



**CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD**

ANNEXURE 27

CAPE TOWN STADIUM (MUNICIPAL ENTITY) – BUSINESS PLAN



Business Plan 2019- 2022

Cape Town Stadium (RF) SOC LIMITED



“So much more than just a Stadium”

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1 EXECUTIVE SUMMARY

1.1 INTRODUCTION

The Cape Town Stadium (RF) SOC Limited ("CTS") was established and commenced business operations on 1 February 2018. A Board of Directors and Chairperson of the Municipal Entity ("ME") have been appointed. The City of Cape Town ("City") approved the CTS Business Plan (incorporating its commercial business plan) for the period 1 July 2018 - 30 June 2021. The CTS ME and the City have signed an Municipal Finance Management Act ("MFMA") required interim Service Delivery Agreement ("SDA") in respect of its governance and management of the Cape Town Stadium going forward.

CTS in its pursuit of reaching an income target of R 22 921 million for this Financial Year 2019/20, will be implementing a Commercialisation Model and activate income streams as indicated under point 9.2 in the Business Plan. Further to the endeavours to optimise income, targets have been set for the number of bowl events, non-bowl events and film shoots (Targets set as per SDBIP).

The following three Board subcommittees have been established and will operate during the 2019 - 2022 business planning period.

- Audit and Risk Subcommittee
- Human Resource, Social & Ethics Subcommittee
- Events, Strategy and Marketing Subcommittee.

1.2 LEGISLATIVE COMPLIANCE & POLICY FRAMEWORK

Pursuant to the establishment of CTS during February 2018, the major focus was on the establishment of the required corporate governance and compliance framework. This will continue in the 2019/20 Financial Year to ensure that CTS operates optimally as per the Service Delivery Budget Implementation Plan ("SDBIP") and SDA agreed to with the City.

An Interim Service Delivery Agreement ("SDA") was signed on 05 July 2018 and following a further public participation process the final SDA was approved by Council and signed on 15 November 2018.

1.3 FINANCIAL SUSTAINABILITY

CTS is currently endeavouring to deliver on its mandate as per the signed SDA and income target set as per the SDBIP through the phased activation of all identified income streams. The objective is to maximise income at the CTS and thereby minimize the operational cost impact of running the Stadium, on the City's rate payers.

1.4 COMMERCIALISATION

The Board and management of CTS, pursuant to the establishment of the more flexible commercial environment offered by CTS, remains engaged with the overhaul of its previously legislatively restrictive commercialisation model pursuant to the full commercialisation of the CTS.

The Commercialisation implementation model is being refined to ensure the optimisation of the income potential and taking current Human Resource & Economic realities into consideration.

It is done against the backdrop of the current status quo of the:

- securing of a premium anchor tenant (WPR) for the CTS;
- required City MATR processes in respect of the planned exploitation of the commercial office, retail, parking and property development opportunities; and
- sourcing of a naming rights sponsor for the CTS;

1.5 EVENTS

From an events hosting perspective, the Stadium remains a multi-functional facility which continues to secure and host, a spread of local and international sporting, recreational, music, cultural, corporate, film shoots and related parallel events.

In this regard, specific targets have been set per event category for the 2019-2022 Financial year.

In order to optimise the utilisation of the CTS facility for the 2019-2022 business planning period, multi-year contracts were signed with a number of major local sports and entertainment bodies.

1.6 **MARKETING - "CTS - "SO MUCH MORE THAN JUST A STADIUM"**

The core marketing message that currently underpins the CTS marketing strategy and that will continue for the 2019-2022 business planning period is that CTS is *"SO MUCH MORE THAN JUST A STADIUM"*.

We will continue to help create memories, impact on the social cohesion and wellbeing of our City's citizens.

Customer centricity is a key organizational delivery principle and is recognised as a key component to *"being so much more than just a stadium."*

"We are creating memories"

CTS will also be placing an increased focus on ensuring that every reasonable step has been taken to ensure that a visit to the Stadium by its valued spectators and customers is a safe, secure and environmentally friendly one.



1.7 **ORGANIZATIONAL DESIGN & ALIGNMENT WITH BUSINESS GOALS**

The CTS is in the midst of a process, with the assistance of Price Waterhouse Coopers ("PWC"), to assess the operational effectiveness of its current functional structure. It is being measured against its ability to successfully deliver its mandate as per the SDA as well as against International Best Practice. It is envisaged that pending the necessary approval by the Board and the City a newly aligned structure will be in place for the financial year 2019/20.

1.8 **HUMAN CAPITAL DEVELOPMENT**

We are passionate about staff skills development at CTS as we fully appreciate the ultimate benefit that this will bring to the new, less commercially restrictive environment which the new CTS business entity now enjoys.

Targeted and continuous training of CTS staff during the 2019-2022 business planning period will continue to be implemented in order to optimise their contribution towards its commercial agenda and financial sustainability.

The ultimate success of CTS during the 2019-2022 business planning period will be underpinned by ensuring that suitably equipped and qualified staff, with appropriate skills sets and knowledge bases, is retained at the company. The staff training budget of R 185 664 allocated to CTS during this period will be fully utilised in order to achieve this aim. We are aware that this must be a continuous process which, in the short to medium term, will be focussed in the up-skilling of our staff in the commercial component of our business. CTS recognizes that its success is embedded and directly linked to proper training and development of its personnel so as to best deliver its mandate and maximize business opportunities.

1.9 HEALTH & SAFETY

CTS's recently developed and published health & safety policy, which was approved by the Board, will be implemented and enforced during the 2019-2022 business planning period. A compliance program in respect of CTS's comprehensively documented health & safety manual, based on the approved policy, will be implemented during the 2019-2022 business planning period. Ditto the existing CTS event safety manual which was also recently amended to ensure alignment with the new updated OHS policy.

1.10 SASREA COMPLIANCE

A Safety at Sports & Recreational Events Act (SASREA) section 8 annual existing Stadiums and event risk grading certificate is currently in place. CTS will ensure during the 2019-2022 business planning period that it timeously applies for and receives its annual SASREA section 8 safety and high risk grading certificate. The Stadium is the only sport & recreational facility in the Western Cape categorized to host high risk events.

1.11 UNQUALIFIED AUDIT

CTS received an unqualified audit with findings report from the Auditor-General in respect of its first period of operation as an independent business entity. CTS will strive towards receiving unqualified "clean" audits during the 2019-2022 business planning period. CTS has taken full cognizance of the material issues raised in the Audit and has already embarked on a number of remedial actions and process with proper record keeping and policy alignment. The Board has been fully apprised of this Audit as well with recommendations presented at its last meeting in 2018.

1.12 AN ENVIRONMENTALLY SUSTAINABLE STADIUM

CTS is currently and will continue to implement a number of initiatives in order to maximize the environmental sustainability of the asset and to comply with existing City, Provincial and National requirements and local environmental challenges.

These initiatives which are dealt with more fully later in the report include those relating to:

- Water conservation;
- Pitch Fertilization;
- Energy efficiency including “intelligent” LED Lighting systems;
- Waste management and cleaning.



