative sources. In this respect, the SACN obtained funding from the Public Private Infrastructure Advisory Facility (PPIAF) to finance part of the municipal finance, renewable energy and climate change programmes. The Board would like to encourage the organisation to continue diversifying its funding sources.

The year also saw a notable dip in spending, which was attributed to the loss of two programme staff members of long-standing. In spite of the staff shortage, the Board is appreciative of the fact that the SACN met its output targets during the year. This was done by contracting temporary programme staff, while seeking to fill the permanent posts. We are pleased that the SACN has identified three staff members to fill the permanent positions, which will become available in the next financial year.

The SACN continues to implement the recommendations of the mid-term review commissioned in December 2009. The review reflected positively on the SACN's role in generating and disseminating knowledge, finding that the organisation is well managed, operates at a high level of efficiency and provides cost-effective services to its member cities. One of the challenges identified was for the SACN to ensure that its knowledge products translate into action that can result in a real improvement of city practices. We are pleased to note that in this financial year, the SACN began a process of establishing formal relations with the various departments that deal with the built environment (Human Settlements, Transport and Rural Development and Land Affairs). The SACN also sought

to establish closer working relations with co-ordination departments such as CoGTA and the National Planning Commission. Furthermore, Mangaung and Buffalo City have both approached the SACN to enter into formal agreements to provide technical assistance during the process to transform the two municipalities to metropolitan status. This long-term strategy of creating closer more formal working relationships with partners is commendable. It will ensure that the organisation's research outputs are demand-driven and are able to influence decision making at the highest levels. Nevertheless, an outstanding issue that needs to be tackled with greater vigour is that the SACN still needs to come up with innovative ways of expanding and funding its reach beyond its nine member municipalities.

We remain encouraged by the work that the SACN is doing and, as a Board, are committed to providing the necessary governance to ensure its systems remain transparent, efficient and provide value for money. In keeping with this, and confident in the knowledge that they have passed the highest level of scrutiny, we are pleased to submit the 2009/10 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.



Yunus Carrim  
Chairperson

# CHIEF EXECUTIVE OFFICER'S REPORT



Since 2006/07 the SACN's expenditure has grown rapidly, rising at an annual average of 26.9%, from R8.4 million in 2006/07 to R17.2 million in 2008/09. However, in 2009/10 expenditure fell to approximately R13 million.

**Table 1: SACN expenditure summary since 2003/04**

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	TOTAL
Expenditure (R million)	6,210	6,201	8,410	8,357	10,827	17,198	12,971	70,174
Increase on previous year (%)		-0.1	35.6	-0.6	29.6	58.8	-24.6	
Number of outputs	8	21	29	40	37	55	65	255
Increase on previous year (%)		162.5	38.1	37.9	-7.5	48.6	18.2	

The drop in expenditure can be attributed largely to the mid-year loss of two programme staff, Sharon Lewis and Astrid Wood. Programme expenditure invariably declined in the period that followed their departure, while the SACN was looking for replacement staff. As a stop-gap measure, the SACN hired contract staff, which ensured that programme outputs did not suffer; indeed, outputs increased by 18% compared with the previous year. By the end of the financial year, the staffing problem was resolved with the SACN identifying candidates for the permanent positions.

## Programme performance against output targets

The SACN delivers two main types of outputs: publications and learning events. Publications generate knowledge and are often accompanied by a series of events at which this knowledge is disseminated. Despite decreased expenditure, the SACN increased its total number of outputs during the financial year, continuing the trend of previous years.

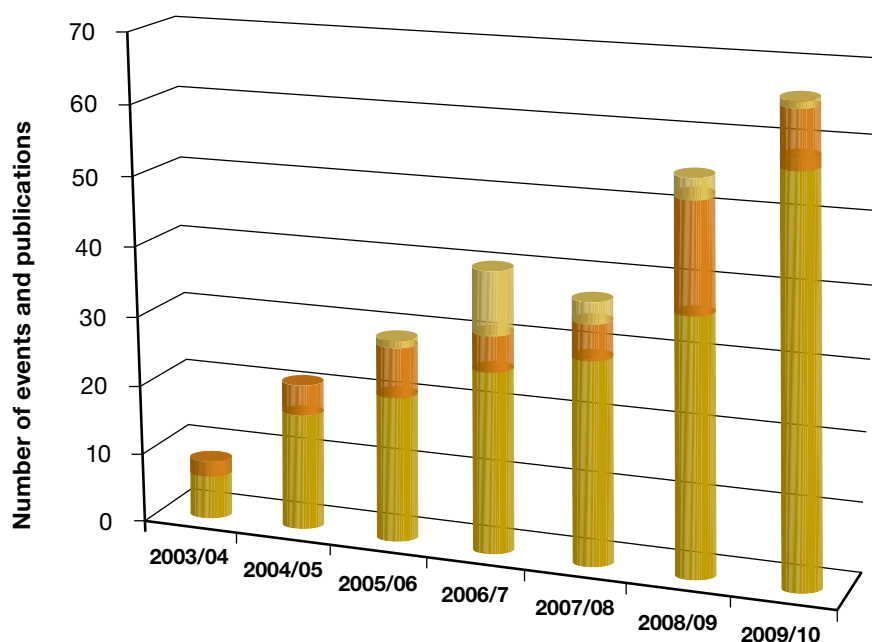
**Table 2: Summary of outputs delivered by the SACN since 2003/04**

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	TOTAL
Number of learning events	6	17	21	26	29	37	57	193
Number of video records of events	-	-	1	9	3	3	-	16
Number of publications	2	4	7	5	5	15	8	46
Number of outputs	8	21	29	40	37	55	65	255

As Table 2 and Figure 1 illustrate, with the exception of 2007/08, the SACN has consistently increased its outputs. In this financial year, the SACN delivered 57 events and eight publications.



**Figure 1: Number of outputs delivered by the SACN since 2003/04**



	2003/04	2004/05	2005/06	2006/7	2007/08	2008/09	2009/10
NUMBER OF VIDEO RECORDS OF EVENTS	0	0	1	9	3	3	1
NUMBER OF PRINT PUBLICATIONS	2	4	7	5	5	15	8
NUMBER OF LEARNING EVENTS	6	17	21	26	29	37	57

**Some of the most notable events included:**

- Member cities were able to promote knowledge sharing on urban development and management strategies and practices in South African Cities at the **SACN's 3rd Annual Conference**, which was held in Nelson Mandela Bay.
- SACN-hosted knowledge-dissemination events, at which the possible effects of the new property rating legislative framework on the poor were discussed.
- The launch of the Global Report on Human Settlements, co-hosted by the SACN, the City of Johannesburg, the University of Witwatersrand and UN Habitat.
- A series of Infrastructure Dialogues, co-hosted by the SACN, the Business Trust and the Development Bank of South Africa.

The SACN also held a series of events leading up to the publication of its flagship product, the **State of the Cities Report** (SoCR).





**Table 3: Learning events hosted by the SACN during 2009/10**

	LEARNING EVENT	DATE	OBJECTIVE
First quarter			
1.	Inclusive Cities round table on pro-poor property rates policies	9 July 2009	To workshop emerging research and analysis on the extent to which property rates policies can benefit the poor.
2.	Sustainable Cities seminar on waste-to-energy through biogas	17 July 2009	To launch the SACN's waste-to-energy toolkit and feasibility model and share knowledge about biogas as a municipal operation.
3.	African Local Government Climate Roadmap Pre-Copenhagen Summit	29–31 July 2009	To develop African local government negotiating positions and prepare participants for COP15 in Copenhagen in December 2009.
4.	International climate change exchange between Isolo South Local Council (Nigeria) and Sedibeng DM	3–5 Aug 2009	To exchange knowledge on air quality management between African municipalities with similar problems.
5.	Inclusive Cities reference group meeting on human settlements	20–21 Aug 2009	To share knowledge on human settlement development challenges and solutions and to promote co-ordination between the spheres of government.
6.	Sustainable Cities reference group meeting on climate change and renewable energy	27 Aug 2009	To share knowledge on climate change and renewable energy and to develop a collective programme on climate mitigation.
7.	The State of Cities Report (SoCR) 3 editorial committee meeting	10 Sept 2009	To guide the content and project plan for the next edition of the SoCR, to be published in October 2010.
8.	Meeting of the Board of Directors	11 Sept 2009	To guide the SACN operations and ensure sound financial management and value-for-money for members and partners.
9.	City Development Strategy reference group on 2010 FIFA World Cup™ (FWC) city legacy	14–15 Sept 2009	To share knowledge on disaster management during the 2010 FWC.
10.	Well-Governed Cities workshop on property asset management (CT)	15 Sept 2009	To share international leading practices with officials and leaders in Cape Town responsible for property asset management.
11.	Well-Governed Cities workshop on property asset management (CoJ)	16 Sept 2009	To share international leading practices with officials and leaders in Johannesburg responsible for property asset management.
12.	Well-Governed Cities seminar on property asset management	17 Sept 2009	To share international leading practices and discuss local challenges relating to property asset management.
13.	Inclusive Cities seminar on pro-poor property rating policies	18 Sept 2009	To share knowledge and discuss property rating systems and practices in the cities.
14.	City Development Strategy seminar on human settlements and spatial outcomes	29–30 Sept 2009	To share knowledge and discuss practices in human settlement development.



