



# Annual Report | 2011





Photo by: Edna Peres

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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
- Sadhna Bhana
- Sandiswa Tshaka
- Geci Karuri-Sebina
- Nellie Lester
- Michael Kihato

## CHAIRPERSON'S REPORT FOR THE YEAR ENDED 30 JUNE 2011



The Board is pleased to present the 2010/11 Annual Report, which reflects a well-governed and efficiently run organisation. Attesting to the organisation's prudent financial management, the auditors note that the internal financial controls provide reasonable assurance of the accuracy of the organisation's financial records. We believe that the SACN continues to give good value for money, as secretariat costs (including salaries) have increased only marginally, while programmes accounted for the greatest spend this year.

The Board appreciates the organisation's quick action to rectify an anomaly pointed out by the auditors. The SACN was not registered for VAT, which was based on poor advice from the previous auditors, and is now closely working with SARS to resolve this issue.

Fundraising was particularly good this year, with grants from the World Bank and additional funds for specific projects from two SACN members. The Board continues to encourage the SACN to be proactive in seeking funding from different sources, especially as annual member subscriptions cannot cover the high demand for the organisation's outputs.

In 2010/11 the SACN was involved in a number of important projects, including its flagship *the State of Cities Report* (SoCR) 2011, which was launched in April 2011. The report has been successful in shaping public debate on the future of urban issues in large cities across the country. This year the number of publications and events was less than in previous years owing to a focus

on other projects, such as assisting members Buffalo City and Mangaung with the conversion process to metropolitan status. Although different from the SACN's traditional knowledge generation and dissemination activities, we consider such projects to be commendable, as they extend the organisation's influence. In particular, provided they are within the organisation's budgetary and human capacity, these projects ensure that issues raised in the SACN's knowledge products are put into practice by member cities. In keeping with the monitoring and evaluation trend in government, the Board urges the SACN to create better measures for assessing outcomes of the organisation and its staff. We believe that these measures will enable the SACN's partners, donors and the public at large to evaluate its performance in all projects, including these new ones.

This year we celebrated a decade of transformed local government and welcomed a set of newly elected leaders from the 2011 local government elections. We are particularly excited about interacting with those from our member cities.

We remain committed to supporting the SACN in its work as a source of knowledge generation and exchange, by providing sufficient oversight to ensure transparency, efficiency and good governance. Confident in the knowledge that they have passed the highest level of scrutiny, we are pleased to submit the 2010/11 annual financial statements to our partner organisations in government, the international and national donor community, SALGA and especially our member cities.

Yunus Carrim  
Chairperson



# CHIEF EXECUTIVE OFFICER'S REPORT

**1 JULY 2010 TO 30 JUNE 2011**

The year has been fruitful, as the SACN met most of its intended outputs. The organisation also began a comprehensive Formative Evaluation Process. What emerged from the process was the need not only to plan formal outputs (publications and events), but also to pay more attention to programme and output coherence, to ensure that all efforts during the year are aligned with the organisation's vision and strategic objectives. This process will also enable the SACN to determine more concretely the impacts of its activities on municipalities and other organisations. In this regard, the SACN is also in the process of creating systems that will improve how current and new activities are measured.

This year the SACN spent R22 million, which was a considerable improvement on the previous year's R16 million. Some of the extra funds came from grants from two members (Buffalo City and Mangaung Municipalities) that are in the process of transforming to metropolitan status. As this income is allocated to a specific, non-traditional purpose, the number of customary SACN outputs – events and publications – dropped.



**Table 1: SACN expenditure summary since 2002/03 (R'000)**

	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	PROJEC- TION 2010/11	ACTUALS TO DATE
Operational costs (including salaries)	1,713	3,079	3,584	3,500	3,372	3,651	4,908	4,422	3,642	4,652
Percentage of total	63	50	58	42	40	34	29	34	22	21
Programme costs	1,023	3,131	2,617	4,910	4,985	7,176	12,290	8,549	13,047	17,980
Percentage of total	37	50	42	58	60	66	71	66	78	79
<b>TOTAL EXPENSES</b>	<b>2,736</b>	<b>6,210</b>	<b>6,201</b>	<b>8,410</b>	<b>8,357</b>	<b>10,827</b>	<b>17,198</b>	<b>12,971</b>	<b>16,689</b>	<b>22,632</b>

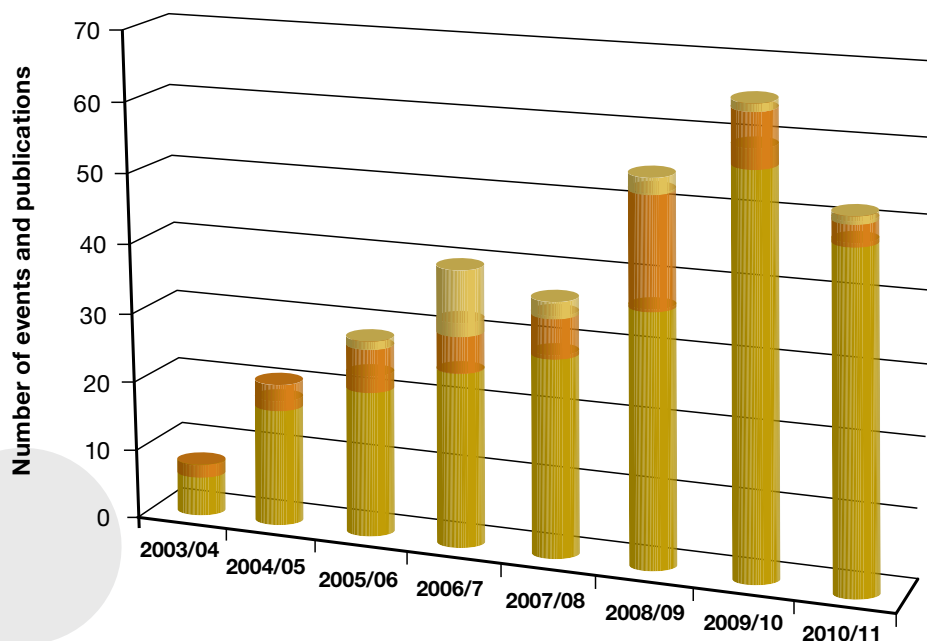
## Programme performance against output targets

The SACN delivers two main categories of outputs: learning events (the outputs of knowledge dissemination) and publications (the outputs of knowledge generation).

At the beginning of 2010/11 the SACN planned to hold 27 knowledge-exchange events and produce four publications. This was a conservative estimate largely because of the smaller budget that was available at the time of planning. When extra funds came in, 30 learning events and six publications were projected. In the end, the SACN managed to deliver a total of 48 events and produce three publications, which represented considerably more than projected, but less compared with the previous year.

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

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	TOTAL
Number of learning events	6	17	21	26	29	37	57	48	241
Number of video records of events	-	-	1	9	3	3	-	1	17
Number of publications	2	4	7	5	5	15	8	3	49
Number of outputs	8	21	29	40	37	55	65	52	307

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

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
NUMBER OF VIDEO RECORDS OF EVENTS	0	0	1	9	3	3	1	1
NUMBER OF PRINT PUBLICATIONS	2	4	7	5	5	15	8	3
NUMBER OF LEARNING EVENTS	6	17	21	26	29	37	57	48

## The formal publications produced by the SACN are:

- The SoCR 2011, the SACN's flagship product, which was successfully launched over two days in April.
- The Financing of City Services in Southern Africa Report, which was successfully launched in May at a workshop attended by participants from, among others, 10 Southern African Development Community (SADC) countries.
- The South African Council for Planners (SACPLAN) newsletter, a publication distributed to the spatial planning fraternity. The SACN contributed to a special edition on land-use planning in the country.

This year saw a trade-off in formal publications for a greater number of events, in part because of a significant shift in the SACN's work, which is becoming more supportive and networking intensive and driven less by formal publications. It is reasonable to expect that fewer formal publications will emerge when playing this support role. As mentioned, the SACN was involved in two major projects relating to the conversion process to metropolitan status for two of its members.

During the year the SACN also produced other, equally useful reports, which contributed to the body of research but were not made into formal publications:

- The SACN's formal reaction to the draft Spatial Planning and Land Use Management Bill (SPLUMB), which was handed to the Department of Rural and Land Affairs on 6 June 2011.
- A number of reports that emerged from the SADC Municipal Finance programme including:
  - Capacity-building manual on How to Access Capital Markets in the Region.
  - The Lilongwe Infrastructure Report.
  - 10 Municipal Credit Assessments for municipalities within the SADC region.