2 OUR CORE OBJECTIVE & GUIDING PRINCIPLES

CTS will ensure a consistent focus on ensuring the following CTS adopted core objectives and values will be applied during the 2019-2022 business planning period:

2.1 VISION

Achieve world-wide recognition as a major event hosting facility and become the premium venue of choice.

2.2 MISSION

As a leading international, multi-purpose events facility our objectives toward attaining our vision are:

- client service excellence through focused strategic purpose;
- team synergies;
- customer centricity;
- innovative approaches and
- environmental sustainability.

Our Mission Statement can be further refined as follows:

The CTS will continue to strive to achieve financial sustainability through the maximum possible leveraging of all commercialisation opportunities.

The Stadium will deliver on its 2019-2022 Business Plan in a manner that is consistent with international environmental best-practice. Furthermore, it will continue to contribute the socio-economic well-being of the City by positively impacting on the local economy (Inc. job creation, promotion of entrepreneurial endeavour & increased event tourism) through the hosting of major events as well as creating a safe and spectator-friendly environment where members of our Cape Town & Western Cape communities and International and National visitors can share in the CTS experience.

2.3 CORE VALUES

The following core values will continue to under-pin the business of CTS as it transitions into a fully commercialised, major Stadium business entity:

- Professionalism;
- Integrity;
- Customer centricity;
- Respect;
- Efficiency;
- Versatility;

2.4 BUSINESS ETHICS

CTS is committed to developing and upholding an ethical business culture.

As stated above, CTS has adopted the King IV principles and will continue to conduct its business in an open, fair and transparent manner, with accountability attributed to relevant staff members.

2.5 GUIDING PRINCIPLES

In addition to these core business objectives and values, CTS have adopted and will continue to comply with the following guiding principles drawn from the City's current 2017-2022 IDP as drivers applicable to the implementation of its 2019-2022 Business Plan:

- Good Governance;
- Operational Sustainability;
- Forward looking & globally competitive;
- Customer centricity;
- Resilience;
- Transversal approach (improved integration, coordination and strategic alignment of departmental services);
- Economic inclusion;
- Resource efficiency & security.

2.6 STRATEGIC ALIGNMENT TO THE CITY'S INTEGRATED DEVELOPMENT PLAN (IDP)

CTS will continue to conduct its business in accordance with the key pillars and objectives of the City's current 2017-2022 IDP.

The business planning of all CTS departments are aligned to the following City of Cape Town Strategic Focus Areas:

Strategic Focus Area 1.1: The "Opportunity City":

- CTS's key role in assisting the City of Cape Town to position itself as a forward-looking globally competitive City;
- Job creation, facility & event service provider opportunities;
- Support of local entrepreneurial endeavour;
- Creation of event tourism opportunities.

Strategic Focus Area 1.1G: Leverage (City's) Assets to drive Economic Growth

- The full commercial leveraging of the CTS following the City's adoption of a commercial flexible governance & management model to run the Stadium is driving economic growth in the City whilst lessening the financial burden on the City Ratepayers.

Strategic Focus Area 5.1: The "Well Run City"

- CTS will continue to contribute to a well-run City in, amongst others, the following ways:
- Full municipal legislative governance compliance;
- Unqualified "clean" Auditor general report during the current business planning period;
- Adherence to the business principles enshrined in King IV.



3 WHO ARE WE?

THE ORIGINS OF CTS

The iconic CTS was purposely built for the 2010 FIFA World Cup SA™. Following a short unsuccessful attempt by a private management company to operate the Stadium post the 2010 World Cup™ event, the City assumed full time governance and management of the Stadium.

During this period the City undertook a comprehensive, legislatively compliant exploration of what business model best suited the governance and management of arguably its most valuable asset on its balance sheet.

Following this business model assessment process, a corporate ME, was established - Cape Town Stadium (RF) SOC Limited ("CTS"). As stated earlier in this Report, it commenced operations on 1 February 2018.

SHAREHOLDING

The City of Cape Town is currently the 100% shareholder of the company whilst Its Board of Directors is predominantly constituted by non-executive directors drawn from the ranks of the Cape Town private sector. CTS are mandated, *inter alia*, with the full commercialisation of the Stadium.

BOARD OF DIRECTORS

CTS are fortunate to have an experienced Board of Directors who directs and govern CTS in terms of their City mandate as enshrined in the SDA. The current strategic focus of the Board is the financial sustainability of CTS, the maximization of its commercial potential and the promotion of the core drivers of the City's current Integrated development Plan, including the Stadium's contribution to economic growth in the form of entrepreneurial endeavour, job creation and the continued growth of major event related tourism in the City and the Western Cape Province.

The following Board Sub-Committees were established and commenced their activities during the current 2018/19 business planning period. These activities will continue during the 2019-2022 business planning period.

<u>HR, Social & Ethics Subcommittee</u> Samkelo Blom (Chairman) Viola Manuel Limia Essop Peter -John Veldhuizen	<u>Audit and Risk Subcommittee</u> Viola Manuel (Chairperson) Johannes Dique Someshni Barnes Rowan Nicholl Lindiwe Ndaba
<u>Events, Strategy and Marketing Subcommittee</u> Martin Van Staden (Chairperson) Viola Manuel	



KEY STAKEHOLDERS

CTS enjoy the support of and conduct business with a widespread range of stakeholders and stakeholder groups which include:

Governance • The City of Cape Town; • The Western Cape Government; • CTS Board Members;	CTS Staff • Full-time staff; • Fixed term contract staff; • Casual event staff;
Clients • Spectators/Event Attendees; • International Sports & Entertainment Rights Holders; • Domestic sports & recreational controlling bodies; • International & local music concert; • International & local event organizers/managers; • International & local production companies; • International & local sponsors; • International & local corporates; • International & local advertising companies; • International & local members of the motion picture (film) industry; • Cultural organizations; • Religious groups; • Political organizations;	Media • Industry and mainstream online media; • Social media platforms; • Regional and national newspapers; • Regional and national radio stations; Public • Cape Town community; • Western Cape Community; • International & national visitors;

4 GOVERNANCE

4.1 KING IV

- As an organization, CTS, its Board of Directors and management will continue to adopt the principles as set out in King IV. The Board members will continue to place a strong focus on the upholding of high standards of fiscal management in order to ensure that the financial affairs of CTS are managed in an ethical, transparent and responsible manner.
- CTS has the benefit of an experienced Board of Directors who will continue to govern, direct, and effectively control the business of the Stadium.

4.2 POLICY MAKING

The CTS Board will continue to actively, with the assistance of CTS management, develop and approve corporate policies for CTS aligned with the principles enshrined in King IV. A total of 9 Policies were developed and approved by the Board during the first half year of the 2018/19 financial year.

List of Corporate Policies Implemented to Date:

• Entertainment Policy; • Directors and Audit committee member's remuneration policy; • Suite Policy; • Gift Policy; • Code of Ethics Policy;	• Business Travel and Subsistence Policy; • Health and Safety Policy and SOP; • City SCM Policy; • City HR Policy;
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5 CTS ME – PURPOSE & SERVICE MANDATE

5.1 KEY ASPECTS OF REQUIRED SERVICE DELIVERY

An interim agreement was entered in between the City and CTS on 05 July 2018. A final agreement was entered into on 15 November 2018.

