



A N N U A L
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VISION AND MISSION

The South African Cities Network 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 Provincial and Local Government and nine city municipalities, in partnership with the South African Local Government Association (SALGA).

The goals of the SA Cities Network 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, assess, 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.

CONTENTS

Members	01
Secretariat	01
Chairperson's Message	02
Chief Executive Officer's Report	04
Programme of Activities	05
Board of Directors	18
Annual Financial Statements	26

MEMBERS

- Buffalo City Municipality (East London)
- City of Cape Town
- Ekurhuleni Metropolitan Municipality (East Rand)
- eThekweni Metropolitan Municipality (Durban)
- City of Johannesburg
- Mangaung Local Municipality (Bloemfontein)
- Msunduzi Local Municipality (Pietermaritzburg)
- Nelson Mandela Bay Metropolitan Municipality (Port Elizabeth)
- City of Tshwane (Pretoria)

PARTNERS

- Department of Provincial and Local Government (dplg)
- South African Local Government Association (SALGA)

SECRETARIAT



From left: Mr Sithole M. Mbanga (Chief Executive Officer), Mrs Sadhna Bhana (Programs Administrator), Sharon Lewis (Knowledge Manager), Mr Seana Nkhale (National Programs Co-ordinator)

Standing – from left: Mrs Supriya Kalidas (Finance and Office Manager), Mr Clement Mpurwana (Office Administrator), Ms Letlhogonolo Dibe (Personal Assistant to CEO)



CHAIRPERSON'S REPORT



In October 2007, the South African Cities Network celebrated its fifth anniversary. This gave us the opportunity to mark five years of knowledge sharing on urban development; and reflect on our contribution to the evolution of developmental local government in South Africa.

This was also the year in which we saw a changing-of-the-guard in the leadership of the organisation, its programme of activities, and its approach to establishing strategic partnerships across the three spheres of government, with key players in the urban development sector, and throughout the continent.

The fifth anniversary celebration was accompanied by the launch of a State of City Finances Report, a publication that complements the work conducted by the National Treasury in its analysis of local government budgets and expenditure. The State of City Finances Report analyses the expenditure patterns of its nine member cities and considers the financial risks facing the cities in the future.

It is within these five years that two State of the Cities Reports have been published (in 2004 and 2006), both providing a critical analysis of challenges faced by South Africa's fast urbanising municipal areas. The State of the Cities Report has been hailed for its ability to set an urban development agenda for local government.

These reports have been supported by other, more detailed sector research pieces. These include work on urban renewal (2003); climate change (2004); HIV and Aids in the Municipal Workplace (2004); skills development (2005); urban development incentives (2008); and more recently a series of annual publications on sustainable and inclusive cities. These were not just research reports. Most of them provide guidance on leading practice, record experiences and lessons learnt, by the city municipalities, and make recommendations for future city development strategies, plans and programmes.

According to audits and annual reports over the last five years, the SA Cities Network has been soundly governed by the Board of Directors and effectively managed by a small, efficient Secretariat. Donor and partner organisations that have worked with the SACN, from both the public and private sector, have jointly and severally reported positively on their partnerships with the SACN.

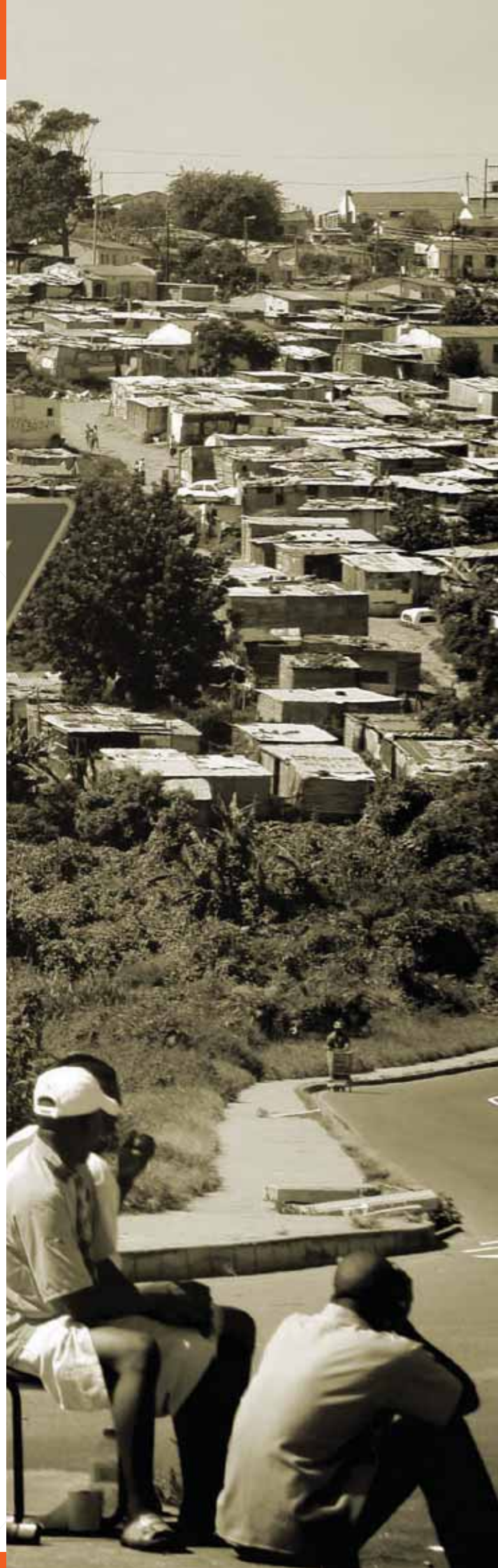
In more ways than one, it is a privilege to have taken over the responsibility of leading the SACN whilst it is in such a good and sustainable state. The newly appointed Board of Directors is thankful to the first generation of leadership that conceptualised the organization and its strategic focus; and worked tirelessly and selflessly to ensure that the SA Cities Network is the type of organisation it is today. In particular, I would like to extend a word of appreciation to our partners in provincial and national government, and in particular the national Department of Provincial and Local Government (dplg) and the South African Local Government Association (SALGA).

As newly appointed leadership, the members of the Board of Directors commit to continuity of the agenda of the SACN and to further expand its footprint beyond the nine traditional member cities. In adopting the medium term business plan (2008-2011), we have pledged to reach beyond the borders of our country in sharing our lessons with the other city municipalities and regions in the continent.

We will continue to be led by changes that will be introduced through the re-demarcation process; the review of government's performance; and, especially, the dplg-led Provincial and Local Government Policy Review Process.

Key among the deliverables in the next five years is the following:

- The third edition of the State of the Cities Report will be prepared to provide evidence-based strategic advice to decision makers in the private and public sectors, particularly National Ministers, and members of mayoral executive committees and parliamentary portfolio committees who will be elected during 2010/2011 in South Africa.
- Focused research on the nature and character of our urban system including city regions and typologies by highlighting and bringing a framework for focused urban development onto the developmental agenda. For this purpose, we will be working with the Presidency and dplg to produce a tool that can give direction to public sector spending that propels urban areas to an improved level of development
- Land use management, transport and human settlements have been identified by the Board of Directors as pivotal to how we can make our cities and municipal areas more inclusive, productive and sustainable. To this end, the SA Cities Network will respond to the need for research orientated engagements with relevant national departments in order to make a positive impact on our urban spaces and their functionality.
- With partners in the public sector, a programme that focuses on Sustainable Municipal Financial will be implemented across relevant municipalities in the Southern African region, including some in South Africa. This is an important project through which we can extend our knowledge dissemination beyond our borders.