# Output analysis

The following learning events were completed by the end of 2010/11:

**Table 3: Learning events hosted by the SACN during 2010/11**

NO	EVENT NAME	DATE	EVENT OBJECTIVE
First quarter			
1.	Fifth meeting of the Indicators reference group	9 July 2010	To guide the implementation of the Indicators project and to control the quality of the research and analysis done on cities indicators.
2.	CFO Forum (high-capacity and metro municipalities)	5 Aug 2010	To provide a forum for the Chief Financial Officers of the largest cities.
3.	Capacity-building programme: Introduction to Financial Management and Creditworthiness	9 Aug 2010	To build capacity and support in financial management and credit improvement to the Lilongwe City Assembly.
4.	Training for Township Renewal Initiative (TTRI)	11 Aug 2010	To build local expertise to conceptualise, design, initiate and implement township development projects around the country.
5.	Infrastructure Dialogues: road infrastructure	26 Aug 2010	To discuss road infrastructure.
6.	Expanded Public Works Programme (EPWP) meeting	2 Sept 2010	To share knowledge on regular, predictable employment opportunities.
7.	Sustainable Cities seminar: climate change adaptation in cities	7 Sept 2010	To share knowledge.
8.	Introduction to Housing Policy for Housing Administrators	29 Sept 2010	To provide information on the recruitment and general progress of the Municipal Housing Training Support Programme.
Second quarter			
9.	Infrastructure Dialogues: infrastructure legacy 2010 FIFA World Cup™	7 Oct 2010	To discuss the infrastructure legacy of the 2010 FIFA World Cup™.
10.	SoCR third edition, Writers' Meeting	14 Oct 2010	To guide the content for the next edition of the SoCR to be published in 2011.
11.	TTRI Overview Course	18 Oct 2010	To promote, encourage and support township redevelopment through the training of township managers and practitioners. The TTRI is fashioned as a peer learning network, offering a series of peer-based learning events, opportunities and products.
12.	Managing Low-Cost Housing Projects	19 Oct 2010	To train management of low-cost housing projects.
13.	Introduction to Housing Policy for Housing Administrators	27 Oct 2010	To transfer knowledge about human settlement and housing strategy through an executive course on the subject.
14.	Third Edition of SoCR Verification Workshop	4 Nov 2010	To discuss the chapters of the third SoCR.
15.	Meeting of the Board of Directors	4 Nov 2010	To guide the SACN operations and ensure sound financial management and value-for-money for members and partners.
16.	Introduction to Housing Policy for Housing Administrators	10 Nov 2010	To transfer knowledge about human settlement and housing strategy through an executive course on the subject.
17.	Managing Low-Cost Housing Projects	16 Nov 2010	To train management of low-cost housing.
18.	Infrastructure Dialogues: infrastructure stimulus package-development outcomes	18 Nov 2010	To discuss infrastructure stimulus package-development outcomes.

**Table 3: Learning events hosted by the SACN during 2010/11 (continued)**

NO	EVENT NAME	DATE	EVENT OBJECTIVE
Third quarter			
19.	Reference Group Meeting: study of municipal infrastructure finance in the SADC Region	27 Jan 2011	To report back on visits within various municipalities. Ten municipal officials in SADC municipalities were consulted. A counting and financial capacity-building exercise took place.
20.	Leadership Forum: the municipal leadership housing forum	9 Feb 2011	To discuss key considerations for metropolitan housing and planning strategies for the next political term.
21.	Public Housing for Planners and Engineers	9 Feb 2011	To discuss key considerations for metropolitan housing and planning strategies for the next political term.
22.	Introduction to Housing Policy for Housing Administrators	16 Feb 2011	To transfer knowledge about human settlement and housing strategy through an executive course on the subject.
23.	Our Cities Ourselves: remaking cities using transport	25 Feb 2011	To show the vision of 10 of the world's most fascinating cities (including Johannesburg and New York) from 10 of the world's leading architects. The images show the potential transformational role of transportation and illustrate how the dream of a sustainable, equitable and livable urban future can be realised when transport is a core foundation.
24.	Buffalo City Municipality transitional project management unit working session	2 March 2011	To establish the work stream on agency-based services that provides the technical mainframe for the basic compliance requirements expected of the new Buffalo City Metropolitan Municipality. The work stream will be supplemented by external experts deployed through the SACN to provide strategic, advisory, facilitative, reference and technical support to the programme of action.
25.	Buffalo City Municipality transitional project management unit working session	9 March 2011	To establish the work stream on agency-based services that provides the technical mainframe for the basic compliance requirements expected of the new Buffalo City Metropolitan Municipality. The work stream will be supplemented by external experts deployed through the SACN to provide strategic, advisory, facilitative, reference and technical support to the programme of action.
26.	SACN: Planning and Land Use Management reference group and workshop	14 March 2011	To workshop the preliminary results of the project Measuring Planning and Land Use Management Systems. The study is part of the SACN Urban Indicators Programme and tackles the difficult question of finding a way to measure over time the performance of planning systems in our municipalities. Also to present the inception of the SACN's study into Planning Land Use Legislative Reform: A Provincial and Municipal Response, in order to seek guidance from municipalities about the research to undertake.
27.	Study into municipal infrastructure finance in the SADC Region – Lilongwe Capacity-building	15 March 2011	To build on the project prioritisation exercise of Module 4 and a previous financial capacity assessment, with the intention of participants allocating prioritised project lists to appropriate funding buckets and developing action plans for funding the projects.

**Table 3: Learning events hosted by the SACN during 2010/11 (continued)**

NO	EVENT NAME	DATE	EVENT OBJECTIVE
Third quarter (continued)			
28.	Buffalo City Municipality transitional project management unit working session	16 March 2011	To establish the work stream on agency-based services that provides the technical mainframe for the basic compliance requirements expected of the new Buffalo City Metropolitan Municipality. The work stream will be supplemented by external experts deployed through the SACN to provide strategic, advisory, facilitative, reference and technical support to the programme of action.
29.	Introduction to Housing Policy for Housing Administrators	23 March 2011	To transfer knowledge about human settlement and housing strategy through an executive course on the subject.
30.	Local Government and Mining Roundtable	24 March 2011	To learn from three case studies relating to mining and mine closures.
31.	Spatial planning and land use management legislation workshop	29 March 2011	To develop a single local government position on the new spatial planning legislation for SALGA, the Development Bank of Southern Africa and the SACN.
32.	Infrastructure Dialogues: economic infrastructure – outcomes	31 March 2011	To stimulate discussions and a sharing of different perspectives among senior government, private sector and civil society stakeholders in the infrastructure sector.
Fourth quarter			
33.	Buffalo City Municipality metro readiness governance and corporate planning workshop	1 April 2011	To establish the work stream on agency-based services that provides the technical mainframe for the basic compliance requirements expected of the new Buffalo City Metropolitan Municipality. The work stream will be supplemented by external experts deployed through the SACN to provide strategic, advisory, facilitative, reference and technical support to the programme of action.
34.	Introduction to Housing Policy for housing administrators	18 April 2011	To transfer knowledge about human settlement and housing strategy through an executive course on the subject.
35.	Launch of the Third Edition of the SoCR	20 April 2011	To launch the third edition of the SoCR.
36.	Managing Low-Cost Housing Projects	20 April 2011	To train management of low-cost housing.
37.	SACN Board Meeting – 2 of 2010/11	20 April 2011	SACN Board Meeting.
38.	Buffalo City Municipality metro readiness governance and corporate planning workshop	6 May 2011	To establish the work stream on agency-based services that provides the technical mainframe for the basic compliance requirements expected of the new Buffalo City Metropolitan Municipality. The work stream will be supplemented by external experts deployed through the SACN to provide strategic, advisory, facilitative, reference and technical support to the programme of action.
39.	Introduction to Housing Policy for Housing Administrators	11 May 2011	To transfer knowledge about human settlement and housing strategy through an executive course on the subject.
40.	Infrastructure Dialogues – state of electricity distribution	12 May 2011	To stimulate discussions and a sharing of different perspectives among senior government, private sector and civil society stakeholders in the infrastructure sector.

**Table 3: Learning events hosted by the SACN during 2010/11 (continued)**

NO	EVENT NAME	DATE	EVENT OBJECTIVE
Fourth quarter (continued)			
41.	Buffalo City Municipality Transitional Project Management Unit working session	16 May 2011	To establish the work stream on agency-based services that provides the technical mainframe for the basic compliance requirements expected of the new Buffalo City Metropolitan Municipality. The work stream will be supplemented by external experts deployed through the SACN to provide strategic, advisory, facilitative, reference and technical support to the programme of action.
42.	SACN workshop on the Financing of City Government Services in Southern Africa	25 May 2011	To present the results of the investigation into the financial and borrowing capacity of SADC cities to finance their infrastructure and services. To invite contributions from city representatives on the information presented and issues raised. To introduce municipal finance and engineering officials from Southern Africa, practitioners from the region and international institutions to each other, and allow them to share experiences.
43.	Introduction to Housing Policy for Housing Administrators	30 May 2011	To transfer knowledge about human settlement and housing strategy through an executive course on the subject.
44.	Mangaung Metropolitan Transitional Project Management Unit working session	30 May 2011	To establish the work stream on agency-based services that provides the technical mainframe for the basic compliance requirements expected of the new Buffalo City Metropolitan Municipality. The work stream will be supplemented by external experts deployed through the SACN to provide strategic, advisory, facilitative, reference and technical support to the programme of action.
45.	SACN: Planning and Land Use Management reference group and workshop	1 June 2011	To produce an SACN document that can assist our member cities in responding to SPLUMB. The document can be used to supplement the cities' other efforts of presenting departmental opinion, seeking legal counsel and otherwise engaging with the process.
46.	Introduction to Housing Policy for Housing Administrators	7 June 2011	To transfer knowledge about human settlement and housing strategy through an executive course on the subject.
47.	Study into municipal infrastructure finance in the SADC Region – Lilongwe Capacity Building	12 June 2011	To provide a report on Module 2 of the capacity-building programme.
48.	Introduction to Housing Policy for Housing Administrators	19 June 2011	To transfer knowledge about human settlement and housing strategy through an executive course on the subject.