5.2 SERVICE DELIVERY AGREEMENT BETWEEN THE CITY AND THE CAPE TOWN STADIUM

The salient features of the SDA between the City and CTS, which will be applicable during the 2019-2022 business planning period, are captured in the following table:

Table 1 – CTS ME SDA OVERVIEW

Period of agreement	The City may, at its sole discretion, extend the Service Provider's (ME's) appointment for a further period of 49 years. Then say effectively 50 years from Commencement date.
Funding	The City will provide the grant/allocation to cover CTS operational expenditure in terms of an approved budget and provide support services for the first three years. The ME will be responsible for all maintenance which will be based on the City's maintenance standards. The City will be liable for all capital expenditure, including additional hospitality suites.
Staffing	The City will second staff members to the ME with the concurrence of the staff members concerned. Staff currently employed at CTS will remain as City employees, will be paid by the City and will receive their standard benefits including bonuses and leave pay. The ME may appoint additional staff.
Services to be Provided	• General facility maintenance & event support operations. • Events and entertainment services management. • Commercialisation, marketing and hospitality management. • Finance, legal and administration management.
Ownership and Control	The City of Cape Town is the 100% shareholder of the ME.
Oversight Processes	The Finance Directorate (Treasury Department) of the City monitors SDA and related performance and compliance of the ME.

City's Obligations	The City must provide dedicated and prioritised support with regards to accounting, financial management and budgeting per MFMA, including utilization of the SAP (Systems, Applications and Products) System as used by the City and Supply Chain Management support, legal, company secretary, brand management and communication. In addition the City must provide dedicated and prioritised services in regard to human resource management support, as well as internal audit and risk management support including oversight over the Service Provider's audit committee.
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The following are extracts from the SDA:

5.2.1 GENERAL FACILITY OPERATIONS

Asset management and maintenance: ICT services and infrastructure support (tickets, advertising, audio-visual, etc.); safety and security; capital and refurbishment and investment projects.

5.2.2 EVENTS AND ENTERTAINMENT SERVICES MANAGEMENT

Bowl and non-bowl event scheduling; planning and execution; development and hosting of signature events; managing of events industry and service provider requirement; events leveraging and bidding processes, etc.

5.2.3 COMMERCIALISATION, MARKETING AND HOSPITALITY MANAGEMENT

Advertising; merchandising; supplier and pouring rights; ticketing; hospitality; sponsorships; tourism; marketing of bowl and non-bowl facilities; property development and management; commercial legal services.

5.2.4 FINANCE, LEGAL AND ADMINISTRATION MANAGEMENT

Establishment and management of structures, systems and processes with regards to finance, revenue and expenditure, legal, governance and administration and such additional services as the City may require from time to time.

6 EXECUTION OF CTS SERVICE DELIVERY MANDATE

In order to guide the implementation of its mandate during the 2019-2022 business planning period, the following CTS management developed and Board approved strategies and implementation plans will be rolled-out:

- Commercialisation Strategy
- Integrated Events Attraction Strategy
- Integrated Brand Management, Niche Marketing, Public Relations and Communications Strategy
- Maintenance Strategy

6.1 COMMERCIALISATION

The following steps are being undertaken towards the full activation of the commercial opportunities at the Stadium occasioned by the establishment of CTS:

- **Identification** of full spread of commercial opportunities currently available to CTS as follows:

- Naming rights sponsorship; - Stadium bowl quadrant/stand sponsorships; - Fixed and electronic Advertising; - Hospitality services; - Liquor warehousing & distribution; - General food & beverage and catering services; - Activation of Commercial Parking opportunity; - Leasing of office & retail space;	- Pitch level & first tier electronic (LED) advertising; - Pouring rights sponsorships; - Event day hosting & acquisition; - Event related equipment and asset rentals; - CTS ticketing & hospitality sales; - Commercialisation of commercial & retail office space; - Conferencing & banqueting; - Film & advertising shoots;
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A phased program (as detailed under point 9.2.10) of activating these opportunities will be followed during the 2019-2022 business planning period pursuant to the following implementation activities during the first half of the 2018/19 financial year:

- An expert service provider has been appointed to professionally assist CTS with the marketing and selling of the Stadium Naming Rights;

- The City finalized a Municipal Asset Transfer Regulations Process ("MATR") that will now allow the Entity, during the 2019-2022 business planning period to commercialize its:
 - commercial parking opportunity;
 - available retail & office space;
- Refinement of the CTS Commercialisation Implementation model to ensure optimum income is generated for the entity;
- Negotiation and development of a binding Heads of Agreement ("HOA") between the City, CTS and WPR, which has been signed by WPR.

6.2 INTEGRATED EVENT ATTRACTION

CTS will continue to focus on retaining long term clients and in this regard will implement its recently concluded multi-year agreements with a number of major event organizers within the sport, entertainment, exhibitions and religious spheres.

6.3 INTEGRATED BRAND, NICHE MARKETING, PUBLIC RELATIONS ("PR") AND COMMUNICATION

CTS will, during the 2019-2022 business planning period, implement the following recently developed, Board approved strategies / activities:

- A CTS marketing plan;
- A Social Media Strategy Plan;
- The leveraging off its new stand-alone CTS website and Instagram account;

A full overview of the activities of the CTS Brand, Niche marketing, PR and Communication division is set in the departmental overview section of this report (below)

6.4 SUPPORT SERVICES - FINANCE, ADMINISTRATION, LEGAL & HUMAN RESOURCES

The Corporate governance structure & systems have been established in line with the Board governance policy development and approval processes dealt with more fully earlier in this report.

A full overview of the planned activities of the CTS Support Services division is set in the departmental overview section of this report (below).

6.5 FACILITY OPERATIONS

A maintenance strategy with a detailed maintenance and scheduled program was approved and will be fully implemented during the 2019-20122 CTS business planning period.

A full overview of the activities of the CTS Support Services division is set in the departmental overview section of this report (below)



7 SWOT ANALYSIS

The Senior Management team has reassessed the previous SWOT analysis and has concluded a revised analysis for the 2019-2022 business planning period:

Strengths: • World Class Facility; • Safe & Secure Facility; • Well maintained Facility; • Excellent location adjacent to primary City tourist hub; • Good access to public transportation & extensive parking facilities; • Versatile, multipurpose functionality; • "Clean" stadium - multiple commercial opportunities; • Dedicated and knowledgeable staff; • Established long term client base; • Only Sports & Recreational facility in the City (and Western Cape) with a SASREA Stadium Safety certificate with a high risk event hosting grading; • Reliable in-house service providers;	Weaknesses: • MFMA regulations that impact on competitiveness and agility; • Low brand awareness - CTS (RF) SOC Ltd as a Brand is only being established now; • No Premium Anchor Tenant; • High cost of City Services for events at Stadium – negative to prospective major event clients; • Ability to retain skilled staff; • Current lack of in-house stadium commercialisation skills; • Reliance on City Capex funding; • Under-staffing; • Lack of succession planning;
Opportunities: • 13 new commercial income streams ready to be activated; • Switching on of Naming Rights sponsorship opportunity; • Bespoke implementable CTS commercialisation model has been developed –awaiting Board approval; • Securing a premium Anchor Tenant will significantly enhance commercial opportunities & stadium revenues; • Potential for fixed income stream opportunities through leasing of commercial space; • Multi- year agreements with sporting and entertainment bodies;	Threats: • Loss of skilled staff; • Historical and on-going weakness of Rand – impacting local sports & music promoters to attract high quality international events; • Contraction of local economy; • Highly competitive major Stadium event hosting environment – certain Event Organisers ("EO") are taking advantage of competition between Cities to bid for events; • No Anchor Tenant; • With the exception of a few major high attendance professional soccer events, nationwide decrease in spectator attendances at events due to local economic contraction; • Lack of local expertise in the Stadium specific event delivery and commercialisation skills labour market;