CHIEF EXECUTIVE OFFICER'S REVIEW OF PROGRAM OF ACTIVITIES

INTRODUCTION

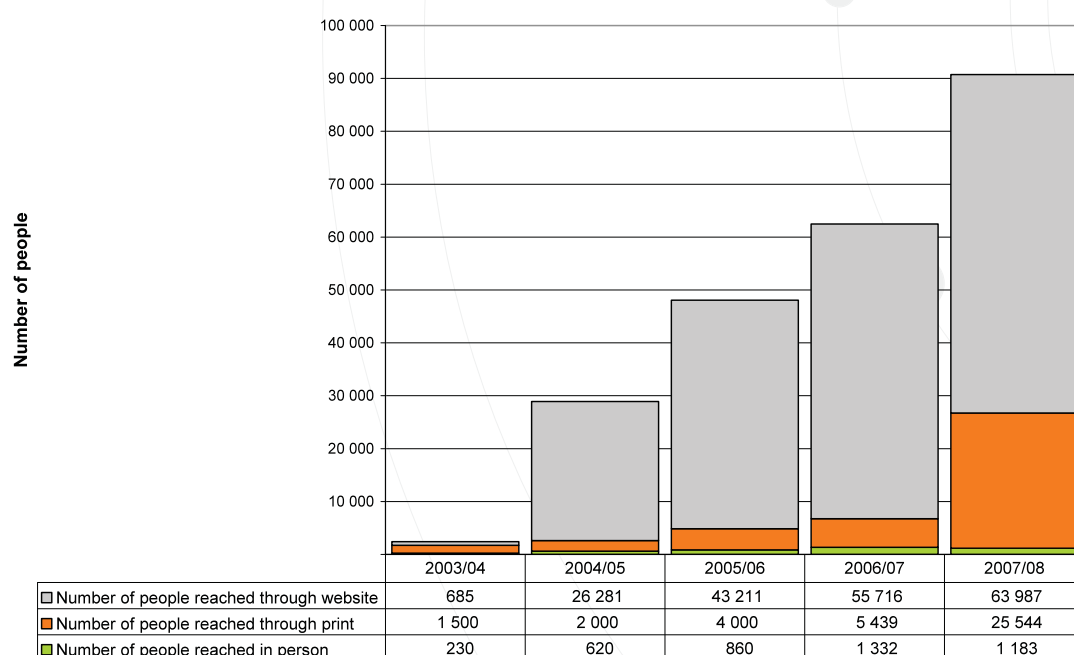
The SACN has continued to collaborate with strategic partners to develop knowledge products and dissemination processes to provide strategic guidance, make new discoveries and facilitate technical support to the spheres of government. Knowledge generation and dissemination activities exceeded all previous years in quantitative terms, and qualitative surveys of participants' views revealed high levels of satisfaction with the relevance and effectiveness of SACN learning events.

The number of people we have reached through the dissemination of our knowledge products and the learning events has doubled (45%) between 2007/08 and to 2006/07. Five new publications were published, 29 learning events convened and an average of 1 834 people received the monthly SACN newsletter.

Table 1: Summary of performance statistics from 2003/04 to 2007/08

	2003/04	2004/05	2005/06	2006/07	2007/08	Total
Expenditure R'm	6.209	6.200	8.410	8.357	10.828	40.004
Number of knowledge exchange and networking events	6	17	21	26	29	99
Number of people attending KE and networking events	230	620	860	1 332	1 183	4 225
Number of publications	2	4	7	5	5	23
Number of printed copies of publications	1 500	2 000	4 000	3 000	16 500	27 000
Number of publications downloaded off website				2 439	9 044	11 483
Average number of people receiving monthly e-newsletter	685	854	1 141	1 543	1 834	6 057
Number of page impressions on website		158 891	231 200	324 883	415 177	1 130 157
Number of unique visitors to website		25 427	42 070	54 173	62 153	183 823
Number of video records of events			1	9	3	13

Fig 1: Annual Growth Graph: People Reached through website, print and in person



LEARNING PARTNERSHIPS

SACN has continued to operate in partnership with national and provincial government departments, research institutions and development agencies. During 2007/08 the secretariat entered into new partnerships with

- Department of housing (Housing research and housing research task team)
- Department of Transport (Development of guide for freight logistics in cities)
- Green Buildings Council of South Africa (Sponsorship agreement to develop a green buildings rating tool and participation on GBCSA board)

Partnerships continued from the previous year:

- Development Bank of Southern Africa (Development of State of City Finances Report and Training for Township renewal)
- Institute of Municipal Financial Officers (Development of State of City Finances Report)
- South African Local Government Association (Facilitation of 2010 World cup knowledge exchange reference group and continuation of Aids Advise program)
- Department of Environmental Affairs and tourism (Urban Environmental Management program)
- Department of Public Works: Expanded Public Works Programme (Facilitation of EPWP reference group and development of EPWP in cities report)
- Urban Landmark (Land use management research)
- Department of Provincial and Local Government (Training for Township renewal)
- National Treasury (Training for Township renewal)

KNOWLEDGE GENERATION PROGRAMME

The knowledge generation programme resulted in the following 5 print publications in the past year:

- Positive spaces: A report on the proceedings of a seminar on HIV/Aids and sustainable human settlements (September 2007)
- The State of City Finances Report (October 2007)
- Sustainable Cities Annual (October 2007)
- Effectiveness of Urban Development Incentives (April 2008)
- Inclusive Cities Annual (June 2008)
- The Expanded Public Works Programme in SACN cities (June 2008).



CHIEF EXECUTIVE OFFICER'S REVIEW OF PROGRAM OF ACTIVITIES

These projects generated the following key knowledge products during 2007/08.

STATE OF CITY FINANCES REPORT

The State of City Finances Report 2007, prepared by SACN in partnership with DBSA and IMFO, was launched in Cape Town in October 2007. It reviewed and analysed financial statements and budgets of the SACN member cities with a view to gaining a better understanding of spending incidences and patterns, relationships between planning, budgeting and spending; revenue sources and patterns; borrowing incidence and lessons learnt; and the financial management challenges faced by cities.

This has resulted in a new project focusing on sustainable municipal finances in Southern Africa.

2010 FIFA WORLD CUP™ CITY LEGACY PROJECT

A framework for assessing the long term impact of the 2010 FIFA World Cup™ on city development has been developed. The framework considers both direct and catalytic effects of the event categorized into three main focus areas. First are the four outcomes of the CDS analytical framework viz. productivity, inclusivity, sustainability and good governance. Secondly the six priority areas for the Five-year Local Government Strategic Agenda: municipal transformation and organisational development, basic service delivery, local economic development, municipal financial viability and management, good governance and public participation, cross cutting interventions. Third is how developments in the built environment contribute to the two aspects above. The key built environment functions that were also identified in the State of Cities Report 2006 are: transportation, habitat management and land use management and development. In subsequent reviews of the framework efforts will continue to be made to align these key pillars with legacy initiatives that have been prioritized by the 2010 Organising Committee and the 2010 unit at the Department of Sports and Recreation.

A score card approach has been used, which developed main objectives, indicators and sample targets that cities could set for themselves. The score card was then used to assess how cities have fared thus far towards developing a legacy for themselves. These initial studies have indicated that some cities such as Joburg, City of Cape Town and eThekweni have progressed significantly while some are lagging behind. It is expected that most cities will begin recording some legacy initiatives in their IDP's and budgets for 2008/09. These will continue to be profiled leading up to 2010. A report to be published after the event in 2010 will consolidate these legacy impacts together with lessons learnt in the planning process.

NATIONAL URBAN SPACE ECONOMY PROJECT

Following the work that SACN has done in initiating and supporting the Gauteng City Region, a need has been identified to explore similar regional approaches to development in other parts of the country. While it is acknowledged that city regions may not emerge in the same way as what has happened in Gauteng there is a desire to explore possibilities of regional planning, regional co-operation and regional integration in some form or another. An analytical framework to guide more detailed analysis on the emergence of city regions in the context of the national urban space economy was developed. This framework informed an initiative for SACN, dplg and The Presidency to co-operate in developing a framework that should guide the growth and development of South Africa's towns, cities and city regions. The co-operation aims to compliment work that SACN is doing on city regions, the Presidency led National Spatial Development Perspective and the development of a National Urban Development Framework that cabinet mandated dplg to develop.