**Table 3: Learning events hosted by the SACN during 2009/10 (continued)**

	LEARNING EVENT	DATE	OBJECTIVE
Second quarter			
15.	Productive Cities seminar on green jobs	8 Oct 2009	To share knowledge about the potential for green jobs in creating employment and what cities can do to promote green jobs.
16.	Inclusive Cities reference group on Expanded Public Works Programme (EPWP)	9 Oct 2009	To launch the SACN's waste-to-energy toolkit and feasibility model and share knowledge about biogas as a municipal operation.
17.	Indicators reference group meeting	13 Oct 2009	To guide the implementation of the Indicators project and do quality control on the research and analysis that has been done on Inclusive Cities indicators.
18.	Inclusive Cities training on human settlements	14–16 Oct 2009	To transfer knowledge about human settlement and housing strategy through an executive course on the subject.
19.	City Development Strategy seminar to launch the Global Report on Human Settlements 2009	21 Oct 2009	To exchange knowledge on international planning approaches and strategies and the lessons learnt (co-hosted with Wits, CoJ and UN-Habitat).
20.	Sustainable Cities seminar on green buildings conference and exhibition 2009	22–23 Oct 2009	To share knowledge on green building practices and to launch the next Green Star Rating Tool for commercial buildings (co-funded by the SACN).
21.	Inclusive Cities training on human settlements	26–27 Oct 2009	To transfer knowledge about housing policy through a course for administrative staff.
22.	Knowledge management (KM) reference group	27 Oct 2009	To workshop case-study writing and plan KM reference group activities for the rest of the year.
23.	Productive Cities seminar on public transport (Infrastructure Dialogues series)	29 Oct 2009	To exchange knowledge on public transport implementation and operation (especially Bus Rapid Transit in the cities).
24.	Inclusive Cities reference group meeting on human settlements	12–13 Nov 2009	To share knowledge on human settlement development challenges and solutions and to promote co-ordination between the spheres of government.
25.	Well-Governed Cities seminar on disaster management	17–18 Nov 2009	To consolidate disaster risk concepts and strategies among municipal officials, with an emphasis on preparedness and mitigation strategies. Also to review current legislative and regulatory framework in SA.
26.	Inclusive Cities reference group on the EPWP	23 Nov 2009	To share knowledge on regular, predictable employment opportunities.
27.	3rd Urban Conference	24–25 Nov 2009	To further develop common understanding of the state of urban settlements in SA, promote knowledge sharing on urban development and management strategies and practices between the SACN cities, and to raise awareness of urban development priorities.
28.	Meeting of the Board of Directors	24 Nov 2009	To guide the SACN operations and ensure sound financial management and value-for-money for members and partners.
29.	Inclusive Cities seminar: township knowledge products launch	24 Nov 2009	To launch and publicise the township renewal source book and the township transformation timeline.
30.	SoCR 3 editorial committee meeting	26 Nov 2009	To guide the content and project plan for the next edition of the SoCR, to be published in October 2010.
31.	KM reference group	1 Dec 2009	To share international experience of KM for mega-events.



**Table 3: Learning events hosted by the SACN during 2009/10 (continued)**

	LEARNING EVENT	DATE	OBJECTIVE
Second quarter (continued)			
32.	City Development Strategy seminar: 2010 FWC Conference	2–4 Dec 2009	To share knowledge on sports legacy and mega-events.
33.	Reference group on climate change, renewable energy and energy efficiency: local government leads the way	3–10 Dec 2009	To participate in local government negotiations, preparation and international discussions about climate change; to raise awareness and funds for collective climate action by the SACN member cities; and to learn about climate action leading practice.
34.	Strategic planning workshop	15 Dec 2009	To start planning for the next strategic period (2011–16).
Third quarter			
35.	Infrastructure Dialogue: climate change and the effect on municipal infrastructure	28 Jan 2010	To discuss and share views and perspectives of senior government, private sector and civil society stakeholders in the sector on climate change and the effect on municipal infrastructure.
36.	Impact of retail centres in townships workshop	3 Feb 2010	To report back on programme progress and targets met.
37.	South Africa–Denmark: Urban Environment Management Programme (UEMP)	5 Feb 2010	To follow up on meeting in December 2009: Renewable energy study tour, Denmark.
38.	Integrated Sustainable Rural Development Programme/Urban Renewable Programme for the Department of Trade and Industry	17 Feb 2010	To discuss the project.
39.	Infrastructure Dialogue: 2010 infrastructure legacy	25 Feb 2010	To discuss and share views and perspectives of senior government, private sector and civil society stakeholders in the sector on 2010 infrastructure legacy.
40.	Training for Township Renewal Initiative (TTRI) course: operation, management and maintenance of township nodes	4–5 March 2010	To equip township development practitioners with an understanding of the strategies, methodologies and tools that can be used to integrate management, maintenance and operational aspects into the development of township nodes.
41.	Workshop on the SoCR together with planning of Shanghai exhibition	10 March 2010	To discuss the SA Cities exhibition concept to Shanghai and the correlation with the new SoCR, as well as the focus of the photographs. To have an in-depth look at the concept document and approach based on which the new SoCR will be developed.
42.	World Urban Forum, Rio de Janeiro	22–26 March 2010	To attend the 5th edition of the World Urban Forum, which had the overall theme of the "right to the city-bridging the urban divide". To present "State of Cities Reports: a tool for better understanding the urban divide" on 23 March 2010 (Sithole Mbanga).
43.	Infrastructure Dialogue: infrastructure sector procurement	25 March 2010	To discuss and share views and perspectives of senior government, private sector and civil society stakeholders in the sector on infrastructure sector procurement.
44.	Workshop on the SoCR	30 March 2010	To discuss the development of the new SoCR.
45.	Inclusive Cities reference group on the EPWP	31 March – 1 April 2010	To share knowledge on regular, predictable employment opportunities.



**Table 3: Learning events hosted by the SACN during 2009/10 (continued)**

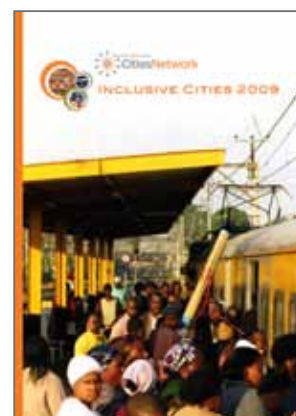
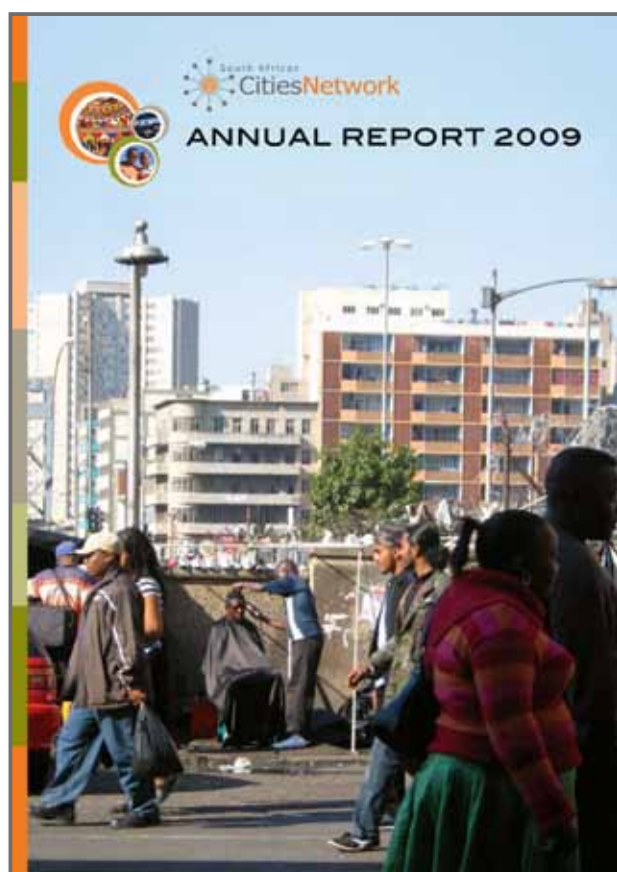
	LEARNING EVENT	DATE	OBJECTIVE
Fourth quarter			
46.	Reference group on climate change, renewable energy and energy efficiency: local government leads the way	8–9 April 2010	To provide political guidance, as aspects of the reference group will inform local government input into the Green Economy Summit convened by national government from 18–20 May 2010.
47.	TTRI course: Community Delivery of Services (CDS) as an approach to operation, management and maintenance in townships	8–10 April 2010	To equip township development practitioners with an understanding of the strategies, methodologies and tools that can be used to integrate management, maintenance and operational aspects into the development of township nodes.
48.	Cities at Indaba workshop on the theme of a responsible approach to tourism development	7–8 May 2010	To encourage all cities and major towns in the country to attend and participate by submitting their presentation on the proposal theme. To dialogue and share expertise among local government delegates.
49.	Meeting of the Board of Directors	12 May 2010	To guide the SACN operations and ensure sound financial management and value-for-money for members and partners.
50.	Urbanisation trends and development planning dynamics in India: lessons for South Africa	14 May 2010	To attend a high-level presentation by a member of the Indian Institute for Human Settlements on the Indian experience, with particular reference to the key long-term drivers of the urban transition; national planning processes and failures; and current database about best options to institutionalise effective policy responses.
51.	Local Government Municipal Initiative on Climate Change and Renewable Energy	17 May 2010	To participate in the pre-conference event, the outcome of which contributed to the local government input into the Green Economy Summit (18–20 May).
52.	South Africa's Green Economy Summit: towards a resource-efficient, low-carbon and pro-employment growth path	18–20 May 2010	To explore different elements that contribute to economic growth, environmental protection and social well-being and to indicate key areas that should be included in the National Green Economy Plan.
53.	Inclusive Cities training on human settlements	20–21 May 2010	To transfer knowledge about housing policy through a course for administrative staff.
54.	Infrastructure Dialogue: 2010, the role of public infrastructure in urban regeneration	3 June 2010	To discuss and share views and perspectives of senior government, private sector and civil society stakeholders in the sector on the role of public infrastructure in urban regeneration.
55.	City Development Strategy workshop for the review of life and customer surveys undertaken by SACN member cities	22 June 2010	To better understand the approaches used to measure the quality of life and the level of satisfaction which customers have expressed with the services provided by the cities. To review surveys carried out by SACN member cities.
56.	Third core writers' group team meeting for 3rd edition of the SoCR	10 July 2010	To discuss the content and project plan for the next edition of the SoCR, to be published in October 2010.
57.	Climate change, renewable energy and energy efficiency study tour, Spain	25 July – 1 Aug 2010	To develop awareness of the planning and implementation of renewable energy initiatives at a local level, and how these initiatives can contribute to achieving renewable energy targets. To explore examples of leading renewable energy initiatives in Spain, including photovoltaic solar farms, concentrated solar power and biomass projects.