8 MACRO ENVIRONMENTAL ANALYSIS

A high level macro-environmental (PESTEL) analysis of the current operating environment of CTS has been undertaken, potential business environmental impacts on the operations of CTS have been identified.



{Reference: <https://www.professionalacademy.com/blogs-and-advice/marketing-theories---pestel-analysis>}

The high-level findings of the PESTEL analysis were as follows:

8.1 POLITICAL

- A general synergy with the City of Cape Town;
- Impact of 2019 National General Elections;
- Global political instability;
- No National Government support;

8.2 ECONOMIC

- Weak Rand;
- Exchange rate fluctuations;
- Weakening economy that impacts on buying power;
- High rates of un-employment and poverty;
- Poor international perceptions of SA's credit stability;
- Impact of Stadiums cost on the ratepayer;
- Increased international and domestic travel costs;

- Upward trend in fuel (diesel, petrol & gas) prices;
- Exponential increases in utility (energy & water) costs;
- International and domestic travel costs;

8.3 SOCIAL

- Local community antipathy towards the CTS;
- Cultural differences in Cape Town community;
- Community perception in certain quarters that CTS's business relationships with professional rugby are closer than they are with professional soccer;
- Job creation;

8.4 TECHNOLOGICAL

- Impact of social media platforms;
- Impact and reliance on mobile technology;
- The challenges of rapidly changing technological advances;
- Lack of national infrastructure required to support such technologies;

8.5 ENVIRONMENTAL

- Water shortages/restrictions;
- Noise attenuation;
- Food integrity;
- High compliance costs
- ESKOM power outages;

8.6 LEGAL

- Wide-ranging legislative compliance framework;
- Impact of SASREA;
- OHSE Compliance impact;

9 DEPARTMENTAL PLANS

9.1 COMMERCIALISATION, BRAND AND EVENTS MANAGEMENT

9.1.1 DEPARTMENTAL MANDATE

This department is currently and will continue to execute its mandate as follows:

- It is driving the Commercialisation processes, programs and initiatives from conceptual to implementation phase.
- The CTS Brand, Niche Market, PR and Communication Strategy and aligned roll-out plan will continue to be implemented by this department.
- The sourcing/attracting and delivery of events.

9.1.2 HIGHLIGHTS

The department has developed the following strategies which is currently implemented and will continue to implement the roll-out plans in respect thereof:

COMMERCIALISATION STRATEGY

- An expert service provider was appointed to put the Naming Rights out to the market. Once finalized this process will contribute substantially to the income of CTS.
- The City has concluded the MATR process for the CTS, and this will allow the available space for retail, offices and parking to be offered to the market during the 2019-2022 business planning period.
- A revised commercialisation strategy & implementation model (see point 9.2.1) has been refined and will shortly, following Board approval, be implemented.
- The Premium Anchor Tenant Heads of Agreement (key driver towards commercial/financial sustainability) were drafted and are currently awaiting final approval from the City pending the outcome of a due diligence.

BRAND MANAGEMENT, NICHE MARKETING, PR & COMMUNICATIONS

- Approval of integrated brand management, niche marketing, PR and communications strategy
- Approval of integrated events attraction and leveraging strategy for CTS
- Initiated the development of a "stand alone" website (HERO)
- Developed Corporate Brand
- Re-established structured communication with Rate Payers Associations

EVENTS

An events strategy was developed and approved.

The Stadium remains a multi-purpose venue.

Events Hosted since its inception:

- 31 Bowl Events (Ultra Music Festival, Santana, PSL)
- 29 Non-Bowl Events (We are Africa exhibition, CT Cycle Tour exhibition, etc.)
- 18 Film Shoots (Still shoots, Film, Africa TV series)

285 913 pax in attendance since the inception of the Entity.

In order to optimize utilization of the CTS, multi-year deals are being negotiated with various event organisers, sporting bodies, cultural and conference organisers.

9.2 COMMERCIALISATION

9.2.1 THE REVISED COMMERCIALISATION STRATEGY

Strategy

A commercialisation implementation model will be presented to the Board during third quarter of the 2018/19 financial year. This model will promote the outsourcing of certain identified income streams and the retaining and developing of others in house. The model is discussed in detail under point 9.2.4.

Anchor Tenant

Reference have already been made to the significant strides made by the City and CTS in securing a Premium Anchor Tenant to take up a long term anchor tenancy at the Stadium. This relationship, if finally consummated by the City, has the potential to significantly reduce the contributions from ratepayers.

The City is currently engaged with a compliance process in respect of its required authorization to sign the said agreement.

Naming Rights

In terms of the current CTS Business plan, CTS Management has pursued the Stadiums approved naming rights strategy. Following a tender process, a specialist naming rights agent was appointed, who is currently engaged in the securing of an appropriate naming rights sponsor for the Stadium.

Commercial & Retail Leasing

In order to commercialise the 9 000m² of retail and office space available in the Stadium, a MATR process was embarked upon and concluded in September 2018 by the City. Space will shortly be made available to the public at market related rates through a procured commercial and retail property agency. It is envisaged to ultimately establish a business hub in the Stadiums precinct, with the stadium at its centre.

Parking

The same process will allow CTS to appoint an experienced commercial parking operator to manage the approximately 1 000 parking bays, available at the Stadium, on both event and non-event days.

Given the current environment and strategic commercial influencers, CTS management has, developed a proposed CTS Commercialisation implementation document (plan), for roll-out during the 2019-2022 business planning period which will be presented to the CTS Board for approval.

9.2.2 KEY ELEMENTS INFLUENCING THE CTS COMMERCIALISATION STRATEGY

The commercial strategy of the CTS is a complex and evolving scope of work. The most critical elements influencing the CTS commercial strategy are:

- The CTS, as an asset, must consider a commercialisation strategy that is sufficiently robust to maximise value over the anticipated 75 year or more lifecycle of CTS. In this regard, it is critical that the longevity of the commercial strategy is acknowledged and the infancy of the business, in line with its anticipated lifespan, recognised;

- The commercial strategy must ensure that the purpose and direction of the CTS is always within the control of the entity that has ownership of the Stadium i.e. the City – it cannot allow for a management model that completely cedes control of the commercial strategy to a 3rd party;
- The events calendar or scheduling and choice of events must always remain in the control of CTS as this is the “lifeblood” of the commercial strategy;
- Regardless of the model that is adopted, there are 2 key commercial skills that must remain “in-house”:
- The knowledge of Stadium commercialisation and how to structure the best commercial platform;
- The municipal legislation based governance and compliance skill in order to ensure that any commercial transaction is within the governance framework of the CTS.