SACN and participates in a technical steering committee set up by the Gauteng Premiers office to drive the Gauteng City Region. This participation emphasizes the significance of the Gauteng City Region as an asset to the national space economy. Lessons from here will be utilised to conceptualise and drive other emerging city regions in South Africa.



CHIEF EXECUTIVE OFFICER'S REVIEW OF PROGRAM OF ACTIVITIES

EFFECTIVENESS OF URBAN DEVELOPMENT INCENTIVES

Work on special development zones was done in 2007/08 through research and a publication on the effectiveness of urban development incentives since 2002. This report explores the relative impact of a broad range of incentives in inner cities, townships and greenfield developments. It consolidates a review of current initiatives, selected case studies and interviews with selected practitioners and develops some high level lessons and recommendations for national and local decision makers. The high level lessons are disaggregated into more detailed findings related to various urban development contexts.

The report's key recommendations relating to special development zones are as follows:

- National government should relax municipal finance regulations in defined zones to enable public private zones to enable public private partnerships
- Local government should review and update Spatial Development Frameworks to provide clear investment directives within flexible planning frameworks. Incentives such as the UDZ tax incentive are most effective when complemented by a targeted public investment programme. Local Government can use SDF's to identify priority areas for targeted urban development interventions and define desirable outcomes for these areas on the basis of national policy directives, local demand and social, economic and environmental sustainability principles. These special development zones should benefit from intensive planning, urban management and public infrastructure investment interventions. They should also benefit from special regulatory treatment including relaxation of the application of municipal finance regulation and fast track land-use, environmental and building plan applications.

Some of the recommendations such as the consolidation of grant incentives administered by national government into a coherent grant devolved to municipalities will be further developed by the SACN in the future.

AIDS ADVISE

In October 2007 SACN was awarded a Golden Globe Award by the International Risk Control Association for initiating and implementing an innovative HIV and Aids workplace solutions programme. The Aids Advise programme, which was initiated by SACN in partnership with Healthinsite in 2005 was handed over to SALGA in December 2007. The intention is for SALGA to roll it out to all municipalities in the country as a decision and technical support tool.

At the time of handing over in December 2007, each SACN city had a customized electronic platform that can be accessed through the SACN website, the cities website and the cities intranet. The platform provides up-to-date HIV and Aids information some of which is also sent as emails from the service provider. It profiles the HIV and Aids related activities that each city is undertaking. This helps cities to see what they are each doing and benchmark themselves against one another. It further enables the cities to learn from one another's experiences and best practices. The main initiatives that are profiled include: cities workplace policies, HIV and Aids projects, actuarial analyses and voluntary counselling and testing. Multi-lingual training materials and awareness campaign materials can also be accessed from the Aids Advise portal.

SUSTAINABLE CITIES PROGRAMME

SACN's sustainable cities programme is funded through the South Africa - Denmark Urban Environmental Management (UEM) programme that is led by the Department of Environmental Affairs and Tourism (DEAT). The SACN's contribution to the UEM programme is knowledge generation, awareness raising and advocacy on best practices in poverty reduction through urban environmental management.

In 2007/08 SACN sustainable cities programme focused on sustainable public transport and renewable energy. This focus which was endorsed by the SA-Denmark Urban Environmental Management Programme Steering Committee resulted in the publication of an annual sustainable cities report in October 2007. A Renewable Energy City Summit

was held in Stellenbosch in May 2008. Following this summit, the second edition of the Sustainable Cities annual report will highlight sustainable energy strategies for cities, including the knowledge generated in the summit.

EXPANDED PUBLIC WORKS PROGRAMME

The Department of Public Works through the MOU it signed with SACN has continued to support an information and knowledge exchange programme on the Expanded Public Works Programme (EPWP). A major part of the SACN EPWP programme comprises facilitation of knowledge exchange reference group meetings. The engagement has facilitated the exchange of knowledge and best practices on the implementation of EPWP. It has further enabled the monitoring of implementation of EPWP in SACN cities in comparison with the rest of local government and with other spheres of government. In this context a report has been developed to capture progress that SACN cities have made towards implementation of EPWP. It has further documented best practices towards planning and implementation of EPWP particularly in SACN cities. However, while most best practices are drawn from SACN cities, there is a selection of projects drawn from other local municipalities around the country. Another group of projects being profiled is projects initiated by provincial and national sector departments and implemented within various municipal spaces. It has been noted that the majority of EPWP projects are infrastructure-related but attempts have been made to profile the few innovative projects from other sectors especially from the environmental sector.

INCLUSIVE CITIES ANNUAL REPORT

A first edition of an Inclusive Cities Annual report is being finalized, and will focus on the knowledge generated in the Inclusive Cities Conference held in 2007, and will include papers commissioned by the SACN on inter-cultural cities and migration.



CHIEF EXECUTIVE OFFICER'S REVIEW OF PROGRAM OF ACTIVITIES

GUIDE FOR NATIONAL FREIGHT AND LOGISTICS PLAN

SACN and the Department of Transport have agreed to co-operate on the development of a framework to guide the development of freight logistics plans in the various urban nodes in South Africa. The DOT anticipates using the guide to engage with and support the various municipalities in developing their plans.

Urban nodes are considered to be both major generators of freight and major markets where freight is consumed. SACN cities as economic hubs are major contributors to freight generation and destinations. The urban nodes and associated transport corridors have a major impact on the efficiency (or inefficiency) on movement and handling of goods which in turn impacts on the national economy. In certain instances such as it has been seen in eThekweni for example, freight movement may further impact on congestion and inner city development leading to possible degradation in some precincts. The framework must serve to address the adverse impacts and enhance efficiencies in the handling and movement of freight.

GREEN BUILDINGS RATING TOOL

SACN has committed to supporting the development of a rating tool to assess the sustainability of buildings in South Africa. This arises out of an interest from developers and other stakeholders in real estate to develop "green buildings" which are increasingly considered to yield environmental as well as economic and social benefits. The recent energy crisis, increasing awareness of a climate change problem, peak oil, potential water challenges have all increased the desire by real estate stakeholders to go this route. In the absence of a South African tool based on local circumstances, different corporates are currently exploring the use of different tools sourced from countries such as Australia, UK, New Zealand, Canada, US where green buildings have become popular. The Green Buildings Council of South Africa's rating tool which SACN supporting is adapting the Australian "Green Star" tool, considering our similar climatic conditions and factoring in other South African environmental and socio-economic conditions to result in a local rating tool. The first phase of the tool which focuses on office properties is due to be launched in September 2008. Other tools focusing on residential, mixed use, etc. Will follow



CHIEF EXECUTIVE OFFICER'S REVIEW OF PROGRAM OF ACTIVITIES

KNOWLEDGE / LEARNING EVENTS

In 2007/08 SACN hosted 29 learning events (reference group meetings, seminars and conferences). The largest of these was the Renewable Energy City Summit, which attracted over 250 participants in May 2008.

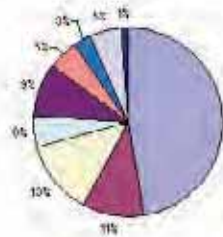
In total, 1834 people attended these learning events spending a total of 9 544 person hours on this activity.

REFERENCE GROUPS

Reference group discussions have continued to assist the SACN to realise the goals and services identified in its business plan. Programmes, projects and activities have been determined in consultation with and guided by the reference groups on behalf of members and partners of SACN. This ensures that the work of the SACN remains highly relevant and helps to enhance the work of members and partners in their quest to develop effective development strategies.

During 2007/08 the SACN hosted 17 Reference group meetings, with 505 people attending these learning sessions, spending a total of 4 127 person hours on this activity.