## Notable event highlights

### Launch of the third edition of the State of Cities Report (SoCR)

After an extended research period, the SACN launched its third edition of the SoCR 2011. The report was well received with numerous references to its content by policy makers and the media. Published at a critical time, just before the local government elections, the SoCR 2011 provided a useful platform for debate on various issues including service delivery at municipal level and the performance and shape of the urban built environment in South Africa.

In the coming financial year, the SACN will be involved in disseminating the information further through meetings with various stakeholders including municipalities, parliamentary portfolio committees and other national and provincial state structures.

### SACN workshop on the Financing of City Government Services in Southern Africa

This workshop was the culmination of an extensive study across the SADC region, looking at better and more innovative ways for city governments in the region to finance their infrastructure needs. The project, which took place over one year, involved shadow credit assessments of more than 10 SADC municipalities, updating the financial status of the SACN's nine members in South Africa and a comprehensive financial capacity building exercise in one municipality. This exercise took place in

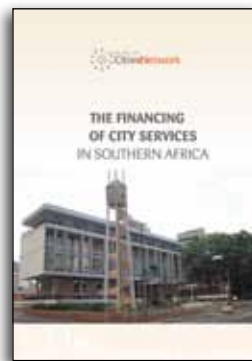
Lilongwe, Malawi and included the design of instruments for the municipality to borrow for its capital needs. At the launch of the publication in Johannesburg, senior officials from 10 municipalities gave presentation on their cities' financial status and infrastructure financing plans.

The study was ground breaking and the information and data collected is currently being used for other local government initiatives on the continent, including the Gates Foundation's continental programmes for municipal finance.

### Spatial Planning and Land Use Management workshop

The SACN convened this workshop to achieve two things: (1) to assist the SACN and its members to react to the current national legislative process on land-use management reform (the Spatial Planning and Land Use Management Bill, or SPLUMB); (2) to initiate a process of preparing municipalities and provinces for the provincial legislation that is to follow.

The SACN's official reaction to SPLUMB emerged from the workshop and was delivered to the Department of Rural and Land Affairs on 6 June 2011. The project will continue into the new financial year, when research will be done into the state of spatial planning and land-use legislation in all nine provinces, and the new provincial legislation investigated.



**Table 4: Publications produced by the SACN in 2010/11**

NO	PUBLICATION	DATE	OBJECTIVE
1.	The South African Council for Planners SACPLAN Bulletin	April 2011	Bulletin disseminated to South African planners dealing with topical issues regarding their profession
2.	The State of Cities Report 2011	April 2011	A reflection on the first decade of a democratic and transformed local government in South Africa 2001–11
3.	The Financing of City Services in Southern Africa	April 2011	A report on financing of city services, with the aim of promoting more effective city financial planning and management, better credit ratings and improved access to capital markets for infrastructure investment purposes

The SACN's City Development Strategy (CDS) aims to ensure an integrated approach to development strategies and focuses on the full scope of the urban management process. Four quadrants or themes support and surround this strategy: Productive Cities, Inclusive Cities, Well-governed Cities and Sustainable Cities. The distribution of outputs by quadrant in 2010/11 is reflected in Table 5:

**Table 5: Summary of outputs by theme during 2010/11**

	CDS	PRODUCTIVE CITIES	INCLUSIVE CITIES	WELL-GOVERNED CITIES	SUSTAINABLE CITIES	OTHER
Number of learning events	11	4	23	7	1	2
Number of video records of events	1	0	0	0	0	0
Number of publications	1	0	1	1	0	0
<b>TOTAL NUMBER OF OUTPUTS</b>	<b>13</b>	<b>4</b>	<b>24</b>	<b>8</b>	<b>1</b>	<b>2</b>

The Inclusive Cities quadrant was the most productive, driven primarily by the outputs that emerged from the spatial planning and land-use projects. Similarly, the CDS quadrant, which reflects the events and outputs associated with the SoCR 2011, was fairly intensive over the year.

## Programmatic emphasis going forward

### City Support programme

For the future, a key area of strategic focus identified by the SACN is the City Support programme, which is currently being driven by the National Treasury. This programme includes the notion of differentiated support for larger and metropolitan municipal councils, which is the underlying rationale for the SACN's work. Thus, at its core, the programme acknowledges that South Africa's economic growth is driven by many of our member cities. The programme also targets urban poverty, recognising that the growing poor urban populations are potential

drivers of social instability. It also concedes that current perceptions of local government are poor, something that is highlighted in the SoCR 2011.

The City Support programme aims to provide support to the built environment, governance and financing functions of cities. The SACN is looking forward to the start of these activities and has acquired dedicated capacity following the secondment of Nellie Lester from CoGTA. The next financial year should see closer interaction with the SACN's partners at the National Treasury on the programme.

## Quality of outputs

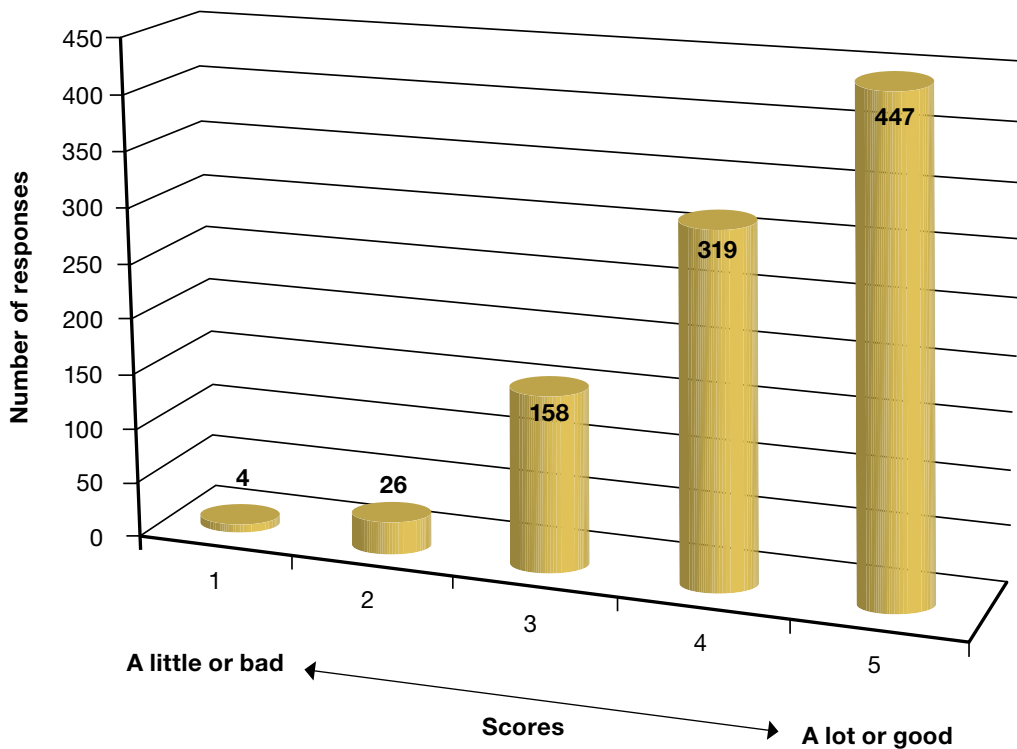
The quality of outputs is measured through sample surveys of the views of participants at learning events, and by considering informal and anecdotal feedback received from partners and members.

During 2010/11, the survey was administered at the following events:

- Climate Change Adaptation seminar
- Capacity-building programme Lilongwe
- Sustainable Cities seminar: climate change adaptation in cities
- Leadership Forum: the municipal leadership housing forum
- Introduction to Housing Policy
- Infrastructure Dialogue: infrastructure stimulus package – developmental outcomes.
- Municipal Leadership Housing Forum
- Planning and Land Use Management reference group and workshop
- Spatial Planning and Land Use Management Legislation workshop
- Launch of the third edition of the SoCR
- SACN workshop on the Financing of City Government Services in Southern Africa



**Figure 2: Results of quality surveys completed for SACN learning events during 2010/11**



**Table 6: Results of quality surveys completed for SACN learning events during 2010/11**

QUESTIONS	SCORES				
	A LITTLE OR BAD		A LOT OR GOOD		
	1	2	3	4	5
QUESTION 1: Did you learn something new today?	1	2	34	58	64
QUESTION 2: Did the information you received inspire you to do something new or different in your work?	0	4	19	66	70
QUESTION 3: Will the information you received help you to do your job better?	0	7	18	49	85
QUESTION 4: Was the invitation of a good quality?	0	4	32	43	80
QUESTION 5: Did you receive adequate information in preparation for the event?	2	6	31	40	80
QUESTION 6: How would you rate the venue and catering?	1	3	24	63	68
<b>TOTAL</b>	<b>4</b>	<b>26</b>	<b>158</b>	<b>319</b>	<b>447</b>

During 2010/11 the survey questionnaire was completed by 159 people, of whom 47% gave the highest possible score (5/5) in response to the six questions about content and logistics. In general most participants at SACN learning events were satisfied with the quality of all aspects of these events.