The development of the required “in-House” major stadium/event commercialisation skills during the 2019-2022 business planning period will be critical to the ultimate medium term CTS strategic financial sustainability objective of CTS – the In-sourcing of all lucrative commercial revenue opportunities.

9.2.3 A CONSIDERATION OF STADIUM COMMERCIAL MANAGEMENT LIFECYCLES

The single most defining element with regards to the commercialisation of stadia is the anticipated life-span or life-cycle of a Stadium. Unlike other buildings of comparable investment such as office blocks and apartments, it is highly unlikely that the purpose of stadia will have significant flexibility. Similar to an airport or harbour, Stadia are built with a specific purpose in mind, and the commercialisation of a Stadium must enable the long term viability of the core business not for the foreseeable future, but for future generations.

There is a general consensus in major Stadium academic research commentary, that there are 3 stages in a major Stadiums lifecycle:

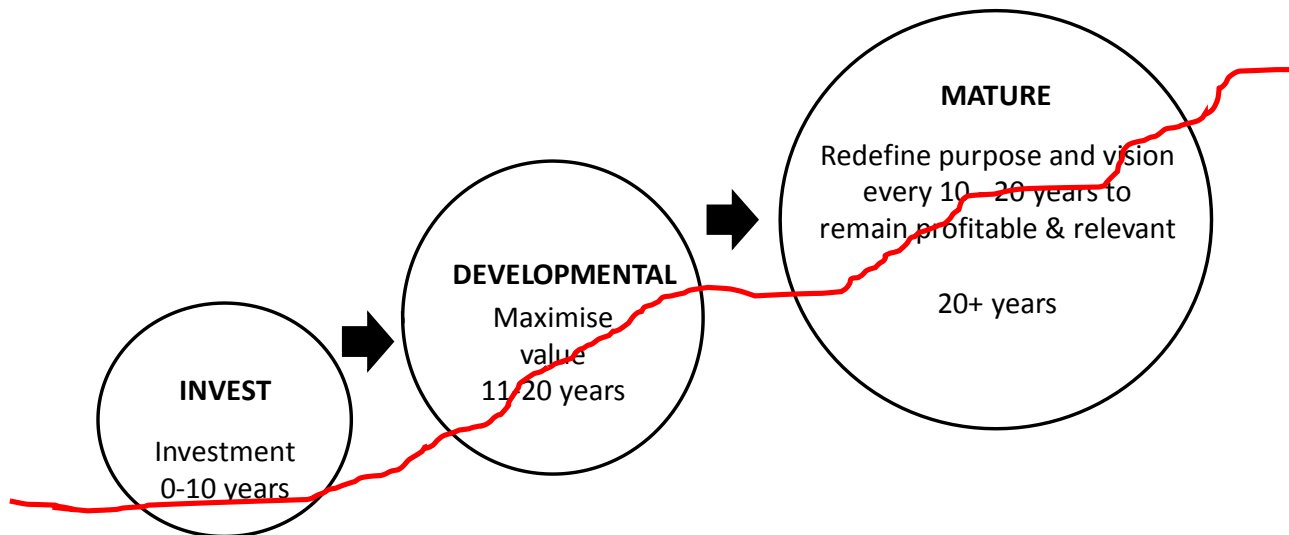


FIG. 1 – COMMERCIAL LIFECYCLE OF A MAJOR STADIUM

INVEST 0-10 years	DEVELOPMENTAL 11-20 years	MATURE 21 years onwards
Implementation of business model	Greater competence and skills base	Re-invent business model, alignment to trends
Cost/benefit balance – best use of scarce resource.	Transfer of functions from outsourcing to insourcing.	Within Stadium's control to redefine business model.
Outsource certain functions that can be done by a 3 rd party where they are able to deliver a specialist service without compromising the long term opportunity	As skills and competency grow internally, most functions can be in-sourced. This is done in the order that maximises the commercial wellbeing of the Stadium.	Over time the environment will change and this will drive the need for the Stadium to "re-invent" the business model, taking advantage of current trends and needs.
Drive key revenue streams and build internal commercial competency/skill	Maximise revenue streams and ensure all potential margins are retained in-house	Re-invest to re-invent and ensure the business model remains relevant and sustainable

9.2.4 THE CONSIDERED COMMERCIAL MODELS

Three broad internationally benchmarked major stadium commercialisation models were considered by CTS for implementation during the 2019-2022 business planning period. They were the:

- Fully Outsourced model;
- Fully In-sourced model; and the
- Partially outsourced – which combines the key advantages of the fully outsourced and in-sourced models whilst addressing the disadvantages of these 2 models?
- The Fully Insourced Model
CTS management will execute on each commercial opportunity internally. Consequently, they would have to hire a full complement of staff in order to support this particular model as the current under-resourced team does not have the capacity to execute on all the commercial opportunities.
- The Fully Outsourced Model
CTS management will outsource all of the commercial income streams. For this to be viable for an operator, it would require a long term deal that would limit the future commercial opportunity to CTS. From a staffing perspective, little or no investment would be required from a CTS perspective. However, the process of continuous auditing and oversight of the operator (in terms of the legislatively required service delivery agreements (SDA's), will require specific resource focus as it is of critical financial importance to CTS.
- The Partially Outsourced
CTS management will outsource the majority of commercial opportunities in year 1-4, with the intention of insourcing the opportunities which offer the best return on investment, from years 4-5. The intention is for management to up-skill during the “*outsource period*” to ensure successful implementation when insourcing these revenues. Such revenues include Naming Rights, liquor warehousing & distribution and Product Supplier Rights. This model will allow for an investment into certain key staff upfront and over time the incorporation of additional support staff as and when the commercial opportunities arise and are in-sourced.

9.2.5 ASSESSMENT OF THE ADVANTAGES OF THE 3 CONSIDERED MODELS

A detailed assessment, based on international and local research, of the Pro's & Con's of the 3 considered models was undertaken as part of the CTS commercialisation strategy process.

9.2.6 CTS MANAGEMENT PROPOSED & RECOMMENDED COMMERCIAL MODEL

Based on a review and assessment of the advantages and disadvantages of the 3 considered commercial models, CTS management will propose to the Board that CTS adopts a Partially outsourced commercial operating framework which combines all the advantages of the fully outsourced and the In-sourced models.

In other words it has certain elements deemed to be of strategic importance which are managed and controlled by CTS whilst the other elements that require non-core specialist skills are outsourced. This will allow for the required flexibility, over time, for CTS to increase its in-house capabilities as it transitions into financial viability and takes full advantage of all commercial opportunities in the longer term.

It is envisaged that this model will be implemented during the 2019/20 financial year.