TABLE 2: SACN REFERENCE GROUP MEETINGS

Number of events Number of speakers Number of participants	Reference Groups	
	17	
	82	
	505	
	Number	Per cent
SACN member cities	238	47
Non member cities	54	11
Independent researchers, experts and practitioners	64	13
Donors and international partners	29	6
National government and national public entities	46	9
Provincial government	26	5
Other local government organisations	15	3
SACN secretariat	27	5
Other	6	1
<p>Reference group attendance 2007/08</p> 		
Time (number of hours)	118	
Time (number of person hours)	4127	

The following reference groups met in the past year:

Productive Cities: 2010 Fifa World Cup Reference Group (4 meetings)

Inclusive Cities: EPWP (4 meetings)

Inclusive Cities: HIV and Aids in Local Government (1 meeting)

Well-governed Cities: Land use management (1 meeting)

Well-governed Cities: Urban development partnerships (2 meetings)

CDS: Indicators Reference Group (1 meeting)

Knowledge management reference group (3 meetings)

PRODUCTIVE CITIES: 2010 FIFA WORLD CUP REFERENCE GROUP

The German development support agency "Capacity Building International – Inwent, has continued to fund and support the Memorandum of Understanding entered into by SACN, dplg, SALGA, Inwent and GTZ. This partnership has facilitated Four 2010 FIFA World Cup Information and Knowledge Exchange reference group workshops. During this period, 11 German practitioners who were involved in managing different aspects of the 2006 FIFA World Cup in Germany shared their experiences with their South African counterparts from 2010 host cities, national departments and other support agencies. This knowledge exchange has enabled host cities to plan their 2010FWC activities. The pragmatic spirit of knowledge sharing has also allowed host cities and other stakeholders to debate openly thus allowing peer learning and mutual understanding on various issues relating to organising a Football world cup. SACN's participation in this process has focused mainly on legacy planning but there have also been extensive discussions on planning and operational issues. The following were some of the focus areas of the meetings: Safety and security, Tourism, Disaster management, Emergency services, Health services, Volunteer programmes, Transportation.

INCLUSIVE CITIES: EXPANDED PUBLIC WORKS PROGRAMME REFERENCE GROUP

An Inclusive cities reference group meeting focusing on the Expanded Public Works Programme met 4 times in the year hosted by different SACN member cities. Each meeting comprised a combination of project visits and discussions on various opportunities and challenges relating to the implementation of various aspects of EPWP. Some of the focus areas included. Waste management, training, social sector projects etc.

WELL-GOVERNED CITIES: LAND USE MANAGEMENT REFERENCE GROUP

The Urban Land Mark programme, a DFID-funded initiative to make urban land markets work better for the poor co-hosted a reference group meeting with the SACN to consider the strategies that are required to strengthen land use management systems. The findings and experience from the City of Johannesburg were discussed and members provided suggestions for future interventions.



CHIEF EXECUTIVE OFFICER'S REVIEW OF PROGRAM OF ACTIVITIES

WELL-GOVERNED CITIES: URBAN DEVELOPMENT PARTNERSHIPS REFERENCE GROUP:

This reference group was made up of members with expertise in planning, urban regeneration and area-based management, and municipal finances. Two meetings were held (one in Soweto and one in Cape Town) to consider draft versions of the research report on the relative effectiveness of urban development incentives in inner cities, townships and greenfield developments.

CDS: INDICATORS REFERENCE GROUP

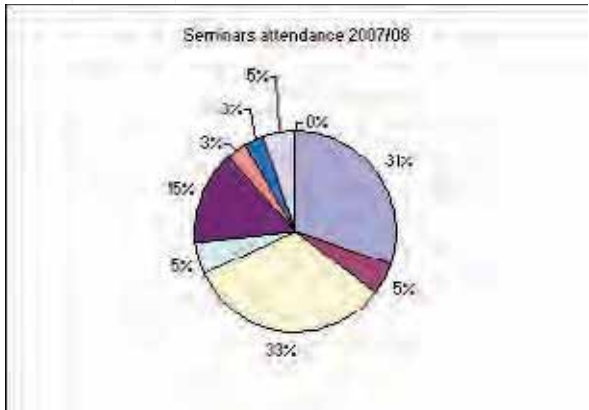
In preparation for the 3rd Edition of the State of the Cities Report, an Indicators Reference Group has been convened. The first of a series of meetings (two every year) took place in June 2008 to guide the data and monitoring work that will be done towards the next edition of the SoCR.

KNOWLEDGE MANAGEMENT REFERENCE GROUP

As part of the knowledge management enhancement project of the SACN, a Reference Group composed of municipal officials and practitioners who are interested in knowledge management has been established. This group has met 3 times since October, and has considered topics such as indigenous knowledge systems, shadowing, and intergovernmental KM systems, and is developing a co-ordinated business plan for the group.

SEMINARS AND CONFERENCES

TABLE 2: OVERVIEW OF PARTICIPATION IN SACN SEMINARS AND CONFERENCES

Number of events Number of speakers Number of participants	Seminars, conferences and other events	
	10	
	116	
	659	
	Number	Per cent
SACN member cities	199	30
Non member cities	35	5
Independent researchers, experts and practitioners	212	32
Donors and international partners	35	5
National government and national public entities	101	15
Provincial government	22	3
Other local government organisations	22	3
SACN secretariat	33	5
Other	0	0
 <p>Seminars attendance 2007/08</p>		
Time (number of hours)	76	
Time (number of person hours)	5341	

PRODUCTIVE CITIES: URBAN DEVELOPMENT ZONE TAX INCENTIVES

A special seminar on Urban Development Zone Tax Incentives was co-hosted by SACN and eThekweni Metropolitan Municipality in January 2008. The objective was to consider the impact of the UDZ tax incentive on inner city regeneration, and request a 5-year extension for the incentive scheme. The recommendations of this group were presented to the Tax Policy team at National Treasury, and the Minister of Finance announced the 5-year extension in the February Budget Speech.

PRODUCTIVE CITIES: URBAN DEVELOPMENT PARTNERSHIPS

Another seminar on urban development partnerships was held in April 2008 and served as the launch for the report on the relative effectiveness of the urban development incentives. The research team, Silimela Development Services, presented the findings of the report, and a focused workshop on the implications for township development served as a learning event in the Training for Township Renewal Initiative.

INCLUSIVE CITIES: TRAINING FOR TOWNSHIP RENEWAL

The TTRI is a partnership between the National Treasury (NDPG unit), DPLG (URP unit), DBSA and SACN. Three seminars took place during 2007/08. The first, an overview training course, was attended by over 90 participants at the end of October 2007. The second was a focused technical session on feasibility studies for township renewal projects, and the third was the workshop on urban development incentives in townships. This initiative will continue in 2008/09 and the training material will be published as a training toolkit.

SUSTAINABLE CITIES: RENEWABLE ENERGY CITY SUMMIT

A Renewable Energy Summit was held in Stellenbosch on 13 and 14 May 2008. This summit which forms part of SACN's Danida funded Urban Environmental Management programme was hosted by SACN in association with Sustainable Energy Africa (SEA), Renewable Energy and Energy Efficiency Partnership (reap), Alliance to Save Energy (ASE), South African National Energy Research Institute (saneri) and supported by USAID, ABSA Bank and the Royal Danish Embassy.

The mayors' round table held on 13th May provided guidance on key issues that the leaders of our cities need addressed at the summit and beyond. It culminated with a declaration which served to pledge the leadership's commitment and support to the pursuit of renewable energy and energy efficiency.

The summit attended by over 250 people (20% from local government, almost 50% from private sector and academic institutions, and 14% from national government and national public entities) provided a useful platform to debate challenges and options available for renewable energy and energy efficiency. Options explored were:

- Solar energy
- Wind energy,
- Bio-energy,
- Landfill gas,
- Hydro-energy,
- Wave energy

Seven key themes emerged from the deliberations

- The importance of renewable energy
- The role of cities in promoting renewable energy
- The need to review renewable energy targets
- The need for a clearer institutional framework to drive renewable energy
- The need for a clearer regulatory and legislative framework for renewable energy
- Difficulties in accessing funding for renewable energy
- The need for a feed-in tariff

CHIEF EXECUTIVE OFFICER'S REVIEW OF PROGRAM OF ACTIVITIES

There was very clear agreement at the summit about the importance of increased use of renewable energy in order to ensure a sustainable future in South Africa.