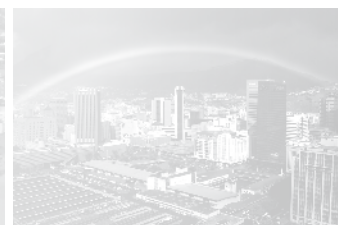




**Table 4: Publications produced by the SACN during 2009/10**

	PUBLICATION	DATE	OBJECTIVE
1.	Urban Renewal Programme (URP) Case Study Report	Sept 2009	A selection of case studies from the URP to share experiences and lessons
2.	Inclusive Cities Report 2009	Sept 2009	Annual round-up of Inclusive Cities case studies and opinion pieces
3.	Property Rating Policies and the Urban Poor	1 Oct 2009	Overview paper on property rating policies and the impact on the urban poor in two member cities (Buffalo City and Johannesburg)
4.	Property Asset Management Overview Report	1 Oct 2009	Overview paper on property asset management concepts and international leading practice
5.	Letter of Comment on Green Paper on National Strategic Planning	1 Oct 2009	To ensure that the cities' views are included in the National Strategic Planning process
6.	Annual Report	1 Oct 2009	Annual report and financial statements published in line with the Companies Act and the Public Finance Management Act
7.	Sustainable Cities Report 2009	1 Dec 2009	Annual round-up of Sustainable Cities case studies and opinion pieces
8.	Well-Governed Cities Report 2009	1 Dec 2009	Annual round-up of Well-Governed Cities case studies and opinion pieces





During 2009/10 the distribution of outputs by theme reflects an emphasis on the City Development Strategy, because of activities linked to the production of the SoCR. Three important reports were the assessment reports that reviewed the Well-Governed Cities, Sustainable Cities and Inclusive Cities programmes, three of the four quadrants that surround the SACN's City Development Strategy (CDS).

**Table 5: Summary of outputs by theme during 2009/10**

	CDS	PRODUCTIVE CITIES	INCLUSIVE CITIES	WELL-GOVERNED CITIES	SUSTAINABLE CITIES	OTHER
Number of learning events	18	2	14	8	12	3
Number of video records of events	1	0	0	0	0	0
Number of publications	0	1	3	2	1	1
<b>TOTAL NUMBER OF OUTPUTS</b>	<b>19</b>	<b>3</b>	<b>17</b>	<b>10</b>	<b>13</b>	<b>4</b>

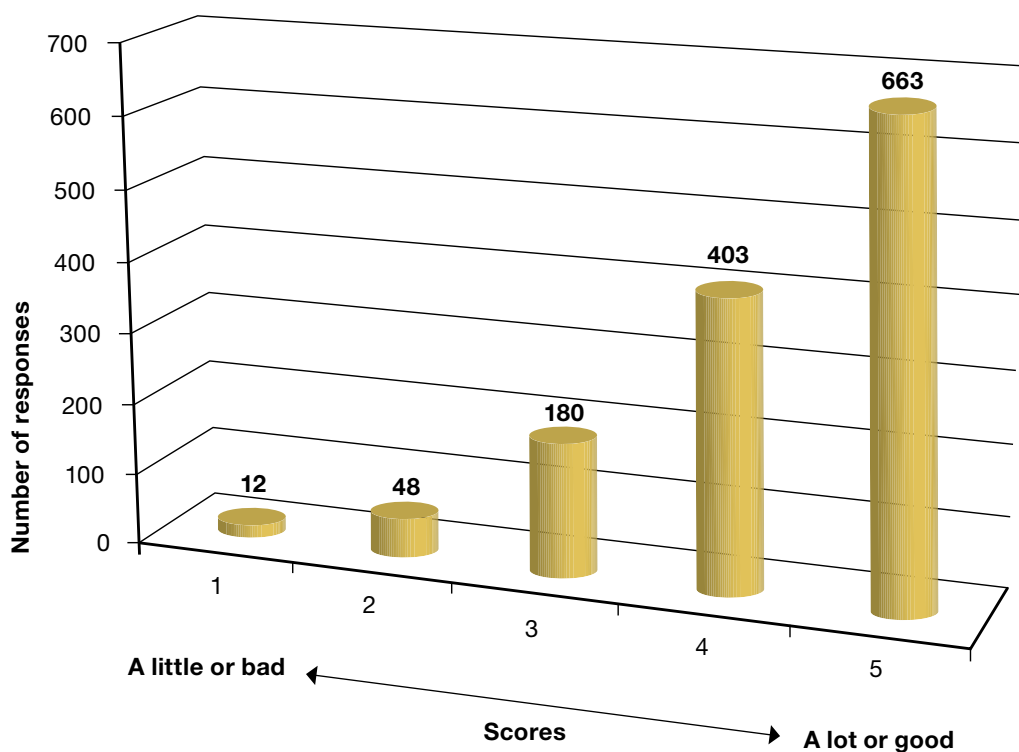
## Quality of outputs

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

As at the end of the 2009/10 financial year, 216 people had completed survey questionnaires. In response to six questions about content and logistics, 50% of respondents allocated the highest possible score (5/5), up from 42% in 2008/09 and 30% in 2007/08.

In general, most participants at the SACN learning events were very satisfied with the quality of all aspects of these events, as seen below.

**Figure 2: Results of quality surveys completed for SACN learning events during 2009/10**





**Table 6: Results of quality surveys completed for SACN learning events during 2009/10**

QUESTIONS ASKED	SCORES				
	A LITTLE OR BAD				A LOT OR GOOD
	1	2	3	4	5
QUESTION 1: Did you learn something new today?	3	9	33	70	101
QUESTION 2: Did the information you received inspire you to do something new or different in your work?	2	6	43	60	105
QUESTION 3: Will the information you received help you to do your job better?	2	8	29	76	111
QUESTION 4: Was the invitation of a good quality?	0	7	27	56	126
QUESTION 5: Did you receive adequate information in preparation for the event?	2	8	26	68	112
QUESTION 6: How would you rate the venue and catering?	3	10	22	73	108
	12	48	180	403	663

The Well-Governed Cities seminar on property asset management received the highest quality scores (63% of responses gave the maximum score), followed by the African Local Government Climate Roadmap Pre-Copenhagen Summit (59% gave the maximum score). The learning event that received the lowest quality scores was the Sustainable Cities seminar on waste-to-energy through biogas, for which 33% gave the maximum score.

In 2009/10 a new learning approach was tested with the Infrastructure Dialogues series of events. The SACN partnered with the Business Trust and the Development Bank of South Africa to host a series of dialogues on infrastructure. The dialogue sessions created a platform and arena for peer learning and an exchange of ideas on topical issues related to infrastructure. Speakers were sourced from national, provincial and local government, and from the private sector with the intention of encour-

aging intergovernmental and public-private sector co-operation. The topics raised and lessons learnt will enable a better matching of policy and decision making and targeting of critical issues.

## Performance outcomes

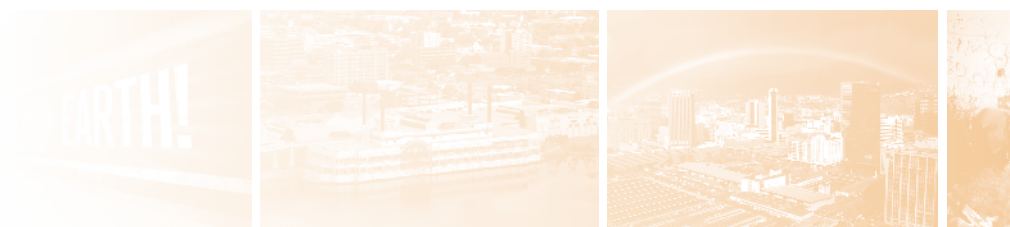
These are measured in terms of the number and profile of people reached.