The Partially Outsourced Model will enable:

9.2.7 IN-HOUSE MANAGEMENT (WITHIN THE CTS MANAGEMENT STRUCTURE) IN RESPECT OF:

- commercial, strategic and management skills;
- governance and municipal legislative compliance;
- management of the event calendar and event scheduling;
- allocation of use of assets, commercial inventory and spaces;
- management & quality control of outsourced services and performance measurement, and the financial control thereof; and
- management & quality control of non-bowl events, including outsourced commercialisation agents / service providers and;

9.2.8 TENDER BASED OUTSOURCING (A VARIETY DEPENDING ON THE NATURE OF THE AGREED COMMERCIAL FOCUS AREAS):

Outsourcing Companies/Independent contractors would include agents, consultants, lawyers (internal counsel), entrepreneurs, specialist service businesses etc. to deliver on the following initiatives:

- Securing of commercial partners and sponsors including:
 - Pouring rights;
 - Permanent & temporary signage;
 - Event staging/acquisition.

- Event related services including:
 - Ticketing & ticket/hospitality sales;
 - Eventing services;
 - Conferencing & Banqueting;
 - Hospitality services;
 - Food and Beverage services – general public;
 - Catering Services;
 - Equipment and asset rentals.

- Property management services including:
 - Office and retail space rental;
 - Commercial Parking space;
 - Property development.

- Various supplier services (including VIK) supporting the CTS business operation and its needs including:
 - Commercial Legal;
 - Event Cleaning, waste disposal;
 - Event Security, Medical;
 - Event support - electrical, plumbing, technical, IT etc.

These commercial opportunities will be activated in a phased approach that will be presented to the Board in March 2018 for approval.

9.2.9 BASIS OF THE COMMERCIAL FINANCIAL MODEL: A FINANCIAL ASSESSEMENT

A financial impact assessment of the models will be done and presented to the Board as part of the approval process.

9.2.10 IMPLEMENTATION PHASES – REVISED CTS COMMERCIAL MODEL

PHASE	FINANCIAL YEAR	TENDERS REQUIRED
PHASE 1	19/20	Ticketing service provider Food & Beverage – in stadia (concessions) Hospitality ticket sales Hospitality Services Servicing of conferencing area Rental of parking bays Rental of space Naming Rights In Stadium commercialisation
PHASE 2	20/21	Signage of other Partner Rights Pouring Rights Liquor distribution Product supplier rights Anchor tenant arrival - WPR
PHASE 3	21/22	All technical service tenders renewed

9.2.11 IDENTIFIED RISKS – IMPLEMENTATION OF COMMERCIAL STRATEGY

The following risks to the implementation of the revised CTS Commercial strategy during the 2019-2022 business planning period have been identified by CTS:

<u>Relationship Risk</u> Appointing commercial specialists/agents in the interim could cause future conflict with premium anchor tenant & its commercial arm if they relocate to CTS	<u>Risk Mitigation</u> CTS must initiate early engagement & properly communicate with premium anchor tenant
<u>Compromised CTS HR Support Services</u> Current lack of HR resources to ensure financial and legislative compliance.	<u>Risk Mitigation</u> CTS to address through current organizational re-modelling process
<u>Convergence of a multiple of major CTS work streams</u> 1. Finalisation & implementation of PAT Agreement – City processes & signing. 2. Internal CTS commercialisation implementations. 3. Management of major CTS infrastructural development (i.e. suites) 4. Day to day running of current events calendar 5. Bedding down processes and system of CTS ME to ensure legislative compliance.	<u>Risk Mitigation</u> 1. Phased implementation approach 2. Filling of all current CTS staff vacancies 3. Final approval of commercialisation model
Delay in finalisation of the City / Premium Anchor tenant HOA	Required shift of focus of the commercial model.
Lack of in-house practical commercialisation skills	Secure approval of proposed commercial strategy.

9.2.11.1 THE WAY FORWARD

The approved Partially Outsourced model will be implemented and phased in as per a Board agreed Project Plan.

It is imperative that the CTS's organizational re-alignment referred to in the HR section of this report is re-aligned/designed to ensure effective implementation of the chosen Partially Outsourced. In this regard, the specialist HR consultancy (PWC) appointed by CTS to assist it with the organizational restructuring of CTS is in the process of undertaking this alignment process assessment in order to ensure that it is optimally aligned to deliver on this key commercial mandate.

9.3 INTEGRATED BRAND MANAGEMENT, NICHE MARKETING, PUBLIC RELATIONS AND COMMUNICATIONS

9.3.1 OVERVIEW

An Integrated Brand Management, Niche Marketing, PR and Communications Strategy has been developed and approved by the Board for implementation during the 2019-2022 business planning period.

In this regard, the following has already been implemented:

- CTS has migrated to a stand-alone website;
- A Social Media Strategy has been approved and CTS have opened an Instagram account and will be opening a twitter account at a later stage.

The Integrated Brand, Niche Marketing, PR and Communications strategy roll-out plan, has remained focussed on establishing the CTS as a leading world class event hosting facility and becoming the premier major international and domestic sporting and recreational venue of choice of event organizers.

The Social Media Strategy is playing a significant role in the achieving of this goal and will be maintained throughout the 2019/20 financial year

- The ultimate objective of this Social Media Strategy is to increase the Stadium profile that will ultimately result in contributing towards financial sustainability.
 - increasing public participation at events;
 - becoming top of mind with event organisers at large;
 - growing the CTS brand value;

- hosting more corporate events;
- hosting increased numbers of major international events.

The Implementation of the Brand, Niche Marketing, Public Relations & Communications Plan

Short Term Implementation Plan

During the current 2018/19 business planning period, CTS has developed an implementation plan in respect of the above, for roll-out during the during the 2019-2022 business planning period. Amongst others, it includes the following objectives, which are currently (and will continue to be) executed:

- To increase brand awareness of the Stadium by utilising Social Media to showcase CTS's multi-purpose mixed use facilities and the successful events taken place to, corporates, local and international event organisers.
- This in turn will attract potential sponsors where CTS's Social presence is a more lucrative currency than billboard branding.
- Managing the public perception of the Stadium – the current perception is that the Stadium is currently not being utilised-to its full potential. By advertising events, games, other functions happening at the Stadium on Social Media, we will be able to evolve that perception;
- The potential move of a Premium Anchor Tenant will be capitalised upon in the Social Media Strategy.
- Increasing awareness of the Stadium as a local events venue – showcasing the event space and opportunities to attract local event organisers to utilise the Stadium space.
- Promotion of the Stadium as a world class venue – increase the international stature of the Stadium, increasing attendance, number of events through showcasing how well international events are dealt with.
- As stated earlier in this section, the CTS stand-alone activated website, Twitter and activated Instagram Social Media platforms are being activated and will be fully operational during the 2019-2022 business planning period.

These platforms will be utilised as follows:

- To build and grow followers on Twitter and Instagram from a zero based to 5 – 10% of competitive Stadium's followers within 6 months.
- To increase the unique user visits per month to the website.
- To reposition the Stadium with regards to public perception and sentiment.
- Generate positive sentiment on the brands pages through prompt and efficient community management, escalations process, effective resolutions process
- To generate event online bookings.
- To measure statistics based on the performance of-social content.