There was also an acknowledgement at the summit that cities have several roles with regard to energy. While there was consensus around some of those roles, and the ways in which they can be used to promote renewable energy, there was debate about others.

There was broad agreement that cities play a role as regulators, purchasers, planners and distributors of energy. All of these roles provide scope for promoting renewable energy. As purchasers, for example, cities procure services for themselves and for their residents. They can choose to procure renewable energy services rather than energy services based on fossil fuels. As regulators, cities can introduce by-laws requiring new houses to have solar water heaters installed.

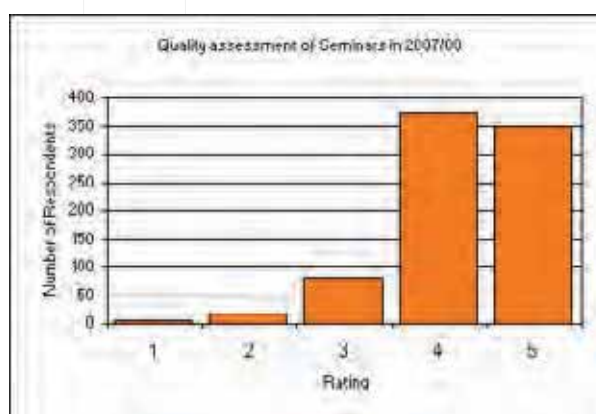
There was also a strong feeling among delegates that cities have a role to play as facilitators, sending out signals, creating confidence and leading technology change. As such, cities can play a significant leadership role in promoting renewable energy. While some saw the lack of clarity in the regulatory environment around renewable energy as a challenge, others saw it as an opportunity for cities to shape this environment.

ANALYSIS OF KNOWLEDGE MANAGEMENT OUTCOMES

In the 659 survey questionnaires that were collected after seminars and conferences only 12 per cent of scores were lower than 4 out of 5.

TABLE 3: QUALITY ASSESSMENT OF SACN EVENTS

	Seminars and other events				
Number of respondents	659				
Rating (1 = little or bad; 5 = much or good)	1	2	3	4	5
Did you learn something new today?	0	3	11	83	58
Did the information you received inspire you to do something new or different in your work?	2	3	23	78	49
Will the information you received help you to do your job better?	2	2	21	88	42
Invitation quality score	0	4	7	50	94
Preparatory information quality score	0	6	6	45	49
Venue and catering quality score	1	1	13	30	58
Total	5	19	84	374	350



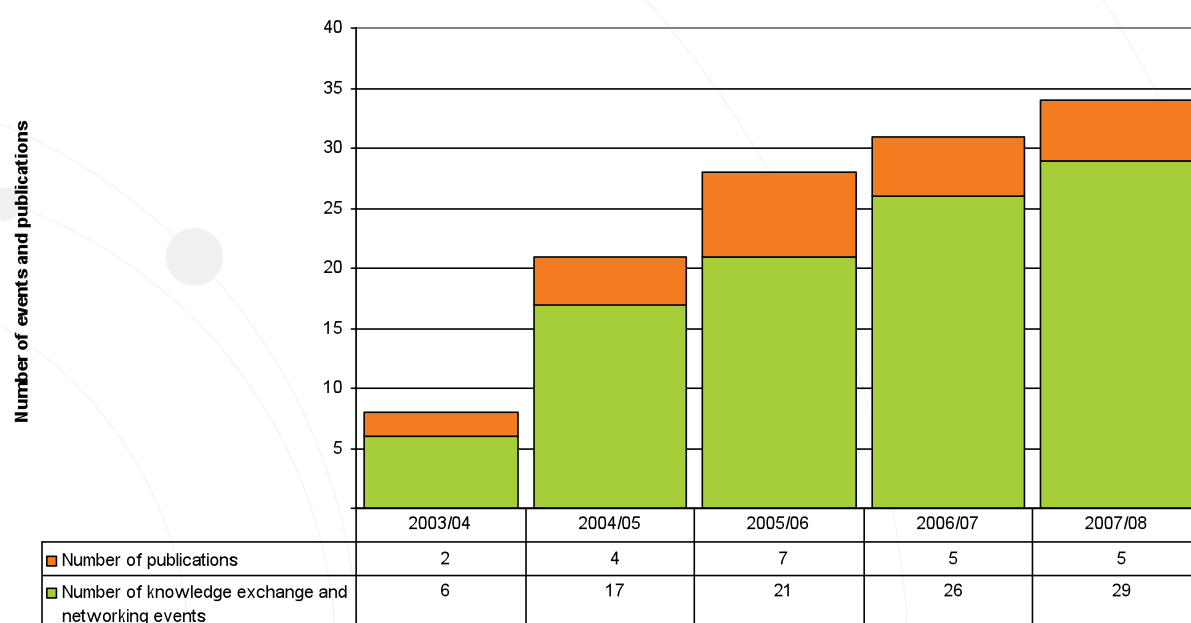
SACN's knowledge dissemination reaches people in person, through publications and the website. In total, 90 714 people were reached during 2007/08. This is 45 percent more people than in 2006/07 which was in turn 30 percent more people than in 2005/06.

CHIEF EXECUTIVE OFFICER'S REVIEW OF PROGRAM OF ACTIVITIES

TABLE 5: ANALYSIS OF ANNUAL PERFORMANCE STATISTICS 2003/04 TO 2007/08

	2003/04	2004/05	2005/06	2006/07	2007/08	Total
Number of people reached in person	230	620	860	1 332	1 183	4 225
Number of people reached through print	1 500	2 000	4 000	5 439	25 544	38 483
Number of people reached through website	685	26 281	43 211	55 716	63 987	189 880
Total number of people reached	2 415	28 901	48 071	62 487	90 714	232 588
Annual growth per year			66	30	23	

FIG 3: NUMBER OF KNOWLEDGE DISSEMINATION OUTPUTS



The website and electronic newsletters continue to reach the greatest number of people. The focus on enhancing electronic communication continues to maximize efficiencies while reaching more people.

The wide reach of electronic communication does not, however, negate the importance of interpersonal interaction that takes place when the SACN hosts learning and knowledge exchange events. The strong growth in attendance of SACN events reflects the value that people place on this knowledge dissemination approach. This will therefore continue to be used to complement electronic communication in the future.

BOARD OF DIRECTORS

CHAIRPERSON

Cllr
Ntombentle
Cordelia
Peter



DIRECTOR

ALTERNATE

Mr
Andrew
Michael
Boraine



CEO

Mr
Sithole
Mabi
Mangaliso
Mbanga



BUFFALO CITY MUNICIPALITY

Cllr
Ntombentle
Cordelia
Peter



Mr
Gaster
Sharpley



CITY OF CAPE TOWN

Mr
Achmat
Ebrahim



Cllr
Ian Nielson



EKHURHULENI

Cllr
Lentheng
Helen
Ntombi
Mekgwe



Cllr
Moses
Maseko



eTHEKWINI METROPOLITAN


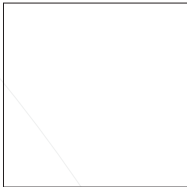






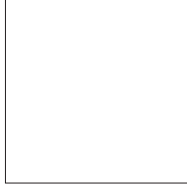
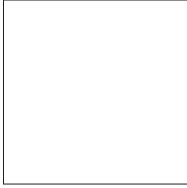



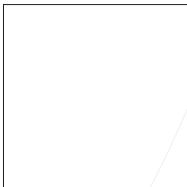
Dr Michael
Oliver
Sutcliffe



Mr
Sipho
Cele



BOARD OF DIRECTORS

		DIRECTOR		ALTERNATE
CITY OF JOHANNESBURG	Cllr Christine Elizabeth Walters			
MANGAUNG	Cllr Thabo Moses Manyoni		Cllr Kembe Nthofela Leonard Makhanya	
MSUNDUZI MUNICIPALITY	Cllr Zanele Isabelle Hiatshwayo		Cllr Bonginkosi Sehia Ngubane	
NELSON MANDELA METROPOLITAIN	Adv John Graham Richards		Cllr Pumelele Stanley Ndoni	
TSHWANE				
DPLG	Ms Nelliecent Jane Orwa Lester		Ms Bernadette Dianne Leon	
SALGA	Mr Christopher Xolile George			