### Number of people reached

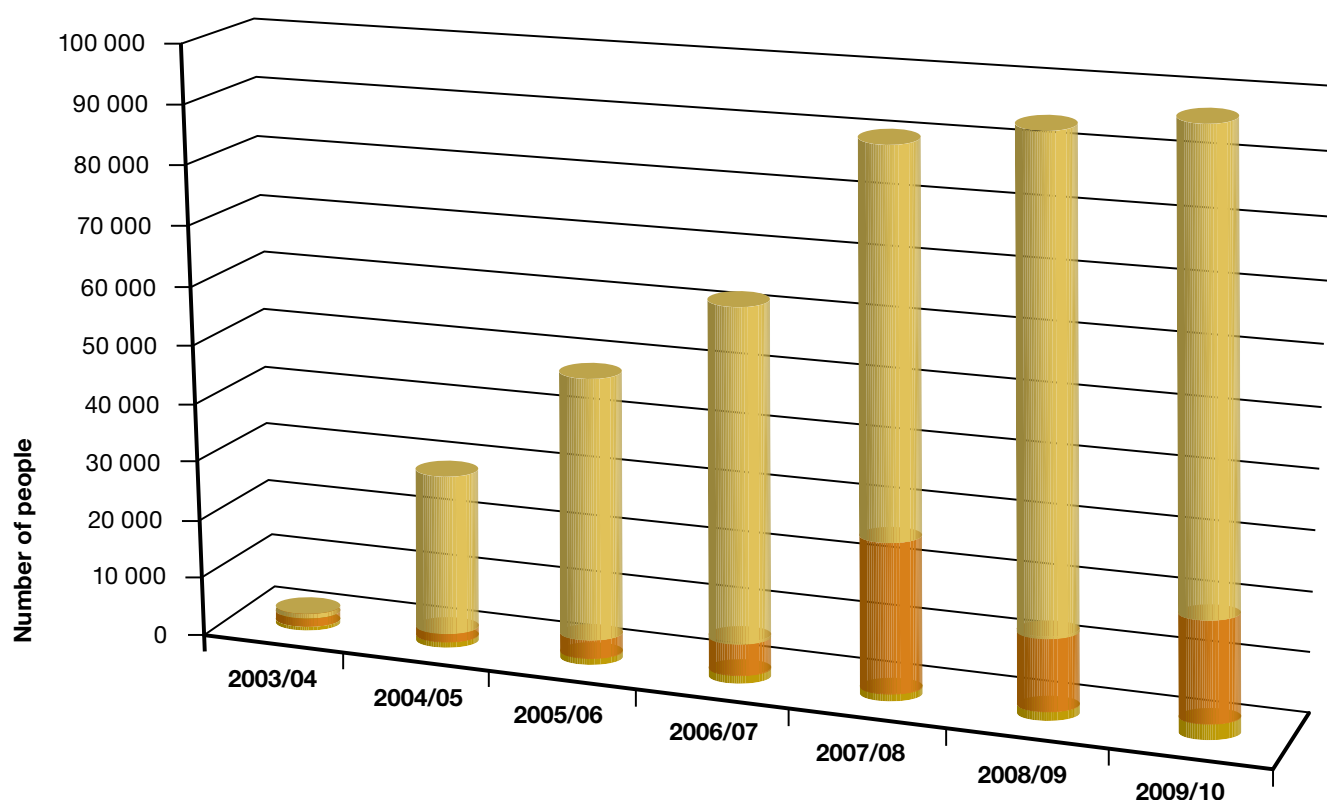
The SACN's knowledge dissemination reaches people through the website, through print publications and in person. In total, 150 667 people were reached by the end of 2009/10. This is in line with the steady growth in this indicator, representing an increase of 60% compared with the 94 289 people reached during 2008/09.







**Figure 3: Summary of people reached to date**



	2003/04	2004/05	2005/06	2006/7	2007/08	2008/09	2009/10
NUMBER OF PEOPLE REACHED THROUGH WEBSITE	685	26 281	43 211	55 716	63 987	79 644	76 860
NUMBER OF PEOPLE REACHED THROUGH PRINT PUBLICATIONS	1 500	2 000	4 000	5 439	25 544	12 868	16 777
NUMBER OF PEOPLE REACHED IN PERSON	230	620	860	1 332	1 183	1 777	3 734

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

The 57 learning events hosted by the SACN in 2009/10 accounted for 618 hours of learning, which can be extrapolated to 57 298 person hours of learning. This compares to 198 hours of learning and 9 544 person hours for all of SACN learning events in 2007/08. This indicator is rising because of the increase in the number of events, the average length of learning events and the average number of people attending each event.

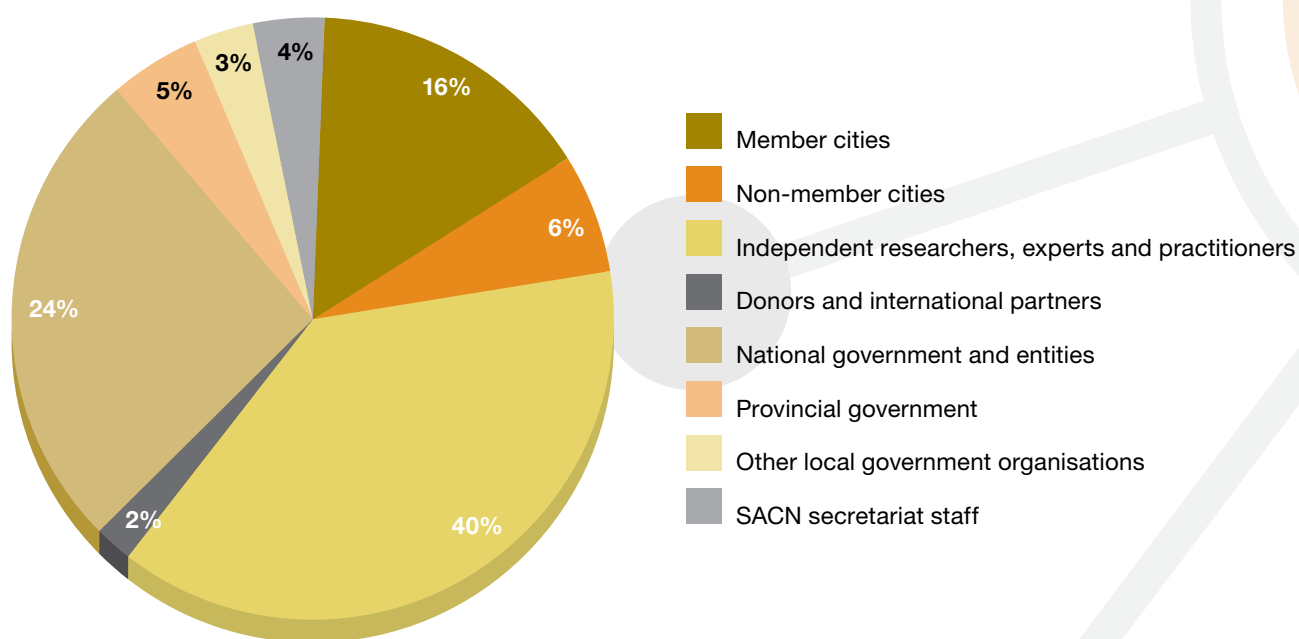
### **Profile of people reached through learning events**

In 2009/10 independent researchers, experts and practitioners made up most (40%) of the 3 755 participants at SACN learning events, largely due to the 200 independent partners who attended South Africa's Green Economy Summit that took place from 18–20 May 2011. Participation by partners remained at good levels, with member cities accounting for 16%, national government and national public entities for 24%, and non-member cities and other local government organisations combined for 9% of the audiences at learning events.





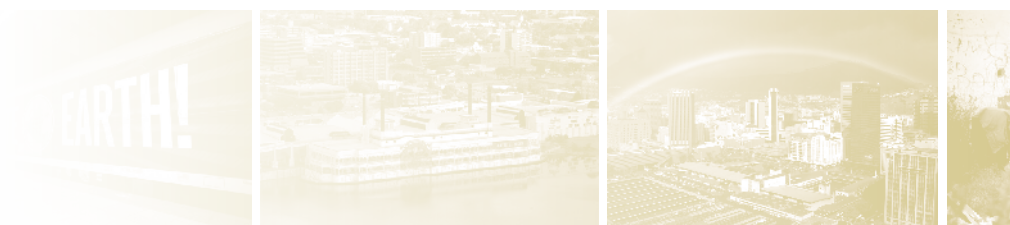
**Figure 4: Profile of participants at SACN learning events in 2009/10**



**Table 7: SACN member and partner participation at learning events during 2009/10**

SACN MEMBER / PARTNER	NUMBER OF PARTICIPANTS
Buffalo City	49
City of Cape Town	153
City of Johannesburg	92
Ekurhuleni	70
City of Tshwane	66
eThekweni	55
Mangaung	25
Msunduzi	18
Nelson Mandela Bay	103
<b>Total Member Cities</b>	<b>631</b>
<b>Non-member Cities</b>	<b>209</b>
<b>LOCAL GOVERNMENT TOTAL</b>	<b>840</b>

The SACN's partners and members took advantage of the learning options offered by the SACN to differing degrees. During 2009/10, 153 officials from Cape Town attended SACN learning events, including 40 who were at the Cape Town workshop on property asset management. The Cities of Johannesburg and Tshwane and eThekweni Metropolitan Municipality each sent more than 50 officials to SACN events. Non-member city participation continued to rise, with 209 representatives attending events during 2009/10. This is an indication of the SACN's relevance outside its traditional cities.