9.4 INTEGRATED EVENTS ATTRACTION AND LEVERAGING STRATEGY

9.4.1 OVERVIEW

An Integrated Events Attraction Strategy has been developed and approved by the Board for implementation during the 2019-2022 business planning period:

- The CTS has, during the 2018/19 business planning period secured and successfully hosted, amongst others, the following events at the Cape Town Stadium:
 - 13 Non-Bowl events, including Cycle Tour exhibition, We are Africa Exhibition,
 - 31 Bowl events, including Cape Town leg of World Rugby Sevens™ event, Carlos Santana Concert, Kaizer Chiefs Premier Soccer league fixtures.
 - 29 Non Bowl events, including "We are Africa" exhibition, Cape Town Cycle Tour exhibition, conferences, etc.
 - 18 Film & still shoots, e.g. Film Afrika TV Series, Big Sky Productions Small Shoot, CTC Team Photo Shoot.

The CTS saw 285 913 attendees entering through the turnstiles during the first half of the 2018/19 financial year in respect of the above events. In addition, Cape Town Stadium was selected by World Rugby™ as the best venue during the international 2017/18 World Rugby Sevens™ Competition.

Targets have been set for the 2019-20 Financial year as per the attached SDBIP.

Events Strategy implementation

- CTS has, during the 2018/19 business planning period been focussing on retaining long term clients and endeavouring to conclude multi-year contracts with them. This strategy will continue during the 2019-2022 business planning period.
- An aggressive marketing and hosting strategy has been initiated and will be implemented that will not only focus on Bowl events but also drive towards reaching the budgeted target set for Non-bowl events and film/still shoots.
- Events remain one of the key drivers of the Commercialisation Strategy of the CTS and ensuring a full events calendar will remain a priority for CTS management.
- Another current priority for this department is the establishment of partnerships aimed at developing new events for the Stadium.



A KALEIDOSCOPE OF 2018 CTS EVENTS



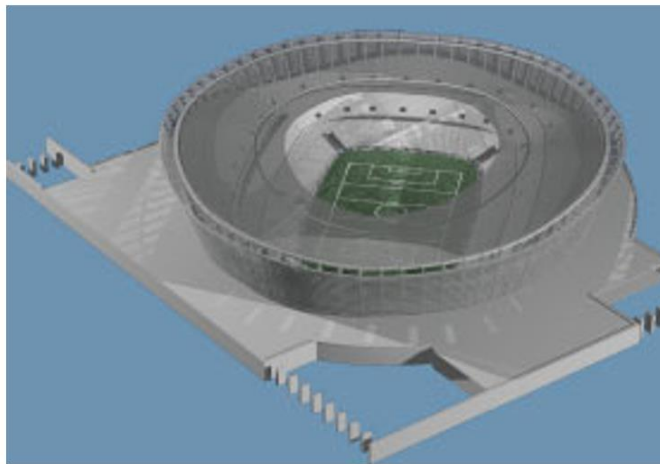
9.5 OPERATIONS



9.5.1 OVERVIEW

The CTS is an intelligent Stadium where integral sub-systems & technologies are merged via a HMI (Human Machine Interface). The Stadium is divided into four zones that facilitate rigid monitoring and control, if and when required.

Onsite access to the system is managed from a central point, but in the event of emergencies, can be accessed remotely.



Stadium Overview



North Zone



South Zone



East Zone



West Zone

9.5.2 MANDATE

The Facility Operations Department is responsible for the repairs, maintenance and operations of and at the Stadium on event and non-event days. The Department will continue to be responsible for:

- asset preservation;
- maintenance upkeep;
- the delivery of 24/7 event day logistical support services;
- capital works;

These day to day responsibilities are illustrated graphically below:

Discipline	Operations
Facility Management	• Mechanical – pumps, roller shutter doors and fire protection; • HVAC (Heating, Ventilation and Air conditioning & Refrigeration); • Power – LV & MV infrastructure and reticulation; • Generators and RUPS (Rotary Uninterrupted Power Supply); • Lifts; • Fire detection; • Compliance;
Infrastructure Management	• Pitch; • Specialised Building Services (roof façade, building structures e.g. expansion joints, waterproofing, membrane, gutters); • General Building Maintenance (painting, furniture & fitting, windows & doors, fencing & gates, retractable tunnel, match seating); • Cleaning & Waste; • Specialised Cleaning Services (glass roof façade, internal membrane, steel structures, high level windows, chromodeck, smoke screens, upper & lower pvc, etc.); • Compliance;

ICT Management	• Stadium specific & City networks; • Access control; • Mass/Public access control; • Parking system; • PA (Public Address) Systems; • AV (Audio Visual Systems (IPTV, Barco big screens); • CCTV; • BMS (Building Management Systems); • HMI (Human Machine Interface); • Telephony Systems; • Compliance;
Safety & Security Management	• Access Control; • Surveillance / Monitoring (CCTV Control Room); • Static Security / Asset Protection; • Event Security; • Accreditation; • Health & Safety Compliance • SASREA Compliance;
Business Services	• CTS Equipment Hire (pitch protection, security fencing); • Expanded focus to include additional revenue-generating activities & equipment;

9.5.3 2018 HIGHLIGHTS

The CTS Facility Maintenance Strategy was approved by the CTS Board and implemented. Focus areas include:

- Preventive Maintenance
- Corrective Maintenance
- Reactive Maintenance
- Emergency Maintenance
- Capital Maintenance
- Safety at Sports & Recreational Events Act, 2010

- The CTS applied for and received a Stadium Safety Certificate as per the SAREA act, this includes a high risk event grading for the Stadium.
- CTS remains the only facility in the Western Cape which can host high risk events in lieu of the compliance or grading certificate issued.

9.5.4 STRATEGY DEVELOPMENT & IMPLEMENTATION

During the first half of the 2018/19 financial year, the Operations department comprehensively revised its historical operations strategy document following the establishment of CTS.

In essence the primary objective of the updated strategy requires the Stadium to be perennially in a state of "Event Readiness".

The implementation of the Operations Strategy has included the:

- Clear definition of what maintenance standard is expected of each Stadium facility, as determined by its classification, so that the maintenance is upheld according to the expected standard across each identified Stadium asset.
- Continuation of the submission of monthly/ bi-monthly operations department reports. A compilation of these reports is now presented annually to the City of Cape Town.
- Relationship building with and sharing of best practices with similar world class, multi-purpose international stadia thereby creating the potential to continually improve on quality and facility optimization.
- Ensure that tenders for the various technical services cover both day-to-day maintenance and event maintenance so that an integration of maintenance services takes place.
- Standard Operating Procedures (SOP's) for the respective operational disciplines have been drafted to align with the approved operational targets set per the SDA.
- The Operations Department will ensure that the annual SASREA required safety and event risk grading certificate will be applied for and obtained during the 2019-2022 business planning period.

9.5.5 MONITORING & EVALUATION

The Department will continue to actively monitor the following key performance indicators:

- Percentage spent on the Repairs and Maintenance budget;
- Percentage compliance with the approved Repairs and Maintenance program;
- Percentage compliance with the Occupational Health & Safety Act and Regulations (Act 85 of 1993)

Monthly reports will be provided to the Chief Executive Officer on the maintenance commitments afforded to each facility as per its classification.