SOUTH AFRICAN CITIES NETWORK (ASSOCIATION INCORPORATED UNDER SECTION 21)

INDEX TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

CONTENTS

PAGE

Directors responsibility statement	1
Report of the independent auditors	23
Report of the directors	24 - 25
Balance sheet	26
Income statement	26
Statement of changes in reserves	27
Cash flow statement	27
Notes to the annual financial statements	28 - 37
The following schedule has been attached for information purposes only and does not form part of the audited financial statements. Detailed expenditure schedule	38 - 39

APPROVAL

The annual financial statements set out on pages 4 to 21 have been approved by the board of directors and are signed on its behalf by:


Cllr NC Peter
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

SOUTH AFRICAN CITIES NETWORK (ASSOCIATION INCORPORATED UNDER SECTION 21)

INDEX TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

STATEMENTS OF RESPONSIBILITY

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

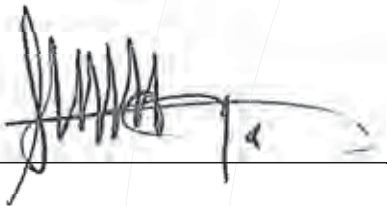
The going concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the company will not be a going concern in the foreseeable future based on forecasts and available cash resources. The financial statements support the viability of the company.

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

The financial statements were approved by the directors on 2 December 2008.



Cllr NC Peter
Chairperson



Mr SM Mbanga
Chief Executive Officer

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS

**SOUTH AFRICAN CITIES NETWORK (ASSOCIATION
INCORPORATED UNDER SECTION 21)
(REGISTRATION NO. 2002/031754/08)**

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of the South African Cities Network (Association Incorporated under section 21), which comprise the director's report, balance sheet as at 30 June 2008, and the income statement, of changes in reserves and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes set out on pages 4 to 21.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing

an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. In common with similar organizations, it is not feasible for the company to institute accounting controls over cash collections from grants prior to initial entry of the collections in the accounting records. Accordingly, it was impracticable for us to extend our examination beyond the receipts actually recorded.

OPINION

In our opinion, except for the effect of such adjustments, if any, as might have been determined necessary had we been able to satisfy ourselves as to the completeness of cash collections, the financial statements present fairly, in all material respects, the financial position of the South African Cities Network (Association incorporated under section 21) as of 30 June 2008, and its financial performance and its cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and the requirements of the Companies Act of South Africa.

SUPPLEMENTARY INFORMATION

The schedule set out on pages 22 and 23 has been attached for information purposes only and is not covered by the audit opinion.

Xabiso Chartered Accountants Inc.
Chartered Accountants (S.A.)
Registered Auditors
Johannesburg



The directors present the attached annual financial statements and submit their report for the year ended 30 June 2008.

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2008

GENERAL REVIEW OF FINANCES: A REPORT OF THE DIRECTORS

The newly appointed Board of Directors have over the past year familiarised itself with the inner workings of the SACN operational and financial system. We have found robust and efficient machinery which bears testimony to the soundness of the organisation as reported by Auditors over the last five years.

As we take over the baton from those that came before us, we have asserted our presence and added a number of programs that have reach beyond the nine traditional members of the SA Cities Network with full confidence that the Secretariat will be able to cope. In insisting that we have to share our knowledge and experience with our sister cities both in South Africa and in the African continent broadly, we are equally testing the organisational capacity and preparing ourselves for the next generation of the State of the Cities Report.

We have also insisted that we should take a more pro-active approach in advancing the urban agenda in South Africa's policy making landscape, thus forcing and stretching the Secretariat beyond its business as usual to its uppermost limits. In doing so we have also ensured that the Board has a productive mixture between elected and appointed officials of our member cities.

As a consequence of all of the above, the Board has increased the resources ploughed into the work of the SA Cities Network by approximately 30%, with added focus on the matter of municipal financial sustainability. We have carefully considered the need to upscale our work on the State of Finances reporting with the clear intention of providing critical support to ensuring that our member cities are sufficiently prepared for interaction at a global scale. To the above extent, we have ensured that the Audit Committee will be led by an official that is capable and will provide much desired support to the Secretariat. At the same time we have retained the membership of independent private and public sector members, whose participation in the affairs of the SA Cities Network is highly appreciated.

This is in keeping with the tradition that was established by our predecessors, whose essential components of transparency and efficiency we commit to retain in the SA Cities Network. Thus we are content to submit the financial statements for our first year of reign and indicate accordingly that the SA Cities Network continues to be in capable hands. As in other years, not only has the organisation grown

proportionally with its required responsibility, it has also grown in strength.

For these reasons, the SA Cities Network Board of Directors wish to humbly submit the 2007/8 financial statements to its partner organisations in government, the international and national donor community, the SA Local Government Association, and especially our member cities in the knowledge and confidence that these have gone through the highest level of scrutiny.

Thank you in advance for your support.

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 R78,423 (2007 - R20,214).

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 financial statements. The financial statements have been prepared in accordance with Generally Accepted Accounting Practice and in the manner required by the Companies Act, 1973.

The directors are also responsible for the company's systems of internal control. These are designed to provide reasonable, but not absolute assurance as to the reliability of the 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.

RESULTS FOR THE YEAR

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

POST BALANCE SHEET EVENTS

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

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2008

BOARD MEMBERS	ALTERNATE DIRECTORS	DESIGNATION/AFFILIATION
NC Peter		Chairperson
AM Boraine		
SMM Mbanga		Chief Executive Director
NJO Lester	BD Leon	DPLG
(appointed 24 October 2007)		
CX George		SALGA
(appointed 24 October 2007)		
Dr MO Sutcliffe	S Cele	eThekweni Metropolitan Municipality
		City of Tshwane
LH Mekingwe	M Maseko	Ekurhuleni Metropolitan Municipality
TM Manyoni	L Makhanya	Mangaung Municipality
Adv JG Richards	PS Ndoni	Nelson Mandela Metropolitan Municipality
NC Peter	G Sharpley	Buffalo City Municipality
CE Walters		City of Johannesburg
E Achmat	I Nielson	City of Cape Town
ZI Hlatshwayo	BS Ngubane	Msunduzi Municipality
El Africa		DPLG
(resigned 24 October 2007)		

SECRETARY

Secretarial services are performed by S Kalidas.

AUDITORS

During the year under review, Xabiso Chartered Accountants Inc were appointed as auditors.