## Learning and policy impacts

### The SACN has achieved a number of important impacts:

- The SACN supported the Green Paper on the National Planning Commission (NPC), which was passed, and the NPC was set up. The SACN intends pursuing closer and more formal ties with the organisation, to influence the NPC's position on the future national urban agenda.
- The SACN's research into pro-poor property rates policies has been influential in shaping public debate and the implementation of the new property rating act among its member cities.
- The Township Transformation Timeline research was instrumental in shaping debate and policy around informality and small businesses in townships in Cape Town.

## Procurement impacts

All services are procured in terms of the 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 representative criteria.

The weighting for these scoring criteria varies from contract to contract, but tends to be 40% for price; 40% for quality (including experience, qualifications and project proposal); and 20% for gender and population group representivity in the project team. Bid evaluations are scored by an objective panel made up of the secretariat and officers, and a selection report is compiled for each recommendation.

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

The SACN has strived to ensure quality outputs through responsible procurement. The SACN's contracted services from 2002/03 to 2009/10 are analysed below.

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

YEAR	NUMBER OF CONTRACTS	VALUE OF CONTRACTS (RANDS)	AVERAGE VALUE OF CONTRACTS (RANDS)
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
2009/10	23	4,516,533	196,371
<b>TOTALS</b>	<b>120</b>	<b>24,743,248</b>	<b>206,194</b>

**Table 9: Summary of contracts by output category from 2002/03–2009/10**

TYPE OF CONTRACT	NUMBER OF CONTRACTS	VALUE OF CONTRACTS (RANDS)	% OF TOTAL VALUE
Knowledge production: Research	71	17,550,283	71%
Knowledge production: Publications	25	3,215,257	13%
Knowledge production: Facilitation	22	3,616,551	15%
Other	2	361,155	1%
<b>TOTALS</b>	<b>120</b>	<b>24,743,246</b>	<b>100%</b>



Most companies contracted to provide services to the SACN are small (employing less than 50 people). Since 2002, therefore, R14,056,197 (57% of all contracts awarded) of the SACN's expenditure has contributed to the profitability of the SMME sector in South Africa.

**Table 10: Summary of contracts by company size from 2002/03–2009/10**

TYPE OF CONTRACT	NUMBER OF CONTRACTS	VALUE OF CONTRACTS (RANDS)	% OF TOTAL VALUE
Individual experts	40	5,824,646	23
Small companies	63	14,056,197	57
Large companies	17	4,862,403	20
<b>TOTALS</b>	<b>120</b>	<b>24,743,246</b>	<b>100</b>

Twenty-one percent of contracts went to academic and science institutions, including the University of Cape Town (UCT), the Human Sciences Research Council (HSRC), and the Council for Scientific and Industrial Research (CSIR). The remaining 79% of contract value went to private companies and individuals (R19.6 million since 2002/03).

**Table 11: Summary of contracts by population group from 2002/03–2009/10**

TYPE OF CONTRACT	NUMBER OF CONTRACTS	VALUE OF CONTRACTS (RANDS)	% OF TOTAL VALUE
Academic and science institutions	19	5,105,686	21
Private sector companies and individuals	101	19,637,661	79
<i>Of which:</i>			
Black owned	37	8,420,596	43
Women owned	44	6,552,739	33





Photo by: Edna Peres

## Staffing and secretariat

During 2009/10 two programme staff left: Sharon Lewis moved to the Johannesburg Development Authority, while Astrid Wood left to pursue further education. We would like to thank them both for the immeasurable contributions they have made towards the organisation's success, and wish them well in their future endeavours. To replace them, the SACN has identified three new programme staff members, Geci Karuri-Sebina, Sandiswa Tshaka and Michael Kihato, to join in the next financial year. We are excited at the prospect of them joining, and are confident they will help the organisation achieve even greater success.

Meanwhile, 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 in the past financial year.

Sithole Mbanga  
Chief Executive Officer



# BOARD OF DIRECTORS



**Chairperson**  
Y Carrim



**Chief Executive Officer**  
S M Mbanga



N J O Lester



**CoGTA**  
Y E Patel (Alternate)



**SALGA**  
C X George



**eThekweni Metropolitan Municipality**  
Dr M O Sutcliffe



S Cele (Alternate)



**City of Tshwane**  
K D Kekana



**Ekurhuleni Metropolitan Municipality**  
L H Mekgwe



**Mangaung Local Municipality**  
L Makhanya (Alternate)



**Nelson Mandela Bay Metropolitan Municipality**  
Adv J G Richards



P S Ndoni (Alternate)



**Buffalo City Municipality**  
Z C Faku



A Ebrahim



**City of Cape Town**  
I Nielson (Alternate)



**City of Johannesburg**  
M M A Mfikoe



**Msunduzi Local Municipality**  
Z I Hlatshwayo



B S Ngubane (Alternate)

# ANNUAL FINANCIAL STATEMENTS

## Index to the annual financial statements for the year ended 30 June 2010

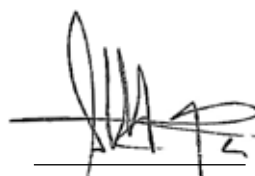
Directors' responsibility statement	21
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<i>The following schedule has been attached for information purposes only and does not form part of the audited financial statements.</i>	
Detailed expenditure schedule	41–42

### Approval

The annual financial statements set out on pages **20** to **40** have been approved by the Board of directors and are signed on its behalf by:



Yunus Carrim  
Chairperson



S M Mbanga  
Chief Executive Officer

### Certificate by secretary

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



Mrs S Kalidas  
Johannesburg

# Directors' responsibility statement for the year ended 30 June 2010

## Statements of responsibility

The directors are required by the Companies Act of South Africa 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 South African Statements of Generally Accepted Accounting Practice. The external auditors are engaged to express an independent opinion on the financial statements.

The annual financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice 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 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.

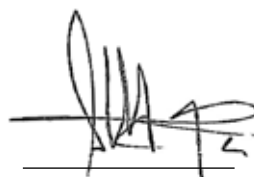
The going concern basis has been adopted in preparing the annual financial statements. The directors have no reason to believe that the company will not be a going concern in the foreseeable future based on forecasts and available cash resources. The annual financial statements support the viability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

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 page 22.

The annual financial statements were approved by the directors on 5 November 2010.



Yunus Carrim  
Chairperson



S M Mbanga  
Chief Executive Officer



# Report of the independent auditors

To the members of the South African Cities Network (Association Incorporated under section 21)

We have audited the accompanying annual financial statements of South African Cities Network (Association Incorporated under section 21), which comprise the directors' report, the statement of financial position as at 30 June 2010, the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 23 to 42.

## Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these annual 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 annual 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 in the circumstances.

## Auditors' Responsibility

Our responsibility is to express an opinion on these annual 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 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 annual financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the annual 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 annual 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 appropri-

ateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the annual 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 annual financial statements present fairly, in all material respects, the financial position of the company as of 30 June 2010, and of its financial performance and its cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act of South Africa.

## Emphasis of matter

"Without qualifying our opinion, we draw your 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."

## Supplementary Information

Without qualifying our opinion, we draw your attention to the fact that the supplementary information set out on pages 41 to 42 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.



**SizweNtsaluba VSP**  
est. 1985

**SizweNtsaluba ES Inc**  
Registered Auditors  
Per: JPC van Zyl  
Johannesburg  
7 December 2010

*A member firm of Morison International / VM Sekese: Chief Executive Officer  
The Company's principal place of business is at Ashlea Gardens Office Park,  
Cnr Garstfontein & Matroosberg Road, Ashlea Gardens, Pretoria where a list  
of directors' names is available for inspection.*

Registration Number: 2005/034639/21  
Private Bag X2008, Menlyn, 0063; Tel: 086 117 6782; Fax: 27 12 460 1277





# Report of the directors for the year ended 30 June 2010

The directors present the attached annual financial statements and submit their report for the year ended 30 June 2010.

## General Review of Activities

The net surplus of the South African Cities Network was R1,341,659 (2009: R775,843 surplus).

The surplus reflected on the statement of comprehensive income resulted from both operational and programmatic spend savings. Attributable to World Cup 2010 activities, municipalities in general, and particularly beneficiaries of South African Cities Network activity refocused their energies, resulting in the need for the South African Cities Network to scale down and/or re-scope its programmatic activity.

## Results for the year

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

## 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 R34,136 (2009: R49,243).

## Statements of responsibility

The directors are responsible for the maintenance of adequate accounting records. The auditors are responsible to report on the fair presentation of the annual financial statements. The annual financial statements have been prepared in accordance with Generally Accepted Accounting Practice and in the manner required by the Companies Act, 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 annual financial statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect misstatement and loss. Nothing has come 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.

## Post balance sheet events

No material fact or circumstance has occurred since the end of the financial year and the date of this report.