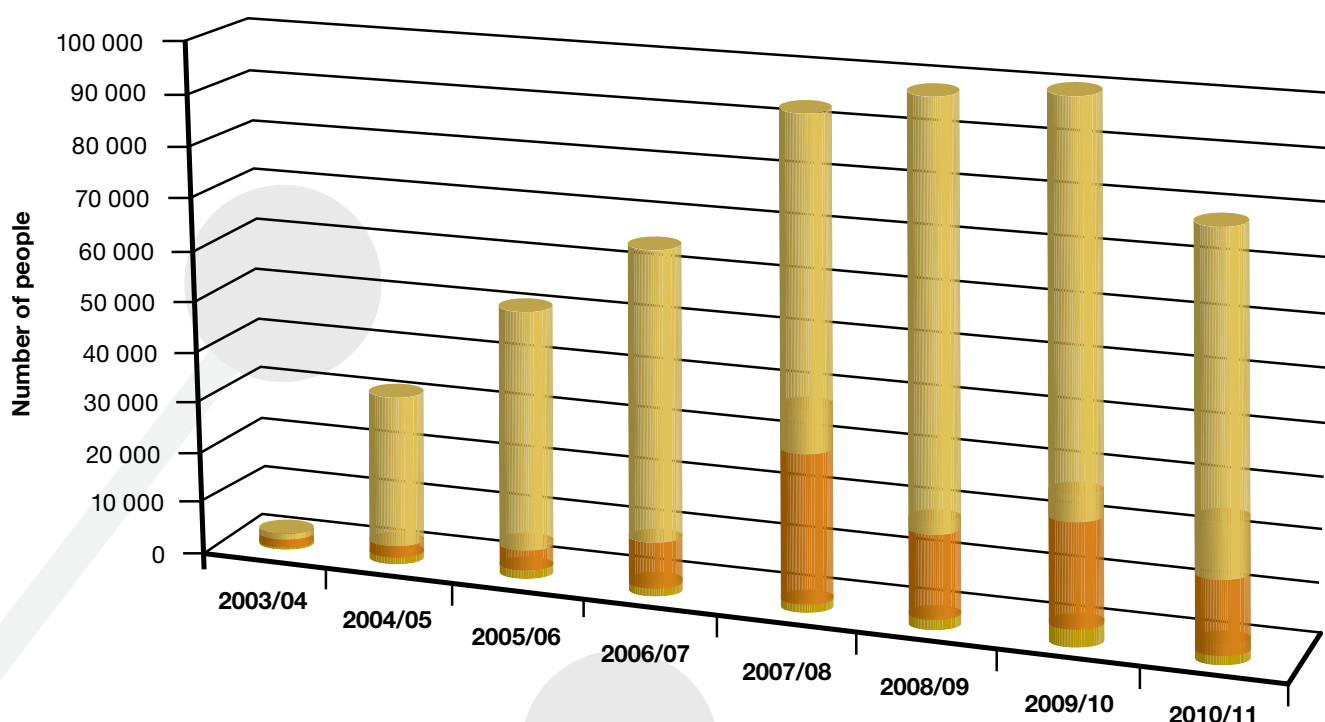
## Performance outcomes

The SACN has historically measured performance outcomes based on the number and profile of people reached and networking outcomes.

### Number of people reached

The SACN's knowledge dissemination reaches people in person, through publications and through the website. In total, 74 237 people were reached during 2010/11.

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



	2003/04	2004/05	2005/06	2006/7	2007/08	2008/09	2009/10	2010/11 (up to 30/06/11)
NUMBER OF PEOPLE REACHED THROUGH WEBSITE	685	26 281	43 211	55 716	63 987	79 644	76 860	62 221
NUMBER OF PEOPLE REACHED THROUGH PRINT PUBLICATIONS	1 500	2 000	4 000	5 439	25 544	12 868	16 777	10 610
NUMBER OF PEOPLE REACHED IN PERSON	230	620	860	1 332	1 183	1 777	3 734	1 406

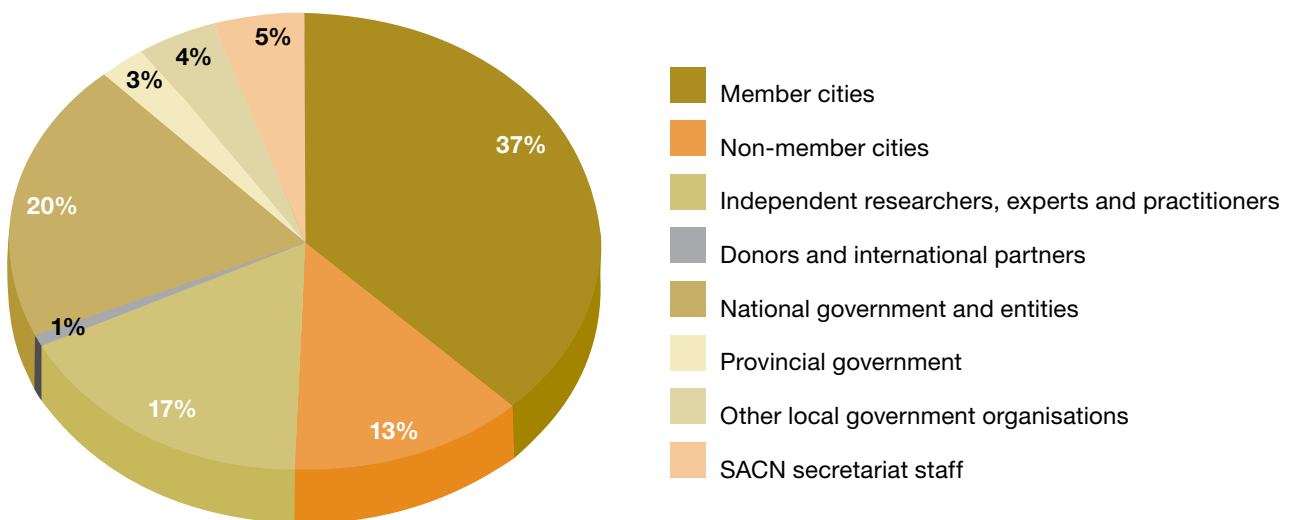
This year, the SACN revamped its website to create a better dissemination platform for its knowledge products. Migrating to a new platform took some time and resulted in fewer interactions. However, this should change in the coming financial year.



#### Profile of people reached through learning events

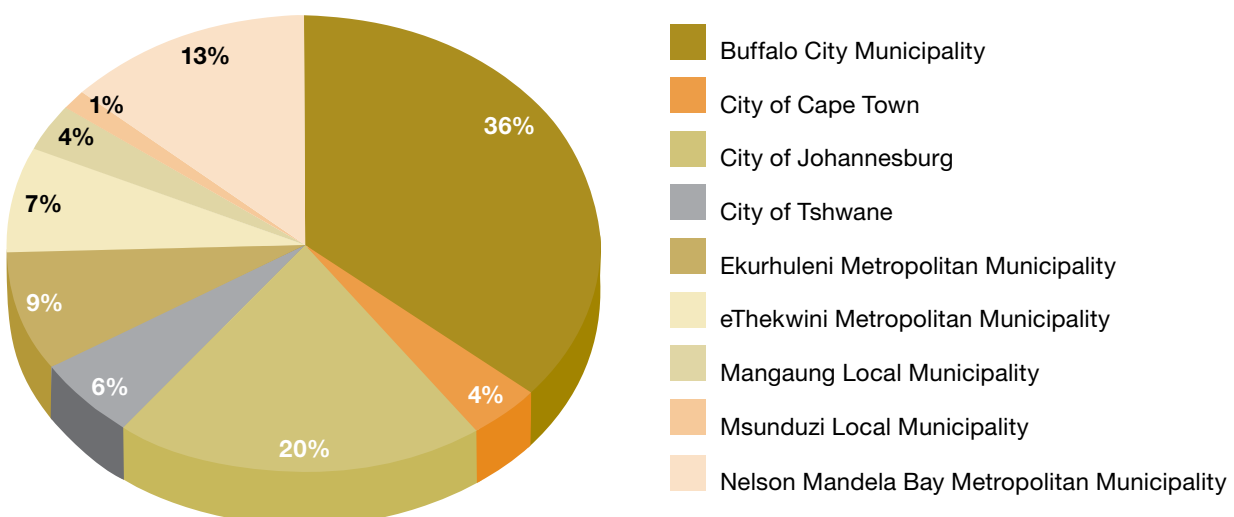
In 2010/11 participation among SACN member cities increased by 20%, growing from 16% in 2009/10 to 37% this year. Participation by non-members, in particular national and provincial government, is also quite high at 20%. Without losing focus on the needs of our core membership, we believe that this is a good development and a natural reflection of the need for intergovernmental conversation at our events. This financial year, the SACN also had a considerable footprint outside South Africa, through its municipal infrastructure finance project in the SADC region.

Figure 4: Profile of participants at SACN learning events in 2010/11



The location of learning events influences participation by member cities. As the SACN is based in Johannesburg, most of its events are held in Gauteng for cost and logistical reasons. Nevertheless, recently the SACN has increased the number of projects that are specific to some of our members, which has resulted in greater participation by non-Gauteng based members. As Figure 5 shows, Buffalo City has been one of the most prominent participants, largely because of its metro transformation project.

Figure 5: Breakdown of participants (by member city) at SACN learning events in 2010/11



## Towards new and measurable performance outcomes for the SACN

Over the years, the SACN has recognised the need to align its outputs more closely to targets and performance measures for the organisation and its staff. Currently the SACN has a well-developed reporting system that measures and tallies publications, events and reference group meetings with its partners to determine the organisational activity, which is then measured against yearly targets. However, the SACN and its Board have recognised the need to go beyond measuring activities and outputs to measuring the influences and impacts that these activities have on its member cities and other partner organisations. This move is very much in line with the government's drive

towards measurable performance-based outcomes.