BALANCE SHEET AT 30 JUNE 2008

	Note	2008 R	2007 R
ASSETS		5,622,038	3,666,235
Non current assets		98,211	93,836
Equipment	3	98,211	93,836
Current assets		5,523,827	3,572,399
Trade and other receivables	4	22,560	31,341
Accrued income	5	735,141	311,156
Cash and cash equivalents	6	4,766,126	3,229,902
Total Assets		5,622,038	3,666,235
RESERVES AND LIABILITIES		5,622,038	3,666,235
Reserves		1,388,317	1,521,786
Accumulated funds		1,388,317	1,521,786
Non current liabilities		8,583	-
Deferred operating lease rentals		8,583	-
Current liabilities		4,225,138	2,144,449
Trade and other payables	7	1,485,152	686,950
Provision for leave	8	84,155	56,883
Deferred grant income	9	2,655,831	1,400,616
Total reserves and liabilities		5,622,038	3,666,235

BALANCE SHEET AT 30 JUNE 2008

	Note	2008 R	2007 R
INCOME		10,694,449	8,732,302
Grants	10	7,139,887	5,427,857
Interest received	12	236,944	127,389
Subscriptions received	11	2,964,804	2,695,275
Other income		352,814	481,781
Expenditure		10,827,917	8,357,117
Secretariat Costs		3,596,751	3,279,488
Information Technology		76,828	91,791
Knowledge Management and Communications		791,339	580,552
City Development Strategies		894,692	2,351,182
Productive Cities		1,267,108	295,736
Inclusive Cities		759,264	156,500
Sustainable Cities		2,002,802	911,681
Well Governed Cities		1,439,134	690,187
DEFICIT FOR THE YEAR		-133,469	375,185

STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 30 JUNE 2008

	ACCUMULATED FUNDS R	TOTAL R
Balance at 1 July 2006	1,146,601	1,146,601
Surplus for the year	375,185	375,185
Balance at 30 June 2007	1,521,786	1,521,786
Deficit for the year	(133,469)	(133,469)
Balance at 30 June 2008	1,388,317	1,388,317

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008 (Direct method)

	Note	2008 R	2007 R
Cash received from funders and subscribers		11,297,515	9,675,904
Cash paid to programmes, suppliers and employees		(9,957,828)	(7,896,904)
Cash generated from operations	15	1,339,687	1,779,135
Interest received		236,944	127,389
Interest paid on finance lease	12	-	(605)
Net Cash inflows from operating activities	12	1,576,631	1,905,919
Cash flows (utilised) generated in investing activities		(48,990)	2,985
Acquisition of equipment	3	(78,423)	(20,214)
Proceeds from disposal		29,433	23,199
Cash flows generated (utilised) in financing activities		8,583	(14,650)
Increase in long term liabilities		8,583	-
Decrease in current portion of long - term liabilities		-	(14,650)
Net increase in cash and cash equivalents		1,536,224	1,894,254
Cash and cash equivalents at beginning of year		3,229,902	1,335,648
Cash and cash equivalents at end of year	6	4,766,126	3,229,902

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

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

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

1.1 ACCOUNTING CONVENTION

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

1.2 SIGNIFICANT JUDGEMENTS

In preparing the annual financial statements, management is required to make estimates and assumptions that effect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. There are no significant judgements and estimates made by management other those disclosed.

1.3 EQUIPMENT

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

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

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

Assets are carried at cost less accumulated depreciation and any impairment losses. Depreciation is provided on all assets to write down the cost, less residual value, by equal installments over their useful lives as follows:

Item	Useful life
Computer equipment	3 years
Furniture and fittings	5 years
Office equipment	5 years

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (Continued)

1.3 EQUIPMENT (Continued)

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (Continued)

1.7 IMPAIRMENT OF ASSETS (Continued)

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment losses 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.

1.10 TRADE AND OTHER PAYABLES

Trade and other payables are measured at amortised cost using the effective interest method.

1.11 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.

1.12 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.

1.13 PROJECT ACCOUNTING AND EXPENSE ALLOCATION

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

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

2. MEMBERS' GUARANTEE

In terms of the company's memorandum and articles of association, the guarantee of each member in the event of the company being wound up is R 1. At the balance sheet date, the guarantee value amounted to R9.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (Continued)

2. EQUIPMENT

	Computer Equipment	Office Equipment	Furniture and fittings	Total
	R	R	R	R
30 June 2008 Net book value 30 June 2007	56,046	130,086	6,603	192,735
At cost	164,758	105,550	6,715	277,023
Accumulated depreciation	(129,726)	(52,006)	(1,455)	(183,187)
Additions during the year	78,423	-	-	78,423
Depreciation for the year	(36,365)	(22,534)	(1,344)	(60,243)
Disposal of assets	(13,805)	-	-	(13,805)
At cost	(63,336)	-	-	(63,336)
Accumulated depreciation	(49,531)	-	-	(49,531)
Net book value 30 June 2008	63,285	31,010	3,916	98,211
At cost	179,845	105,550	6,715	292,110
Accumulated depreciation	(116,560)	(74,540)	(2,799)	(193,899)
30 June 2007 Net book value 30 June 2006	56,046	130,086	6,603	192,735
At cost	146,775	227,079	6,715	380,569
Accumulated depreciation	(90,729)	(96,993)	(112)	(187,834)
Additions during the year	17,983	2,231	-	20,214
Depreciation for the year	(38,997)	(33,395)	(1,343)	(73,735)
Disposal of assets	-	(45,378)	-	(45,378)
At cost		(123,760)	-	(123,760)
Accumulated depreciation		78,382	-	78,382
Net book value 30 June 2007	35,032	53,544	5,260	93,836
At cost	164,758	105,550	6,715	277,023
Accumulated depreciation	(129,726)	(52,006)	(1,455)	(183,187)

4. Trade AND OTHER RECEIVABLES

	2008	2007
	R	R
Deposits	15,390	15,390
Advances	7,170	12,160
Staff Loans	-	3,791
	22,560	31,341

5. ACCRUED INCOME

City of Tshwane subscriptions (2007/2008)	329,423	299,475
Royal Danish Embassy (104.SAF.1.MFS.82.01)	234,649	11,681
SANERI	50,000	-
USAID/ISLGS	65,000	-
Interest received	56,069	-
	735,141	311,156

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (Continued)

	ACCUMULATED FUNDS R	TOTAL R
6. CASH AND CASH EQUIVALENTS		
Nedbank - Current account	87,783	2,515,683
Nedbank - 32 day deposit	2,773,450	399,639
Nedbank - 3 month deposit	12,473	313,080
Nedbank - 60 day deposit	815,228	-
Nedbank - Call deposit	10,442	-
Nedbank - Money 24 Inv	1,065,250	-
Petty cash	1,500	1,500
	<u>4,766,126</u>	<u>3,229,902</u>

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 R4, 766,126 (2007: R3, 229, 902).

7. TRADE AND OTHER PAYABLES		
Accruals	1,485,152	686,950
	<u>1,485,152</u>	<u>686,950</u>

8. PROVISION FOR LEAVE

Leave pay is provided for when they accrue to employees with reference to services rendered up to the balance sheet date.

Opening balance	56,883	55,348
Additions during the year	27,272	1,535
Utilised during the year	-	-
	<u>84,155</u>	<u>56,883</u>

9. DEFERRED GRANT INCOME

World Bank (DGF File: 203108-07)	2,655,831	-
Department of Provincial and local Government	-	1,100,000
SIDA (U.11.11.3\SACN)	-	300,616
	<u>2,655,831</u>	<u>1,400,616</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (Continued)

	ACCUMULATED FUNDS R	TOTAL R
10. GRANTS		
World Bank - DGF File: 203108-07	117,619	-
Received	2,773,450	-
Deferred to 2009	(2,655,831)	-
USAID - Mega Tech Grant 0166-0106-G-A54	-	250,000
Received	-	994,910
Accrued in 2006	-	(744,910)
Department of Provincial and local Government	4,400,000	1,590,000
Received	4,400,000	2,690,000
Deferred to 2008	-	(1,100,000)
Department of Public Works	-	73,881
Received	-	-
Deferred from 2007	-	73,881
SIDA (U.11.11.3\SACN)	361,812	481,112
Received	61,196	404,494
Deferred from 2006	-	377,234
Deferred from 2007	300,616	(300,616)
Royal Danish Embassy (104.SAF.1.MFS.82.01)	1,652,968	911,681
Received	1,430,000	900,000
Accrued in 2007	11,681	-
Accrued in 2008	211,287	11,681
Development Bank of Southern Africa (DBSA 10268)	-	300,000
Received	-	300,000
Cities Alliance - DGF: 202206-07	-	1,821,183
Received	-	1,524,870
Deferred from 2006	-	296,313
USAID - RE Summit	92,488	-
Received	92,488	-
Saneri - RE Summit	265,000	-
Received	265,000	-
Development Bank of Southern Africa SoCf	250,000	-
Received	250,000	-
	7,139,887	5,427,857

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (Continued)