## Report of the directors for the year ended 30 June 2010

BOARD MEMBERS	ALTERNATE DIRECTORS	DESIGNATION / AFFILIATION
Y Carrim (appointed 24 November 2009)		Chairperson
S M Mbanga		Chief Executive Officer
N J O Lester	Y E Patel	CoGTA
C X George		SALGA
Dr M O Sutcliffe	S Cele	eThekweni Metropolitan Municipality
K D Kekana		City of Tshwane
L H Mekgwe		Ekurhuleni Metropolitan Municipality
	L Makhanya	Mangaung Local Municipality
Adv J G Richards	P S Ndoni	Nelson Mandela Bay Metropolitan Municipality
Z C Faku		Buffalo City Municipality
M M A Mfikoe (appointed 12 May 2010)		City of Johannesburg
A Ebrahim	I Nielson	City of Cape Town
Z I Hlatshwayo	B S Ngubane	Msunduzi Local Municipality

RESIGNATIONS	
M Maseko (resigned 24 November 2009)	Acting Chairperson / Ekurhuleni Municipality
A M Boraine (resigned 22 July 2009)	Cape Town Partnership
C E Walters (resigned 20 July 2009)	City of Johannesburg
D D Van Rooyen (resigned 1 July 2009)	SALGA
T M Manyoni (resigned 9 July 2009)	Mangaung Local 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

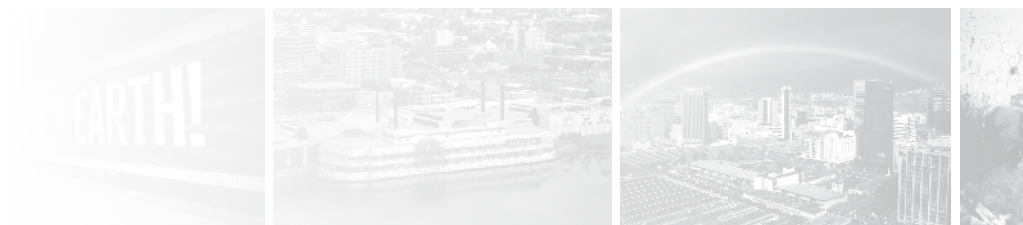
SizweNtsaluba ES Inc.  
Ashlea Gardens Office Park  
Cnr Garstfontein & Matroosberg Road  
Ashlea Gardens, Pretoria, 0081  
Telephone: +27 086 117 6782  
Facsimile: +27 (0) 12 460 1277

*SizweNtsaluba ES Inc. will continue in office in accordance with section 270(2) of the Companies Act.*



## Statement of financial position at 30 June 2010

	Notes	2010 R	2009 R
<b>ASSETS</b>		<b>10,709,700</b>	<b>5,147,369</b>
<b>Non current assets</b>		<b>61,734</b>	<b>66,423</b>
Equipment	4	61,734	66,423
<b>Current assets</b>		<b>10,647,966</b>	<b>5,080,946</b>
Trade and other receivables	5	17,619	15,390
Accrued income	6	968,079	7,330
Cash and cash equivalents	7	9,662,268	5,058,226
<b>Total assets</b>		<b>10,709,700</b>	<b>5,147,369</b>
<b>RESERVES AND LIABILITIES</b>		<b>10,709,700</b>	<b>5,147,369</b>
<b>Reserves</b>		<b>3,505,821</b>	<b>2,164,160</b>
Accumulated funds		3,505,821	2,164,160
<b>Current liabilities</b>		<b>7,203,879</b>	<b>2,983,209</b>
Trade and other payables	8	3,430,217	1,695,338
Provisions	9	368,769	290,395
Deferred operating lease rentals		-	8,858
Deferred grant income	10	3,404,893	988,618
<b>Total reserves and liabilities</b>		<b>10,709,700</b>	<b>5,147,369</b>



## Statement of comprehensive income for the year ended 30 June 2010

	Notes	2010 R	2009 R
<b>INCOME</b>		<b>14,312,197</b>	<b>17,974,049</b>
Grants	11	9,955,098	13,315,875
Interest received	14	425,384	491,539
Subscriptions received	12	3,587,412	3,261,285
Other income	13	344,303	905,350
<b>EXPENDITURE</b>		<b>12,970,535</b>	<b>17,198,206</b>
Secretariat Costs		4,321,098	4,828,394
Information Technology		101,181	81,262
Knowledge Management and Communications		1,120,972	1,278,174
City Development Strategies		4,001,371	4,682,734
Productive Cities		72,654	242,339
Inclusive Cities		658,407	872,793
Sustainable Cities		2,255,774	2,498,180
Well Governed Cities		439,080	2,714,330
<b>SURPLUS FOR THE YEAR</b>		<b>1,341,661</b>	<b>775,843</b>

## Statement of changes in reserves for the year ended 30 June 2010

	TOTAL ACCUMULATED FUNDS R
Balance at 1 July 2008	1,388,317
Surplus for the year	775,843
<b>Balance at 30 June 2009</b>	<b>2,164,160</b>
Surplus for the year	1,341,661
<b>Balance at 30 June 2010</b>	<b>3,505,821</b>

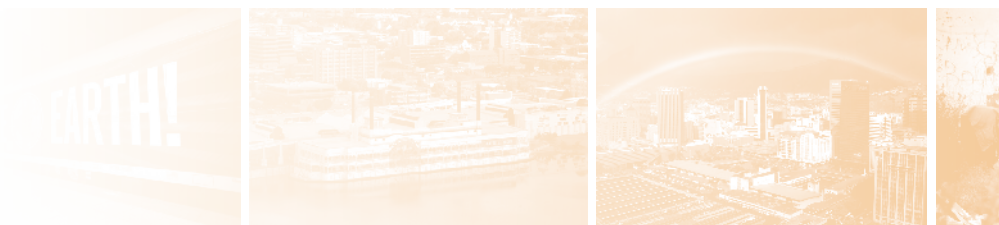




## Statement of cash flows for the year ended 30 June 2010 (direct method)

	Notes	2010 R	2009 R
Cash received from funders and subscribers		15,340,109	16,550,278
Cash paid to programmes, suppliers and employees		(11,127,315)	(16,732,578)
<b>Cash (utilised by) generated from operations</b>	17	<b>4,212,794</b>	<b>(182,300)</b>
Interest received	14	425,384	491,539
<b>Net Cash inflows from operating activities</b>		<b>4,638,178</b>	<b>309,239</b>
<b>Cash flows utilised in investing activities</b>		<b>(34,136)</b>	<b>(8,556)</b>
Acquisition of equipment	4	(34,136)	(49,243)
Proceeds from disposal of assets		-	40,687
<b>Cash flows (utilised) generated by financing activities</b>		<b>-</b>	<b>(8,583)</b>
Decrease in long term liabilities		-	(8,583)
<b>Net increase in cash and cash equivalents</b>		<b>4,604,042</b>	<b>292,100</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>5,058,226</b>	<b>4,766,126</b>
<b>Cash and cash equivalents at end of year</b>	7	<b>9,662,268</b>	<b>5,058,226</b>





# Notes to the annual financial statements for the year ended 30 June 2010

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

#### **1.6 Cash and cash 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 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 dis-

counted.

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

### **1.11 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.

### **1.12 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 and interpretations 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:





### **IAS 1 (AC 101) (Revised) Presentation of Financial Statements**

The main revisions to IAS 1 (AC 101):

- Require the presentation of non-owner changes in equity either in a single statement of comprehensive income or in an income statement and statement of comprehensive income.
- Require the presentation of a statement of financial position at the beginning of the earliest comparative period whenever a retrospective adjustment is made. This requirement includes related notes.
- Require the disclosure of income tax and reclassification adjustments relating to each component of other comprehensive income. The disclosures may be presented on the face of the statement of comprehensive income or in the notes.
- Allow dividend presentations to be made either in the statement of changes in equity or in the notes only.
- Have changed the titles to some of the financial statement components, where the 'balance sheet' becomes the 'statement of financial position' and the 'cash flow statement' becomes the 'statement of cash flows.' These new titles will be used in International Financial Reporting Standards, but are not mandatory for use in financial statements.

The effective date of the standard is for years beginning on or after 01 January 2009.

The company has adopted the standard for the first time in the 2010 financial statements.

The adoption of this standard has not had a material impact on the results of the company, but has resulted in more disclosure than would have previously been provided in the financial statements.

### **May 2008 Annual Improvements to IFRS's: Amendments to IAS 16 (AC 123) Property, Plant and Equipment**

The term 'net selling price' has been replaced with 'fair value less cost to sell' in the definition of recoverable amount.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The company has adopted the amendment for the first time in the 2010 financial statements.

The impact of the amendment is not material.

### **3.2 Standards and interpretations early adopted**

The company has not chosen to early adopt any standards and interpretations.