Therefore, this year the SACN embarked on an evaluation of how the SACN works, with the aim of setting up a monitoring and evaluating mechanism to determine how well the organisation is achieving its targets. A Draft Proposed Performance Results Framework is being considered for this purpose. The indicators created will form part of measures that will be used to evaluate the SACN's performance every year. The SACN and its staff have embraced this process, which will enable the organisation to focus resources and activities better to meet its goals and objectives.

## Cost effectiveness of the SACN's operations

The cost effectiveness is measured primarily by considering the value-for-money of SACN learning events. The costs of the SACN's learning approaches and costs per person are analysed in Table 7. A year-on-year increase in costs per person per event is to be expected, given inflation and the increasing costs of services. In 2010/11 costs per unit were largely stable and within reasonable expectations, except for the SoCR 2011 launch.

In April 2011 the launch of the SACN's flagship product, the SoCR 2011, contributed to a large part of the increased costs. Attracting more attendees than any other of the SACN events, the SoCR launch event was held at a large, centrally located venue and took place over two days. The event included parallel sessions and press briefings, which required multiple venues and substantial multimedia support services. As Table 7 shows, this event was not combined with other seminars and conferences, but treated as a distinct event because of its

unique nature. The costs per person were R2,783.

The costs of reference group meetings remain constant, at around R200 per participant. Reference group work is largely conducted by municipal officials and other practitioners, who volunteer their time and expertise. Venues are almost exclusively requested free of charge from members.

The costs of seminars and conferences at R356 are also considered reasonable. However, the workshop costs (at R930) are fairly high, which is mainly because the SACN hosted foreign delegates from 10 SADC municipalities for the launch of the Financing of City Services publication in Ekurhuleni. The SACN covered the travel and two nights' accommodation costs for each of the 20 foreign delegates. However, to keep costs as low as possible, the SACN did obtain a free venue from one of its members. This project was funded jointly by the World Bank and the PPIAF investment facility.

**Table 7: Average cost of learning event outputs in 2010/11**

EVENT TYPE	TOTAL COST (RANDS)	AVERAGE COST PER EVENT (RANDS)	TOTAL NUMBER OF PARTICIPANTS	AVERAGE COST PER PERSON PER EVENT (RANDS)
SoCR launch	629,135	629,135	226	2,783
Reference group meetings	61,694	4,746	311	198
Seminars and conferences	224,357	8,629	630	356
Workshop	190,798	38,160	206	930

The SACN is very cost-conscious and keeps the average costs as low as possible by using various methods such as free venues and locations that limit speakers' travel costs.

## Learning and policy impacts

By its nature, the SACN is a knowledge generator and disseminator and can therefore only influence policy to a certain degree. Nevertheless, the SACN strives to have, and to determine where it has had, an influence on policy and decision makers among its partners. The following emerged in the financial year.

- The launch of the SoCR 2011 was targeted at member cities and national and provincial governments, all of whom participated widely. Furthermore, the SACN's CEO has been disseminating the report's key messages to Parliament and national government departments including CoGTA and SALGA. The report was also disseminated widely in the press and at public forums.
- The SACN contributed to the public participation process for SPLUMB by hosting city workshops that included the drafters of SPLUMB, the Department of Rural and Land Affairs and the Presidency. Experts and SACN member cities contributed at these workshops. A formal submission, in the form of a report and letter, was sent on 6 June 2011. The national department driving this process has also requested information related to this project.
- The SACN was involved in credit assessments and capacity building for a number of SADC municipalities. The project team met on several occasions with senior management in these municipalities, and impressed on

them the need for certain, very specific actions around revenue collection, financial management, as well as options for borrowing for infrastructure needs. In so doing, we believe that these key persons were greatly empowered to improve the financial health and meet the future service delivery needs of their municipalities.

- The SACN is largely driving the transformation to metropolitan status for Buffalo City and Mangaung. Here, the SACN is using the opportunity to push for policy shifts in the cities' finances, organisational development and infrastructure.
- The aim of the Municipal Business Plans on Renewable Energy and Efficiency is to support municipalities in developing climate change-related activities through various forms of technologies such as solar power and landfill gas energy sources. These strategies, including business plans for the individual technologies, were done for six municipalities. The SACN holds high hopes that the municipalities will incorporate the strategies and business plans into their IDPs and financial plans in the next stage of the project.
- The municipal finance chapter of the SoCR 2011, which included a detailed methodology on how municipalities can create better billing systems, has elicited an inquiry from Mangaung, which is keen to implement the methodology to improve its own systems.



## 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 strives to ensure quality outputs through responsible procurement, and contracted services since 2002 to 2011 are analysed below.

**Table 8: Summary of contracts issued by the SACN from 2002/03–2010/11**

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	6,102,446	358,967
2008/09	19	5,026,739	264,565
2009/10	23	4,516,533	196,371
2010/11	22	10,758,698	489,032
<b>TOTALS</b>	<b>142</b>	<b>35,501,945</b>	<b>250,014</b>





The contracts issued are for the purpose of generating or disseminating knowledge. Most of the expenditure to date has been for knowledge production through research and printing of publications (87% of the total contract value), while 13% was for facilitation support.

**Table 9: Summary of contracts by output category from 2002/03–2010/11**

TYPE OF CONTRACT	NUMBER OF CONTRACTS	VALUE OF CONTRACTS (RANDS)	% OF TOTAL VALUE
Knowledge production: Research	82	26,745,014	75
Knowledge production: Publications	31	4,109,249	12
Knowledge production: Facilitation	22	3,616,551	10
Other	7	1,031,131	3
<b>TOTAL</b>	<b>142</b>	<b>35,501,945</b>	<b>100</b>

Most companies contracted to provide services to the SACN are small (employing less than 50 people). Since 2002 the SACN has contributed R23,421,090 (66% of all contracts awarded) to the profitability of the SMME sector in South Africa.

**Table 10: Summary of contracts by company size from 2002/03–2010/11**

TYPE OF CONTRACT	NUMBER OF CONTRACTS	VALUE OF CONTRACTS (RANDS)	% OF TOTAL VALUE
Individual experts	47	6,764,138	19
Small companies	76	23,421,090	66
Large companies	19	5,316,716	15
<b>TOTAL</b>	<b>142</b>	<b>35,501,944</b>	<b>100</b>

Academic and science institutions were awarded 15% of contract spend, with the remaining 85% going to private companies and individuals (R30.2 million since 2002/03).

**Table 11: Summary of contracts by population group from 2002/03–2010/11**

TYPE OF CONTRACT	NUMBER OF CONTRACTS	VALUE OF CONTRACTS (RANDS)	% OF TOTAL VALUE
Academic and science institutions	20	5,219,686	15
Private sector companies and individuals	122	30,282,258	85
<i>Of which:</i>			
Black owned	49	15,363,402	51
Women owned	54	9,066,111	30

## SACN in the media

This year the reach of the SACN and its staff in the popular press was particularly encouraging. Coverage of the SoCR 2011 was extensive, being mentioned in 26 out of a total of 75 articles. Importantly, the issues raised in the report were discussed extensively, including the need for greater stability within municipalities, the need for cities to prepare for a world of scarce and expensive natural resources and the pivotal role of cities in future economic development (including that of rural areas).

Other areas where SACN writing produced media-driven responses included municipal finance (the proposed new business tax), the urbanisation question, the pros and cons of metropolitan status for some of its members and issues of climate change. All in all, the coverage has been very positive and points to the increasing influence of the organisation in the public realm.



## Board members and other partners

In the coming financial year, both the Department of Transport and the Department of Housing will participate formally on the SACN Board. We believe that these two departments need to contribute towards shaping the SACN's future research agenda, as they are driving two key grants that shape the built environment in our member cities: the Urban Settlements Development Grant and the Public Transport Grant.

There has been greater co-operation between the SACN and the national Department of Environmental Affairs, particularly in preparation for the global COP17 event, which the SACN is involved in. This interaction, which was limited to a project, raises prospects for more co-operation in the future.

## Staffing and secretariat

Staff changes at the SACN included three new people employed to deal with programmes: Sandiswa Tshaka, Geci Karuri-Sebina and Michael Kihato. Nellie Lester was also seconded to the SACN from CoGTA in an advisory capacity. The organisation welcomes these new members of staff and looks forward to an exciting and fruitful year.

Sithole Mbanga  
Chief Executive Officer

# BOARD OF DIRECTORS



**Chairperson**  
Y Carrim



**Chief Executive Officer**  
S M Mbanga



**CoGTA**  
N J O Lester



**SALGA**  
C X George



**Department of Human Settlements**  
Z A Kota-Fredericks



**Msunduzi Local Municipality**  
Z I Hlatshwayo



B S Ngubane (Alternate)



**eThekweni Metropolitan Municipality**  
Dr M O Sutcliffe



S Cele (Alternate)



**City of Tshwane**  
K D Kekana



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



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



P S Ndoni (Alternate)



**City of Cape Town**  
A Ebrahim



I Nielson (Alternate)



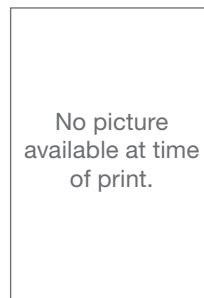
**Buffalo City Municipality**  
Z C Faku



**City of Johannesburg**  
M M A Mfikoe



**Department of Transport**  
J P Cronin



M N Mokonyama (Alternate)

No picture available at time of print.