	2008 R	2007 R
11. SUBSCRIPTIONS RECEIVED		
Buffalo City Municipality	219,615	199,650
City of Cape Town	439,230	399,300
Ekurhuleni Metropolitan Municipality	329,423	299,475
eThekweni Metropolitan Municipality	439,230	399,300
City of Johannesburg	439,230	399,300
Mangaung Municipality	219,615	199,650
Msunduzi Municipality	219,615	199,650
Nelson Mandela Metropolitan Municipality	329,423	299,475
City of Tshwane	329,423	299,475
	<u>2,964,804</u>	<u>2,695,275</u>
12. NET INTEREST RECEIVED		-
Interest received - Call accounts	236,944	127,389
Interest paid - installment sale agreement	-	(605)
Interest paid - contingent expenses	(11,450)	(97,010)
	<u>225,494</u>	<u>29,774</u>
13. DIRECTORS REMUNERATION		
For managerial services	<u>809,078</u>	<u>728,899</u>
14. OPERATING LEASE COMMITMENTS		
South African Cities Network leases office space over a period of 3 years starting 1 July 07. The company has commitments in respect of operating lease charges for premises and office equipment as follows:		
Payable within one year	90,605	72,000
Payable thereafter	99,665	60,000
	<u>190,270</u>	<u>132,000</u>
15. RECONCILIATION OF SURPLUS FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES		
Surplus from operations	(133,469)	375,185
Adjustment for:		
- depreciation	60,243	73,735
- loss on disposal of assets	(15,628)	22,179
- interest received	(236,944)	(127,389)
- interest paid	-	605
- increase in deferred income	1,255,215	653,188
- increase in leave provision	27,272	-
- Decrease/ (increase) in accrued income	(423,985)	433,754
Operating cash flows before movements in working capital	532,704	1,431,257
	806,983	347,878
(Increase) in accounts receivable	8,781	(15,951)
Increase/(decrease) in accounts payable	798,202	363,829
	<u>1,339,687</u>	<u>1,779,135</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (Continued)

16. TAXATION

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

17. RELATED PARTIES

2008	Relationship	Grant Received	Subscription	Accrued Income	Deferred Income	Total
Department of Provincial and Local Government	Partner	(4,400,000)				(4,400,000)
Department of Public Works	Partner	(150,000)				(150,000)
Ekurhuleni Metro Municipality	Member Cities		(329,423)			(329,423)
City of Tshwane	Member Cities		(329,423)	(329,423)		(658,846)
eThekweni metro Municipality	Member Cities		(439,230)			(439,230)
Manguang Local Municipality	Member Cities		(219,615)			(219,615)
Nelson Mandela Metro Municipality	Member Cities		(329,423)			(329,423)
Buffalo City Municipality	Member Cities		(219,615)			(219,615)
City of Johannesburg	Member Cities		(439,230)			(439,230)
Msunduzi Municipality	Member Cities		(219,615)			(219,615)
City of Cape Town	Member Cities		(439,230)			(439,230)
SIDA 9U.11.11.3/SACN)	Development partners/Donor	(61,196)			(300,616)	361,812
Royal Danish Embassy (104.SAF.1.MFS.82.01)	Development partners/Donor	1,430,000		(222,968)		(1,652,968)
USAID	Development partners/Donor			65,000		65,000
Development Bank of South Africa (DBSA10268)	Development partners/Donor	250,000				250,000
World Bank (DGF file: 203108-07)	Development partners/Donor	(117,619)			(2,665,831)	(2,773,450)
SANERI				50,000		
		Employee Benefits				Total
Key Management Personnel						
Short term employee benefits	Executive Director	809,078				809,078

	2008 R	2007 R
18. DEFICIT FOR THE YEAR		
The deficit for the year is arrived at after taking into account the following:	30,139	25,880
Auditor's remuneration	60,242	73,735
Depreciation	2,872,752	2,572,198
Staff costs	90,879	72,000
Office Rental	82,296	72,000
Lease payment made	8,583	-
Deferred payment	(15,628)	22,179
Profit/(loss) in trade in office equipment		

19. 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.

20. FINANCIAL RISKS

20.1 Currency risk

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

20.2 Interest rate risk

The company is exposed to interest rate risk, as it places funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rates and placings within market expectations.

20.3 Credit risk

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

20.4 Liquidity risk

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

DETAILED EXPENDITURE SCHEDULE FOR THE YEAR ENDED 30 JUNE 2008


	ACCUMULATED FUNDS R	TOTAL R
Expenditure		
Secretariat Costs	3,369,959	3,163,698
Salaries	2,872,752	2,572,198
Office Consumables	404,947	484,881
Rent and services	90,936	72,000
Rental of office equipment	45,713	16,403
Office refreshments	8,492	7,439
Office sundries	12,176	20,630
Contingent expenses	25,337	97,010
Loss on trade in of office equipment	-	22,179
Profit on disposal of computer equipment	(15,628)	-
Postage and courier	15,414	21,105
Travel - local (staff)	18,961	7,396
Printing and stationery	14,277	27,957
Bank charges	3,870	4,067
Office insurance	36,055	26,712
Depreciation	60,242	73,735
Telephone and cellphone	89,102	88,248
Financial and Legal Fees	34,756	62,395
Audit fees and other financial services	30,139	25,880
Interest paid on installment sale agreement	-	605
Legal fees	4,617	35,910
Organisational Development	57,504	44,224
Organisational Development	50,431	23,891
Staff training and development	7,073	17,270
Corporate risk management	-	3,063
Networking and Strategic Input	226,792	115,790
Management and Board Meetings	86,910	56,154
Local and international conferences	58,087	6,455
Annual Report	81,795	53,181
Information Technology	76,828	91,791
IT Support , Maintenance and internet	68,775	87,288
Software & licenses	8,052	4,503
City Development Strategies	894,692	2,351,182
National Urban Development Framework	380,505	-
Sustainable Municipal Finances in Southern Africa	117,619	-
State of Cities Report - toolkit	76,845	-
Urban Indicators	209,405	-
Travel to support programmes	110,318	86,636
Content and Editing	-	868,129
Production, Launch and Distribution	-	834,228
Dissemination	-	81,077
Communities of Practice	-	481,112
Balance carried forward	4,568,270	5,722,461

DETAILED EXPENDITURE SCHEDULE FOR THE YEAR ENDED 30 JUNE 2008

	ACCUMULATED FUNDS R	TOTAL R
Balance brought forward	4,568,270	5,722,461
Productive Cities	1,267,108	295,736
City Regions Freight Logistics Strategy	240,288	23,356
2010 City Legacy Report	733,507	215,460
Freight Logistics Strategy	293,313	56,920
Inclusive Cities	759,264	156,500
Expanded Public Works Programme	246,274	70,794
Inclusive cities - references	-	20,689
Inclusive cities - conference	151,178	49,285
Communities of Practice - HIV/AIDS	361,812	15,732
Well Governed Cities	1,439,134	690,187
Urban Development Partnerships	504,150	-
National Land Transport Bill	49,248	-
Land Use Management	65,750	49,515
State of City Finances	819,986	640,672
Sustainable Cities	2,002,802	911,681
Annual report - SCRG	197,016	47,794
Guidance for cities - sustainable transport systems	30,000	20,000
Printing and launch - S0CR		150,000
Project management fee	341,002	310,000
UEM coaching service for Councillors & senior managers	446,215	-
Reference groups		69,233
Seminars on UEM themes	628,885	58,874
Environmental Indicators	75,924	
Supplement in SoCR		34,940
UEM content production	151,760	99,332
Website updates - sustainable cities	132,000	121,508
Knowledge Management and Communications	791,339	580,552
Branding and marketing material	71,558	
Capacity building cities	48,592	
Public Relations	123,632	
Learning sessions	267,117	306,952
Website maintenance	280,440	273,600
	10,827,917	8,357,117





The background of the page features a series of concentric circles and dots in various shades of gray. On the right side, there is a large, thick, gray curved shape that partially obscures a white circular area, which in turn partially obscures a small, dark, circular inset image showing a building.

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