### **3.3 Standards and interpretations not yet effective**

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 July 2010 or later periods:

#### **IFRS 9: Financial Instruments (replacement of IAS 39) (Effective 1 January 2013)**

#### **Related party disclosure (Effective 1 January 2011)**

### **3.4 Standards and interpretations not yet effective or relevant**

The following standards and interpretations have been published and are mandatory for the company's accounting periods beginning on or after 01 July 2010 or later periods but are not relevant to its operations:

#### **2009 Annual Improvements Project: Amendments to IFRS 5 (AC 142) Non-current Assets Held for Sale and Discontinued Operations**

#### **2009 Annual Improvements Project: Amendments to IFRS 8 (AC 145) Operating Segments**

#### **2009 Annual Improvements Project: Amendments to IAS 1 (AC 101) Presentation of Financial Statements**

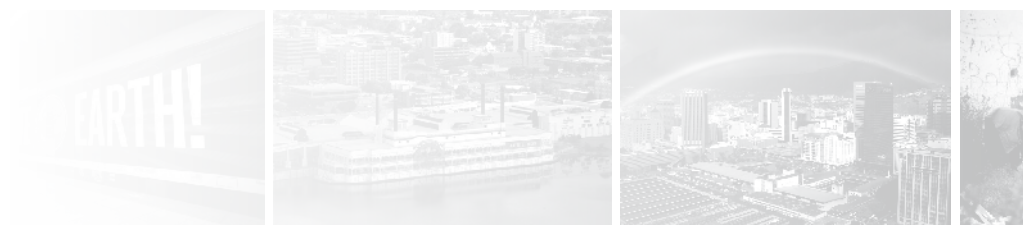
#### **2009 Annual Improvements Project: Amendments to IAS 7 (AC 118) Statement of Cash Flows**

#### **2009 Annual Improvements Project: Amendments to IAS 17 (AC 105) Leases**

#### **2009 Annual Improvements Project: Amendments to IAS 36 (AC 128) Impairment of Assets**

#### **2009 Annual Improvements Project: Amendments to IAS 39 (AC 133) Financial Instruments: Recognition and Measurement**

#### **Amendment to IFRS 2 (AC 139) – Group Cash-settled Share-based Payment Transactions**



## 4. EQUIPMENT

	Computer equipment R	Office equipment R	Furniture and fittings R	Total R
<b>30 June 2009</b>				
<b>Net book value 30 June 2010</b>	<b>45,823</b>	<b>18,026</b>	<b>2,574</b>	<b>66,423</b>
At cost	177,583	108,283	6,715	292,581
Accumulated depreciation	(131,760)	(90,257)	(4,141)	(226,158)
Additions during the year	22,911	11,225	-	34,136
Depreciation for the year	(25,457)	(12,025)	(1,343)	(38,825)
Disposal of assets	-	-	-	-
At cost	-	-	-	-
Accumulated depreciation	-	-	-	-
<b>Net book value 30 June 2010</b>	<b>43,277</b>	<b>17,226</b>	<b>1,231</b>	<b>61,734</b>
At cost	200,494	119,508	6,715	326,717
Accumulated depreciation	(157,217)	(102,282)	(5,484)	(264,983)
<b>30 June 2009</b>				
<b>Net book value 30 June 2008</b>	<b>63,286</b>	<b>31,008</b>	<b>3,917</b>	<b>98,211</b>
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
<b>Net book value 30 June 2009</b>	<b>45,823</b>	<b>18,026</b>	<b>2,574</b>	<b>66,423</b>
At cost	177,583	108,283	6,715	292,581
Accumulated depreciation	(131,760)	(90,257)	(4,141)	(226,158)



## 5. TRADE AND OTHER RECEIVABLES

	2010 R	2009 R
Deposits	15,390	15,390
Staff loans	2,229	-
Advances	-	-
	<b>17,619</b>	<b>15,390</b>

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

## 6. ACCRUED INCOME

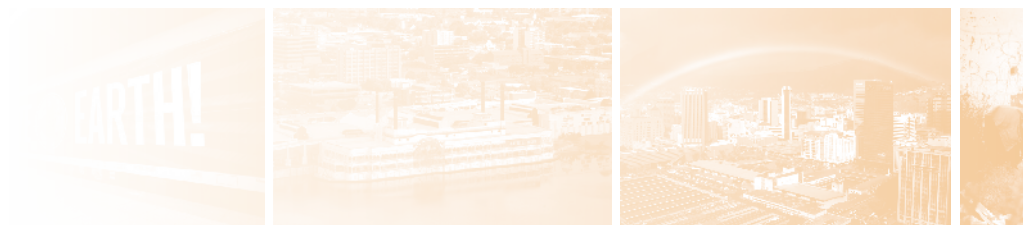
Department of Cooperative Governance and Traditional Affairs  
 - Shanghai World Urban Expo  
 Sanlam refund

	968,079	-
	-	7,330
	<b>968,079</b>	<b>7,330</b>

## 7. CASH AND CASH EQUIVALENTS

Nedbank - Current account	1,362,459	1,176,984
Nedbank - Call account	8,298,309	3,879,742
Petty cash	1,500	1,500
	<b>9,662,268</b>	<b>5,058,226</b>

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. The fair value of cash and short-term deposits is R9,662,268 (2009: R5,058 226).



	2010 R	2009 R
<b>8. TRADE AND OTHER PAYABLES</b>		
Accruals	3,367,318	1,569,457
Other liabilities	-	8,525
Leave pay accrual	62,899	117,356
	<b>3,430,217</b>	<b>1,695,338</b>

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.

Opening balance	117,356	84,155
Additions during the year	-	33,201
Utilised during the year	(54,456)	-
<b>Closing balance</b>	<b>62,899</b>	<b>117,356</b>

## 9. PROVISIONS

#### Deferred compensation

Provision for retention of staff	368,769	290,395
Opening balance	290,395	-
Additions during the year	78,374	290,395
Utilised during the year	-	-
<b>Closing balance</b>	<b>368,769</b>	<b>290,395</b>

## 10. DEFERRED GRANT INCOME

World Bank(DGF file:203110-07)	2,839,010	79,094
Department of Cooperative Governance and Traditional Affairs - NUDF	341,370	350,000
Department of Public Works	77,276	150,000
Royal Danish Embassy (104.SAF.1.MFS.82.01)	25,237	123,524
GTZ (83038091) SLGP / 06.2155.7-001.00	122,000	-
Ekurhuleni Metropolitan Municipality – State of Cities reporting	-	286,000
	<b>3,404,893</b>	<b>988,618</b>





## 11. GRANTS

	2010 R	2009 R
<b>World Bank - DGF File : 203108-07</b>	<b>(42,565)</b>	<b>2,576,737</b>
Received	-	2,655,831
Deferred from 2009	79,094	-
Deferred to 2010	-	(79,094)
Refunded	(121,658)	-
<b>Department of Cooperative Governance and Traditional Affairs - NUDF</b>	<b>8,630</b>	<b>2,263,798</b>
Received	-	2,613,798
Deferred from 2009	350,000	-
Deferred to 2011 / 2010	(341,370)	(350,000)
<b>Department of Cooperative Governance and Traditional Affairs</b>	<b>4,815,000</b>	<b>4,700,000</b>
Received	4,815,000	4,700,000
<b>Department of Public Works</b>	<b>72,724</b>	<b>-</b>
Received	-	150,000
Deferred from 2009	150,000	-
Deferred to 2011 / 2010	(77,276)	(150,000)
<b>GTZ (83038091) SLGP / 06.2155.7-001.00</b>	<b>130,000</b>	<b>-</b>
Received	252,000	-
Deferred to 2011	(122,000)	-
<b>Royal Danish Embassy (104.SAF.1.MFS.82.01)</b>	<b>2,575,636</b>	<b>3,625,340</b>
Received	2,477,349	3,537,577
Deferred from 2009 / 2008	123,524	211,287
Deferred to 2011 / 2010	(25,237)	(123,524)
<b>Department of Cooperative Governance and Traditional Affairs - Shanghai World Urban Expo</b>	<b>968,079</b>	<b>150,000</b>
Accrued in 2010	968,079	150,000
<b>State of Cities Reporting</b>	<b>1,144,000</b>	<b>-</b>
Ekurhuleni Metropolitan Municipality	-	286,000
Deferred to 2010	-	(286,000)
Ekurhuleni Metropolitan Municipality - Deferred from 2009	286,000	-
Mangaung Local Municipality	286,000	-
Msunduzi Municipality	286,000	-
City of Cape Town	286,000	-
<b>World Bank(DGF file:203110-07)</b>	<b>283,593</b>	<b>-</b>
Received	3,122,603	-
Deferred to 2011	(2,839,010)	-
	<b>9,955,098</b>	<b>13,315,875</b>



## 12. SUBSCRIPTIONS RECEIVED

	2010 R	2009 R
Buffalo City Municipality	241,577	219,615
City of Cape Town	555,626	505,115
Ekurhuleni Metropolitan Municipality	416,719	378,836
eThekweni Metropolitan Municipality	555,626	505,115
City of Johannesburg	555,626	505,115
Mangaung Municipality	241,577	219,615
Msunduzi Municipality	241,577	219,615
Nelson Mandela Metropolitan Municipality	362,365	329,423
City of Tshwane	416,719	378,836
	<b>3,587,412</b>	<b>3,261,285</b>

## 13. OTHER INCOME

	<b>344,303</b>	<b>905,350</b>
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Other income mainly consist of recoveries. These recoveries relate to project management fees, supervision fees and fees for attending meetings.

## 14. NET INTEREST RECEIVED

Interest received - call accounts	425,384	491,539
	<b>425,384</b>	<b>491,539</b>

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

Available-for-sale financial assets	<b>425,384</b>	<b>491,539</b>
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## 15. DIRECTORS' REMUNERATION

For managerial services	<b>1,204,512</b>	<b>1,068,304</b>
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## 16. OPERATING LEASE COMMITMENTS

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.