# ANNUAL FINANCIAL STATEMENTS

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

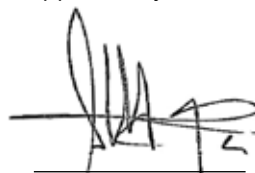
Detailed expenditure schedule	45–46
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### Approval

The annual financial statements set out on pages 22 to 44 have been approved by the board of directors and are signed on its behalf by:



Yunus Carrim  
Chairperson



Mr SM Mbanga  
Chief Executive Officer

### Certificate by secretary

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



Mrs S Kalidas  
Johannesburg

### Financial statements prepared by



Mrs S Kalidas  
Johannesburg

# Directors' responsibility statement for the year ended 30 June 2011

## 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.

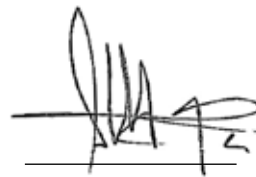
The going concern basis has been adopted in preparing the annual financial statements. The directors have no reason to believe that the company will not be a going concern in the foreseeable future based on forecasts and available cash resources. The annual financial statements support the viability 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 24.

The annual financial statements were approved by the directors on 10th March 2012.



Yunus Carrim  
Chairperson



Mr SM Mbanga  
Chief Executive Officer



# Report of the independent auditors

**To the members of 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 2011, 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 25 to 44.

## **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 appropriateness 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 2011, 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 others of similar size and organisation, derives income from voluntary donations which cannot be fully controlled until they are entered in the accounting records, and are not therefore susceptible to independent audit verification. Accordingly, it was impracticable for us to extend our examination beyond the receipts actually recorded."

The company has not complied with sections of the VAT act for the period 01 June 2006 to date. The company was not registered for VAT in the past and did not declare and pay any output VAT to SARS. In the current year, the company obtained instruction from SARS that they have to be registered for VAT and that VAT needs to be declared and paid. The directors have subsequently put through an application to SARS for Voluntary Disclosure however SARS has not yet processed the application.

In accordance with our responsibilities in terms of section 44(2) and 44(3) of the Auditing and Profession Act, we have reported such matters to management and the Independent Regulatory Board for Auditors as this constitutes a reportable irregularity in terms of the Auditing Professions Act.

## **Supplementary Information**

Without qualifying our opinion, we draw your attention to the fact that the supplementary information set out on pages 45 to 46 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  
 5 November 2011

*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 2011

The directors present the attached annual financial statements and submit their report for the year ended 30 June 2011.

## General Review of Activities

The net deficit of the South African Cities Network was R 262,404 (2010: R 301,918 surplus).

## Results for the year

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

## Going concern

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. At year end, deferred revenue amounting to R4 000 822 were included in the liabilities of the company. Part of this revenue has already been recognised as income, subsequent to year end. The annual financial statements support the viability of the company.

## 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 R 53,782 (2010 - R 34,136).

## 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 71 of 2008.

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 2011

BOARD MEMBERS	ALTERNATE DIRECTORS	DESIGNATION / AFFILIATION
Y Carrim		Chairperson
S M Mbanga		Chief Executive Officer
N J O Lester		CoGTA
C X George		SALGA
J P Cronin (appointed 20 April 2011)	M N Mokonyama	Department of Transport
Z A Kota-Fredericks (appointed 20 April 2011)		Department of Human Settlements
Dr M O Sutcliffe	S Cele	eThekweni Metropolitan Municipality
K D Kekana		City of Tshwane
	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		City of Johannesburg
A Ebrahim	I Nielson	City of Cape Town
Z I Hlatshwayo	B S Ngubane	Msunduzi Local Municipality

RESIGNATIONS	
Y E Patel (resigned 22 November 2010)	CoGTA
LH Mekgwe (resigned 22 November 2010)	Ekurhuleni Metropolitan 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 2011

	Notes	2011 R	2010 Restated R	2009 Restated R
<b>ASSETS</b>		<b>10,339,299</b>	<b>10,709,700</b>	<b>5,147,369</b>
<b>Non current assets</b>		<b>68,776</b>	<b>61,734</b>	<b>66,423</b>
Equipment	4	68,776	61,734	66,423
<b>Current assets</b>		<b>10,270,523</b>	<b>10,647,966</b>	<b>5,080,946</b>
Trade and other receivables	5	18,316	17,619	15,390
Accrued income	6	450,000	968,079	7,330
Cash and cash equivalents	7	9,802,207	9,662,268	5,058,226
<b>Total assets</b>		<b>10,339,299</b>	<b>10,709,700</b>	<b>5,147,369</b>
<b>RESERVES AND LIABILITIES</b>		<b>10,339,299</b>	<b>10,709,700</b>	<b>5,147,369</b>
<b>Reserves</b>		<b>(29,304)</b>	<b>233,101</b>	<b>(68,817)</b>
Accumulated funds		(29,304)	233,101	(68,817)
<b>Current liabilities</b>		<b>10,368,603</b>	<b>10,476,599</b>	<b>5,216,186</b>
Trade and other payables	8	3,132,822	3,430,217	1,695,338
Provisions	9	-	368,769	290,395
VAT	26	3,226,078	3,272,720	2,232,977
Current Portion - Lease	17	8,880	-	8,858
Deferred grant income	10	4,000,822	3,404,893	988,618
<b>Total reserves and liabilities</b>		<b>10,339,299</b>	<b>10,709,700</b>	<b>5,147,369</b>

## Statement of comprehensive income for the year ended 30 June 2011

	Notes	2011 R	2010 R
<b>INCOME</b>		<b>22,369,458</b>	<b>13,477,626</b>
Grants	11	17,280,899	9,995,098
Interest received	14	461,587	425,384
Subscriptions received	12	3,461,537	3,006,362
Other income	13	1,165,435	90,782
<b>EXPENDITURE</b>		<b>22,631,862</b>	<b>13,175,708</b>
Secretariat Costs		4,482,681	4,394,473
Networking and Strategic Input		60,104	131,797
Information Technology		109,372	101,180
Knowledge Management and Communications		484,950	1,120,972
City Development Strategies		7,202,250	4,001,371
Productive Cities		59,902	72,654
Inclusive Cities		2,434,523	658,407
Sustainable Cities		4,545,004	2,255,774
Well Governed Cities		3,253,076	439,080
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>		<b>(262,404)</b>	<b>301,918</b>
Other comprehensive Income / (Deficit)		-	-
<b>TOTAL COMPREHENSIVE INCOME / (DEFICIT)</b>		<b>(262,404)</b>	<b>301,918</b>

## Statement of changes in reserves for the year ended 30 June 2011

	TOTAL ACCUMULATED FUNDS R
Opening balance as previously reported	2,164,160
Prior period adjustments	(2,232,977)
<b>Restated Balance at 1 July 2009</b>	<b>(68,817)</b>
Restated surplus for the year	301,918
<b>Restated balance as at 1 July 2010</b>	<b>233,101</b>
(Deficit) for the year	(262,404)
<b>Balance at 30 June 2011</b>	<b>(29,304)</b>

# Statement of cash flows for the year ended 30 June 2011 (direct method)

	Notes	2011 R	2010 R
Cash received from funders and subscribers		22,425,253	15,340,109
Cash paid to programmes, suppliers and employees		(22,702,254)	(11,127,315)
<b>Cash (utilised by) generated from operations</b>	15	<b>(277,001)</b>	<b>4,212,794</b>
Interest received	14	461,587	425,384
<b>Net Cash inflows from operating activities</b>		<b>184,586</b>	<b>4,638,178</b>
<b>Cash flows utilised in investing activities</b>		<b>(44,647)</b>	<b>(34,136)</b>
Acquisition of equipment	4	(53,782)	(34,136)
Proceeds from disposal of assets		9,135	-
<b>Cash flows (utilised) generated by financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>		<b>139,939</b>	<b>4,604,042</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>9,662,268</b>	<b>5,058,226</b>
<b>Cash and cash equivalents at end of year</b>	7	<b>9,802,207</b>	<b>9,662,268</b>



# Notes to the annual financial statements for the year ended 30 June 2011

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 71 of 2008, 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 discounted.

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 not adopted any effective standards and interpretations as none is 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 reclassifica-

tion 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.

#### **IAS 24 (AC 126) Related Party Disclosures (Revised)**

The revisions to IAS 24:

- Include a clarification of the definition of a related party as well as providing a partial exemption for related party disclosures between government-related entities.
- In terms of the definition, the revision clarifies that joint ventures or associates of the same third party are related parties of each other. To this end, an associate includes its subsidiaries and a joint venture includes its subsidiaries.
- The partial exemption applies to related party transactions and outstanding balances with a government which controls, jointly controls or significantly influences the reporting entity as well as to transactions or outstanding balances with another entity which is controlled, jointly controlled or significantly influenced by the same government. In such circumstances, the entity is exempt from the disclosure requirements of paragraph 18 of IAS 24 and is required only to disclose:
- The name of the government and nature of the relationship.
- Information about the nature and amount of each individually significant transaction and a quantitative or qualitative indication of the extent of collectively significant transactions. Such information is required in sufficient detail to allow users to understand the effect.

The effective date of the amendment is for years beginning on or after 01 January 2011.

The company has adopted the standard for the first time in the 2011 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.

#### **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:

#### **IFRIC 14, IAS 19 (Amendment) – The limit on a defined benefit asset, minimum funding requirements and their interaction (effective 1 January 2011)**

#### **IAS 12 – Income Taxes (effective 1 January 2012)**

#### **IFRS 1 (Improvement) – First-time adoption of International Financial Reporting Standards**

#### **IFRS 7 (Improvement) – Financial Instrument (effective 1 January 2011)**

#### **IAS 34 (Improvement) – Interim financial reporting (effective 1 January 2011)**

#### **IFRIC 13 (Improvement) – Customer loyalty programmes (effective 1 January 2011)**

## 4. EQUIPMENT

### 30 June 2011

#### Net book value 30 June 2010

	Computer equipment R	Office equipment R	Furniture and fittings R	Total R
At cost	200,494	119,508	6,715	326,717
Accumulated depreciation	(157,217)	(102,282)	(5,484)	(264,983)
Additions during the year	53,782	-	-	53,782
Depreciation for the year	(28,770)	(7,662)	(1,231)	(37,663)
Disposal of assets	(9,077)	-	-	(9,077)
At cost	(13,337)	-	-	(13,337)
Accumulated depreciation	4,260	-	-	4,260

#### Net book value 30 June 2011

At cost	240,939	119,508	6,715	367,162
Accumulated depreciation	(181,727)	(109,944)	(6,715)	(298,386)

### 30 June 2010

#### Net book value 30 June 2009

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	-	-	-	-

#### Net book value 30 June 2010

At cost	200,494	119,508	6,715	326,717
Accumulated depreciation	(157,217)	(102,282)	(5,484)	(264,983)

## 5. TRADE AND OTHER RECEIVABLES

	2011 R	2010 R
Deposits	15,390	15,390
Staff loans	2,926	2,229
Advances	-	-
	<b>18,316</b>	<b>17,619</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 - SPLUM	450,000	968,079
	<b>450,000</b>	<b>968,079</b>

## 7. CASH AND CASH EQUIVALENTS

Nedbank - Current account	890,549	1,362,459
Nedbank - Call account	8,910,158	8,298,309
Petty cash	1,500	1,500
	<b>9,802,207</b>	<b>9,662,268</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 R9,802 207 (2010: R9,662 268).



## 8. TRADE AND OTHER PAYABLES

	2011 R	2010 R
Accruals	3,002,652	3,367,318
Other liabilities	-	-
Leave pay accrual	130,170	62,899
	<b>3,132,822</b>	<b>3,430,217</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	54,457	117,356
Additions during the year	130,170	-
Utilised during the year	(54,457)	(54,456)
Closing balance	<b>130,170</b>	<b>62,899</b>

## 9. PROVISIONS

### Deferred compensation

Provision for retention of staff	-	368,769
Opening balance	368,769	290,395
Additions during the year	215,451	78,374
Utilised during the year	(584,220)	-
Closing balance	<b>-</b>	<b>368,769</b>

## 10. DEFERRED GRANT INCOME

World Bank(DGF file:203110-07)	-	2,839,010
Department of Cooperative Governance and Traditional Affairs - NUDF	341,370	341,370
Department of Public Works	60,123	77,276
Royal Danish Embassy (104.SAF.1.MFS.82.01)	-	25,237
GTZ (83038091) SLGP / 06.2155.7-001.00	-	122,000
Buffalo City Municipality - Municipal Transformation	293,965	-
Mangaung Local Municipality - Municipal Transformation	2,370,107	-
World Bank - TF - 095398 - SA	935,257	-
	<b>4,000,822</b>	<b>3,404,893</b>

## 11. GRANTS

	2011 R	2010 R
<b>World Bank - DGF File : 203108-07</b>	-	(42,564)
Received	-	-
Deferred from 2009 / 2010	-	79,094
Deferred to 2010	-	-
Refunded	-	(121,658)
<b>Department of Cooperative Governance and Traditional Affairs - NUDF</b>	-	8,630
Received	-	-
Deferred from 2009 / 2010	341,370	350,000
Deferred to 2011 / 2012	(341,370)	(341,370)
<b>Department of Cooperative Governance and Traditional Affairs</b>	<b>5,104,000</b>	<b>4,815,000</b>
Received	5,104,000	4,815,000
<b>Department of Public Works</b>	<b>17,153</b>	<b>72,724</b>
Received	-	-
Deferred from 2009 / 2010	77,276	150,000
Deferred to 2011 / 2012	(60,123)	(77,276)
<b>GTZ (83038091) SLGP / 06.2155.7-001.00</b>	<b>122,000</b>	<b>130,000</b>
Deferred from 2009 / 2010	122,000	252,000
Deferred to 2011 / 2012	-	(122,000)
<b>Royal Danish Embassy (104.SAF.1.MFS.82.01)</b>	<b>226,574</b>	<b>2,575,636</b>
Received	201,337	2,477,349
Deferred from 2009 / 2010	25,237	123,524
Deferred to 2011 / 2010	-	(25,237)
<b>Department of Cooperative Governance and Traditional Affairs - Shanghai World Urban Expo</b>	<b>1,492,350</b>	<b>968,079</b>
Accrued in 2010	-	968,079
Received	1,492,350	-
<b>World Bank - TF - 095398 - SA</b>	<b>693,884</b>	-
Received	1,629,141	-
Deferred to 2011 / 2012	(935,257)	-
<b>Department of Environmental Affairs - UEM Renewable Energy and Energy Efficiency Bus Plans</b>	<b>3,500,000</b>	-
Received	3,500,000	-
<b>Buffalo City Municipality - Municipal Transformation</b>	<b>2,706,035</b>	-
Received	3,000,000	-
Deferred to 2011 / 2012	(293,965)	-
<b>Mangaung Local Municipality - Municipal Transformation</b>	<b>129,893</b>	-
Received	2,500,000	-
Deferred to 2011 / 2012	(2,370,107)	-
<b>Department of Cooperative Governance and Traditional Affairs - SPLUM</b>	<b>450,000</b>	-
Received	-	-
Accrued in 2010 / 2011	450,000	-
<b>State of Cities Reporting</b>	-	<b>1,144,000</b>
Ekurhuleni Metropolitan Municipality	-	-
Deferred from 2009 / 2010	-	-
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>2,839,010</b>	<b>283,593</b>
Deferred from 2009 / 2010	2,839,010	3,122,603
Received	-	(2,839,010)
	<b>17,280,899</b>	<b>9,955,098</b>



Photo by: Edna Peres

## 12. SUBSCRIPTIONS RECEIVED

	2011 R	2010 R
Buffalo City Municipality	233,100	241,577
City of Cape Town	536,131	555,626
Ekurhuleni Metropolitan Municipality	402,097	416,719
eThekweni Metropolitan Municipality	536,131	555,626
City of Johannesburg	536,131	555,626
Mangaung Municipality	233,100	241,577
Msunduzi Municipality	233,100	241,577
Nelson Mandela Metropolitan Municipality	349,650	362,365
City of Tshwane	402,097	416,719
	<b>3,461,537</b>	<b>3,587,412</b>

## 13. OTHER INCOME

	<b>1,165,435</b>	<b>905,350</b>
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Other income mainly consists of recoveries. These recoveries relate to project management fees, supervision fees and fees for attending meetings.

## 14. NET INTEREST RECEIVED

Interest received - call accounts	461,587	425,384
Interest paid - instalment sale agreement	-	-
Interest paid - contingent expenses	-	-
	<b>461,587</b>	<b>425,384</b>

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

Available-for-sale financial assets	<b>461,587</b>	<b>425,384</b>
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## 15. RECONCILIATION OF SURPLUS FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES

	2011 R	2010 R
Surplus (Deficit) from operations	(262,404)	1,341,661
Adjustment for:		
- depreciation	37,663	38,826
- profit on disposal of assets	(59)	-
- interest received	(461,587)	(425,384)
- interest paid	-	-
- increase (decrease) in deferred income	595,929	2,416,275
- increase (decrease) in provision for deferred compensation	(368,769)	78,374
- increase (decrease) operating lease accruals	-	(8,858)
- decrease (increase) in accrued income	518,079	(960,749)
Operating cash flows before movements in working capital	58,852	2,480,145
	(335,853)	1,732,649
Decrease (increase) in accounts receivable	(697)	(2,229)
Increase (decrease) in accounts payable	(335,157)	1,734,878
Cash (utilised by) generated from operations	<b>(277,001)</b>	<b>4,212,794</b>

## 16. DIRECTORS' REMUNERATION

### Executive 2011

	EMOLUMENTS	PENSION PAID OR RECEIVABLE	COMPENSATION FOR LOSS OF OFFICE	GAIN ON EXERCISE OF OPTIONS	TOTAL
For services as directors	1,852,119	-	-	-	<b>1,852,119</b>
For services as directors of subsidiaries	-	-	-	-	-
In connection with the affairs of the company or its subsidiaries	-	-	-	-	-
	<b>1,852,119</b>	-	-	-	<b>1,852,119</b>

### Executive 2010

	EMOLUMENTS	PENSION PAID OR RECEIVABLE	COMPENSATION FOR LOSS OF OFFICE	GAIN ON EXERCISE OF OPTIONS	TOTAL
For services as directors	1,204,512	-	-	-	<b>1,204,512</b>
For services as directors of subsidiaries	-	-	-	-	-
In connection with the affairs of the company or its subsidiaries	-	-	-	-	-
	<b>1,204,512</b>	-	-	-	<b>1,204,512</b>

## 17. 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:

- within one year
- in second to fifth year inclusive

	2011 R	2010 R
- within one year	120,566	109,606
- in second to fifth year inclusive	438,981	559,548
	<u>559,548</u>	<u>669,154</u>