Minimum lease payments due:	109,606	99,665
- within one year	559,548	-
- in second to fifth year inclusive	669,154	99,665



## 17. RECONCILIATION OF SURPLUS FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES

	2010 R	2009 R
Surplus (Deficit) from operations	1,341,661	775,843
Adjustment for:		
- depreciation	38,826	48,372
- profit on disposal of assets	-	(8,028)
- interest received	(425,384)	(491,539)
- increase (decrease) in deferred income	2,416,275	(1,667,213)
- increase (decrease) in provision for deferred compensation	78,374	290,395
- increase (decrease) operating lease accruals	(8,858)	8,858
- decrease (increase) in accrued income	(960,749)	727,811
Operating cash flows before movements in working capital	2,480,145	(315,501)
	1,732,649	133,201
Decrease (increase) in accounts receivable	(2,229)	7,170
Increase (decrease) in accounts payable	1,734,878	126,031
<b>Cash (utilised by) generated from operations</b>	<b>4,212,794</b>	<b>(182,300)</b>

## 18. 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.

## 19. SURPLUS FOR THE YEAR

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

Auditors' remuneration

- South African Cities Network annual audit	85,670	48,467
- World Bank audit	25,330	-
Depreciation	38,826	38,825
Staff costs	3,598,994	3,819,782
Office rental	90,807	90,879
Lease payment made	99,665	90,605
Deferred payment	(8,858)	275
Profit on disposable of computer equipment	-	(8,028)



## 20. RELATED PARTIES

2010	RELATIONSHIP	GRANT RECEIVED	SUB-SCRIPTION	ACCRUED INCOME	DEFERRED INCOME	TOTAL
Department of Cooperative Governance and Traditional Affairs	Partner	(4,815,000)	-	-	-	(4,815,000)
Department of Public Works	Partner	-	-	-	77,276	77,276
Ekurhuleni Metropolitan Municipality	Member cities	-	(416,719)	-	-	(416,719)
City of Tshwane	Member cities	-	(416,719)	-	-	(416,719)
eThekweni Metropolitan Municipality	Member cities	-	(555,626)	-	-	(555,626)
Mangaung Local Municipality	Member cities	(286,000)	(241,577)	-	-	(527,577)
Nelson Mandela Metropolitan Municipality	Member cities	-	(362,365)	-	-	(362,365)
Buffalo City Municipality	Member cities	-	(241,577)	-	-	(241,577)
City of Johannesburg	Member cities	-	(555,626)	-	-	(555,626)
Msunduzi Municipality	Member cities	(286,000)	(241,577)	-	-	(527,577)
City of Cape Town	Member cities	(286,000)	(555,626)	-	-	(841,626)
Department of Cooperative Governance and Traditional Affairs - NUDF	Partner	-	-	-	341,370	341,370
Department of Cooperative Governance and Traditional Affairs - Shanghai World Urban Expo	Partner	-	-	(968,079)	-	(968,079)
Royal Danish Embassy (104.SAF.1.MFS.82.01)	Development partners/Donor	(2,477,349)	-	-	25,237	(2,452,112)
GTZ (83038091) SLGP / 06.2155.7-001.00	Development partners/Donor	(252,000)	-	-	122,000	(130,000)
World Bank (DGF file:203110-07)	Development partners/Donor	(3,122,603)	-	-	2,839,010	(283,593)
World Bank (DGF file:203108-07)	Development partners/Donor	121,658	-	-	-	121,658

### Employee Benefits

### Total

#### Key Management Personnel

Short term employee benefits

Executive Director

**1,204,512**

**1,204,512**





## 21. FINANCIAL ASSETS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

	<b>Loans and receivables R</b>	<b>Available for sale R</b>	<b>Total R</b>
<b>30 June 2010</b>			
Trade and other receivables	17,619	-	17,619
Accrued income	968,079	-	968,079
Cash and cash equivalents	-	9,662,268	9,662,268
	<b>985,698</b>	<b>9,662,268</b>	<b>10,647,966</b>
<b>30 June 2009</b>			
Trade and other receivables	15,390	-	15,390
Accrued income	7,330	-	7,330
Cash and cash equivalents	-	5,058,226	5,058,226
	<b>22,720</b>	<b>5,058,226</b>	<b>5,080,946</b>

## 22. FINANCIAL LIABILITIES BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

	<b>Financial liabilities at amortised cost R</b>	<b>Total R</b>
<b>30 June 2010</b>		
Trade and other payables	3,430,217	3,430,217
Deferred income	3,404,893	3,404,893
	<b>6,835,110</b>	<b>6,835,110</b>
<b>30 June 2009</b>		
Trade and other payables	1,695,338	1,695,338
Deferred income	988,618	988,618
	<b>2,683,956</b>	<b>2,683,956</b>



## **23. 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.

## **24. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified.

## **25. FINANCIAL RISKS**

### **25.1 Currency risk**

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

### **25.2 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 placings within market expectations.

### **25.3 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.

### **25.4 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 2010

	2010 R	2009 R
<b>Secretariat Costs</b>	<b>4,189,301</b>	<b>4,561,137</b>
<b>Salaries</b>	<b>3,598,994</b>	<b>3,819,782</b>
<b>Office Consumables</b>	<b>389,220</b>	<b>377,153</b>
Rent and services	90,807	90,879
Rental of office equipment	49,457	47,483
Office refreshments	7,568	7,801
Office sundries	16,979	30,206
Contingent expenses	-	-
Loss on trade in of office equipment	-	-
Profit on disposal of computer equipment	-	(8,028)
Postage and courier	3,646	9,025
Travel - local (staff)	11,498	12,886
Printing and stationery	48,902	33,805
Bank charges	8,824	7,709
Office insurance	34,170	32,328
Depreciation	38,826	48,372
Telephone and cellphone	78,543	64,687
<b>Financial and Legal Fees</b>	<b>118,609</b>	<b>50,092</b>
Audit fees and other financial services	111,000	48,467
Interest paid on instalment sale agreement	-	-
Legal fees	7,610	1,625
<b>Organisational Development</b>	<b>82,478</b>	<b>314,110</b>
Organisational Development	63,050	84,941
Staff training and development	19,428	11,500
Performance Review -mid term evaluation	-	217,669
<b>Networking and Strategic Input</b>	<b>131,797</b>	<b>267,257</b>
Management and Board Meetings	46,112	70,099
Local and international conferences	85,685	120,467
Annual Report	-	76,691
<b>Information Technology</b>	<b>101,181</b>	<b>81,262</b>
IT Support , Maintenance and internet	95,266	67,584
Software & licenses	5,914	13,678
<b>City Development Strategies</b>	<b>4,001,371</b>	<b>4,682,734</b>
National Urban Development Framework	8,630	1,841,974
State of Cities Report	2,663,906	120,798
Urban Indicators	-	784,018
Travel to support programmes	96,495	128,808
2010 FIFA World Cup legacy project	187,929	325,926
Strategic action learning for leadership development	-	1,243,006
Shanghai World Urban Expo - "Better Cities Better Life"	968,079	-
Metropolitan Transformation	26,825	-
Knowledge sharing enhancement project	49,506	238,204
<b>Balance carried forward</b>	<b>8,423,649</b>	<b>9,592,390</b>

Continued over

## Detailed expenditure schedule for the year ended 30 June 2010 (continued)

	2010 R	2009 R
<b>Balance brought forward</b>	<b>8,423,649</b>	<b>9,592,390</b>
<b>Productive Cities</b>	<b>72,654</b>	<b>242,339</b>
Trade and Investment	50,000	-
Green jobs	22,654	-
Freight Logistics Strategy	-	242,339
<b>Inclusive Cities</b>	<b>658,407</b>	<b>872,793</b>
Expanded Public Works Programme	72,919	251,185
Training for township renewal	228,669	293,496
Urban Land Markets	121,750	328,112
Urban food security	21,342	-
Sustainable Human settlements	213,726	-
<b>Well Governed Cities</b>	<b>439,080</b>	<b>2,714,330</b>
Disaster Management	99,055	-
National Land Transport Bill	-	52,663
Asset Management	95,077	84,930
Sustainable Municipal Finance in Southern Africa	244,947	2,576,737
State of City Finances	-	-
<b>Sustainable Cities</b>	<b>2,255,774</b>	<b>2,498,180</b>
Annual report - SCRG	58,884	116,147
Guidance for cities - sustainable transport systems	-	141,066
Project management fee	214,750	190,000
UEM coaching service for Councillors & senior managers	-	113,825
UEM content production	128,703	365,654
UEMP - phase 2	940,914	-
Urban biodiversity	-	36,889
Sustainable Waste Management	48,594	351,359
Green by-laws and building standards	306,435	312,821
International climate change co-operation	249,547	641,452
Climate Change	208,655	-
Website updates-sustainable cities & project co-ordination	99,292	228,967
<b>Knowledge Management and Communications</b>	<b>1,120,972</b>	<b>1,278,174</b>
Internships	4,650	-
Publications	-	520,189
Public Relations	92,676	38,920
Learning sessions	544,776	403,057
Website maintenance	478,869	316,008
	<b>12,970,535</b>	<b>17,198,206</b>







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