## 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
- World Bank audit

Depreciation

Staff costs

Office rental

Lease payment made

Deferred payment

Profit on disposals of computer equipment

- South African Cities Network annual audit	112,217	85,670
- World Bank audit	-	25,330
Depreciation	37,663	38,826
Staff costs	3,685,809	3,598,994
Office rental	90,807	90,879
Lease payment made	99,665	99,665
Deferred payment	(8,858)	(8,858)
Profit on disposals of computer equipment	(59)	(8,028)



## 20. RELATED PARTIES

2011	RELATIONSHIP	GRANT RECEIVED	SUB-SCRIPTION	ACCRUED INCOME	DEFERRED INCOME	TOTAL
Department of Cooperative Governance and Traditional Affairs	Partner	(5,104,000)	-	-	-	(5,104,000)
Department of Public Works	Partner	(77,276)	-	-	60,123	(17,153)
Ekurhuleni Metropolitan Municipality	Member cities	-	(402,097)	-	-	(402,097)
City of Tshwane	Member cities	-	(402,097)	-	-	(402,097)
eThekweni Metropolitan Municipality	Member cities	-	(536,131)	-	-	(536,131)
Mangaung Local Municipality	Member cities	-	(233,100)	-	-	(233,100)
Nelson Mandela Metropolitan Municipality	Member cities	-	(349,650)	-	-	(349,650)
Buffalo City Municipality	Member cities	-	(233,100)	-	-	(233,100)
City of Johannesburg	Member cities	-	(536,131)	-	-	(536,131)
Msunduzi Municipality	Member cities	-	(233,100)	-	-	(233,100)
City of Cape Town	Member cities	-	(536,131)	-	-	(536,131)
Department of Cooperative Governance and Traditional Affairs - SPLUM		-	-	(450,000)	-	(450,000)
Department of Environmental Affairs - UEM Renewable Energy and Energy Efficiency Bus Plans		(3,500,000)	-	-	-	(3,500,000)
Buffalo City Municipality - Municipal Transformation		(3,000,000)	-	-	293,965	(2,706,035)
Mangaung Local Municipality - Municipal Transformation		(2,500,000)	-	-	2,370,107	(129,893)
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	(1,492,350)	-	-	-	(1,492,350)
Royal Danish Embassy (104. SAF.1.MFS.82.01)	Development partners/Donor	(226,574)	-	-	-	(226,574)
GTZ (83038091) SLGP / 06.2155.7-001.00	Development partners/Donor	(122,000)	-	-	-	(122,000)
World Bank (DGF file:203110-07)	Development partners/Donor	(2,839,010)	-	-	-	(2,839,010)
World Bank - TF - 095398 - SA	Development partners/Donor	(1,629,141)	-	-	935,257	(693,884)

## 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 2011</b>			
Trade and other receivables	18,316	-	18,316
Accrued income	450,000	-	450,000
Cash and cash equivalents	-	9,802,207	9,802,207
	<b>468,316</b>	<b>9,802,207</b>	<b>10,270,523</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>

## 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 2011</b>		
Trade and other payables	3,132,822	3,132,822
Deferred income	4,000,822	4,000,822
	<b>7,133,645</b>	<b>7,133,645</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>

## 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.

## 26. VALUE ADDED TAX

	2011 R	2010 R	2009 R
VAT payable to SARS	3,226,078	3,272,720	2,232,977
	<b>3,226,078</b>	<b>3,272,720</b>	<b>2,232,977</b>

The company was not yet registered for VAT in the past and did not declare and pay any output VAT to SARS. In the current year, the company obtained instruction from SARS that they have to be registered for VAT and that VAT needs to be declared and paid. The company provided for the potential liability at year end, reflected in the liability is the capital portion of the VAT payable to SARS as well as the calculated penalties and interest. SARS can at their discretion waive the penalties, or they could levy 200% additional taxes. This is dependent on the outcome of the voluntary disclosure programme.



## 27. PRIOR PERIOD ERROR

The company is not yet registered for VAT in the past and did not declare and pay any output VAT to SARS. In the current year, the company obtained instruction from SARS that they have to be registered for VAT and that VAT needs to be declared and paid. The company provided for the potential liability at year end, reflected in the liability is the capital portion of the VAT payable to SARS as well as the calculated penalties and interest. As such, compliance with the VAT act resulted in restatement of prior year figures from years ended 28 February 2006 onwards.

	<b>“Balance as previously reported”</b>	<b>“Restatement / reclassifica- tion”</b>	<b>“Restated balance”</b>
<b>Statement of financial position</b>			
VAT liability	-	3,272,720	3,272,720
<b>Statement of comprehensive income</b>			
Subscriptions	3,587,412	(581,051)	3,006,361
Other income	344,303	(253,521)	90,782
<b>Statement of changes in reserves</b>			
Accumulated funds	2,164,160.00	(2,232,977.06)	(68,817)

# Detailed expenditure schedule for the year ended 30 June 2011

	2011 R	2010 R
<b>Secretariat Costs</b>	<b>4,482,681</b>	<b>4,394,473</b>
<b>Salaries</b>	<b>3,685,809</b>	<b>3,598,994</b>
<b>Office Consumables</b>	<b>406,466</b>	<b>389,220</b>
Rent and services	118,486	90,807
Rental of office equipment	53,696	49,457
Office refreshments	7,790	7,568
Office sundries	31,876	16,979
Contingent expenses	-	-
Loss on trade in of office equipment	-	-
Profit on disposal of computer equipment	(59)	-
Postage and courier	6,759	3,646
Travel - local (staff)	8,942	11,498
Printing and stationery	42,923	48,902
Bank charges	8,249	8,824
Office insurance	36,377	34,170
Depreciation	37,663	38,826
Telephone and cellphone	53,764	78,543
<b>Financial and Legal Fees</b>	<b>273,356</b>	<b>323,782</b>
Audit fees and other financial services	112,217	111,000
Interest and penalties on VAT	161,139	205,172
Legal fees	-	7,610
<b>Organisational Development</b>	<b>117,050</b>	<b>82,478</b>
Organisational Development	110,250	63,050
Staff training and development	6,800	19,428
Performance Review -mid term evaluation	-	-
<b>Networking and Strategic Input</b>	<b>60,104</b>	<b>131,797</b>
Management and Board Meetings	60,104	46,112
Local and international conferences	-	85,685
Annual Report	-	-
<b>Information Technology</b>	<b>109,372</b>	<b>101,181</b>
IT Support , Maintenance and internet	101,891	95,266
Software & licences	7,481	5,914
<b>City Development Strategies</b>	<b>7,202,250</b>	<b>4,001,371</b>
National Urban Development Framework	-	8,630
State of Cities Report	2,651,424	2,663,906
Travel to support programmes	81,106	96,495
2010 FIFA World Cup legacy project	42,583	187,929
Shanghai World Urban Expo - "Better Cities Better Life"	1,582,602	968,079
Metropolitan Transformation - Buffalo City Municipality	2,714,643	26,825
Metropolitan Transformation - Mangaung Local Municipality	129,893	49,506
<b>Balance carried forward</b>	<b>11,854,408</b>	<b>8,628,821</b>

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



# Detailed expenditure schedule for the year ended 30 June 2011 (continued)

	2011 R	2010 R
<b>Balance brought forward</b>	<b>11,854,408</b>	<b>8,628,821</b>
<b>Productive Cities</b>	<b>59,902</b>	<b>72,654</b>
Trade and Investment	-	50,000
Green jobs	-	22,654
Productive cities content facilitator	46,222	-
Public Transport	13,680	-
<b>Inclusive Cities</b>	<b>2,434,523</b>	<b>658,407</b>
Expanded Public Works Programme	17,153	72,920
Training for township renewal	99,975	228,669
Urban Land Markets	-	121,750
Urban food security	-	21,342
State of Land Use in South Africa - Indicators	426,132	-
Affordable Land and Housing Data Centre	-	-
RDP Housing Study	100,000	-
Land Use Legislative Reform	1,272,067	-
Inclusive cities content facilitator	69,195	-
Sustainable Human settlements	450,000	213,726
<b>Well Governed Cities</b>	<b>3,253,076</b>	<b>439,080</b>
Disaster Management	-	99,056
Citizens Guide to Municipal Finance	172,000	-
Asset Management	-	95,077
Sustainable Municipal Finance in Southern Africa	2,838,919	244,947
Well Governed cities content facilitator	242,158	-
<b>Sustainable Cities</b>	<b>4,545,004</b>	<b>2,255,774</b>
Annual report - SCRG	-	58,884
Energy Efficiency and Renewable Energy Programme	694,899	-
Project management fee	-	214,750
Implementation of SACN UEM programme Business Plans	3,500,000	-
Sustainable Cities cities content facilitator	163,046	128,703
UEMP - phase 2	187,060	940,914
Urban biodiversity	-	-
Sustainable Waste Management	-	48,594
Green by-laws and building standards	-	306,435
International climate change co-operation	-	249,547
Climate Change	-	208,655
Website updates-sustainable cities & project co-ordination	-	99,292
<b>Knowledge Management and Communications</b>	<b>484,950</b>	<b>1,120,972</b>
Internships	32,595	4,651
Public Relations	-	92,676
Learning sessions	116,943	544,776
Website maintenance	335,412	478,869
	<b>22,631,862</b>	<b>13,175,707</b>

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





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