9.5.6 FINANCIAL SUSTAINABILITY

The departmental objective during the 2019-2022 business planning period will be the annual achievement of a minimum 95% spends on the CTS maintenance budget allocation every year. This will be achieved by:

- Upholding the objective of undertaking routine maintenance by ensuring that the maintenance budget is spent according to the following allocation for each financial quarter starting from the beginning of the new financial year:

Quarter	Spend	Total budget spend
1 st	15% of total budget	15%
2 nd	35% of total budget	50%
3 rd	25% of total budget	75%
4 th	30% of total budget	95%

- Ensuring that annually, the following 12 tenders are in place so as to cover the various maintenance requirements as described in the approved Operations strategy i.e. the provision of:
 - Fire & Access Control System Maintenance
 - Audio Visual System Maintenance Services
 - Fencing maintenance in and around CTS
 - Safety and Security Services

- Cleaning & Waste Management Services
- Pitch Maintenance Services
- General Building Maintenance Services
- Specialized Stadium Infrastructure Cleaning Services
- Maintenance of electrical, lighting & power Generation systems
- HVAC & Mechanical Pump Maintenance Services
- Landscaping Maintenance Services
- Lift Maintenance Services

Implementing the Maintenance Strategy not only contributes to the present ability of the Stadium but also ensures optimisation of the Stadium's life span and increase the Stadiums marketability.

9.5.7 CTS OPERATIONS - A VISCERAL CONTRIBUTION TOWARD THE CTS BRAND:

A primary focus has been and will continue to be placed on ensuring that all visitors to the CTS feel safe whilst present at the Stadium so that they continue to utilise the facilities *en masse*. Ensuring the safety of the Stadiums visitors are of critical importance and will always be a priority.

Supporting initiatives included:

- Ensuing that Security contracts are always in place within the Stadium.
- Security staff are consistently trained in the core values of CTS - 'customer-centricity'.

The Stadiums appearance and image is a core deliverable, focussing on ensuring that the Stadium is maintained with a high level of cleanliness. Furthermore the stadium focusses on sustainable business practices and the principles of recycle reuse and reduce –this will continue to include the:

- Rolling-out recycling facilities across the Stadium together with a doubling of efforts so as to ensure that the option of a dustbin or a recycling bin is never out of reach.
- Utilization of recycled materials to construct memorials within the Stadium that teaches visitors about the Stadium's history.

- Consulting with the City's energy efficiency department to undertake an energy audit of the Stadium and the supplying of CTS with recommendations regarding improved energy use and carbon footprint reduction.
- Promotion of sustainability measures within the Stadium by trying to achieve carbon and water-neutral operational practices (interventions are being reported to the CTS Board on an annual basis).
- Ensuring that the look and feel of the Stadium is maintained at a consistent standard of excellence as supported by the facility maintenance plans.

9.5.8 INSURANCE RELATED OBLIGATIONS

- There will continue to be a strategic focus on ensuring that the insurance obligations that the facility has toward the various Stadium build warranty providers, remain valid and in place.
- The Stadium has a large number of warranty policies in place that extend across a 20 to 25-year horizon. It is crucial that all obligations toward the Stadium's insurers are fastidiously upheld.
- An insurance reporting schedule was drawn and monitored on a monthly basis to ensure compliance.
- This schedule will be submitted to the CTS Board on an annual basis for oversight purposes.

9.6 SUPPORT SERVICES



9.6.1 MANDATE

The current mandate of the CTS Support Services Department includes, but is not limited to:

- The delivery of timeous, effective and relevant support across CTS functional departments;
- Financial Processes and Budgeting;
- Supply Chain Management processes;
- Development and implementation of Departmental control mechanisms and processes;
- Internal and external reporting procedures;
- Corporate Governance; and
- HR (recruitment and selection, policy compliance & training).

9.6.2 HIGHLIGHTS

During the current 2018/19 business planning period the CTS Support Services department, achieved and delivered the following:

- One hundred percent completion of staff's declaration of interest;
- 97 % verification of assets;
- All training initiatives completed and budget allocation spent;
- Development of an HR Manual and SOP detailing process and procedure for HR related matters;

- Establishment of a new Records Management system to ensure compliance;
- Implemented training feedback process for all staff to assess relevancy and quality of CTS training interventions;
- Developed and obtained Board approval for:
 - CTS Hospitality Suite Policy;
 - Travel and Subsistence Policy; and
 - Ethics Policy.
- Price Waterhouse Coopers ("PWC") were appointed to assess the functional effectiveness of the current organisation structure to deliver on the Municipal Entities mandate. The outcome of this will be presented to the Board and its Subcommittees in the third quarter of the 2018/2019 Financial Year.

9.6.3 HUMAN RESOURCES

9.6.3.1 Overview

From a Human Resources ("HR") perspective, the CTS is currently engaged in a transition period between a City managed municipal department consisting of City seconded officials and short-term contracted support staff responsible for the interim management of the CTS and an independent commercially focused corporate entity.

A paradigm shift in HR philosophy and strategy is currently being implemented within the internal CTS operating environment.

As briefly mentioned above, a specialist HR consultancy; Price Waterhouse Coopers ("PWC") has been appointed by CTS to advise on the required re-alignment of its organisational functional structure against the deliverables stipulated in the SDA. This to ensure that the Stadium functional structure is aligned to its business imperatives. This process, once finalised, will seek Board and HR Subcommittee approval after which it will be presented to the City of Cape Town for approval through their relevant structures. The intention is to have the structure implemented in the first quarter of 2019/20 Financial year.

9.6.3.2 HR Objectives

CTS will also focus on the creation of an HR environment which will, within the competitive business environment within which CTS is operating, allow it to become an employer of choice and ensure that there:

- is a development of human capital for the benefit of the organization;
- is skills development & training;
- is a promotion of an ethical employee working environment;
- will be a motivational driving & supporting of the CTS workforce in order to achieve business planning targets;
- is staff retention;
- is the creation of a working environment that recognizes and awards talent and hard work;
- is an improved ability to attract and retain talent;
- will be a constant focus on the working conditions of all CTS staff; and
- will be an establishment of a highly committed and driven CTS workforce.

9.6.3.3 Organizational Structure

The current organizational structure of CTS consists of the following operating departments:

- Office of the CEO;
- Support Services (HR, Legal & Finance);
- Commercial, Brand Management & Events;
- Operations.

The full current organizational structure is set out in **ANNEXURE "A"** hereto.

As stated in the overview section above a process of organizational re-alignment is underway which will result in changes to the current organizational structure.

10 SUSTAINABILITY

10.1 OVERVIEW

The enhancement of corporate sustainability at CTS is the responsibility of every CTS stakeholder in its everyday dealings at the CTS.

Following the establishment of CTS, management has initiated the development of an Environmental Sustainability Strategy. This Strategy will be concluded in the first quarter of 2019/20 financial year and implemented for the balance of the 2019-2022 business planning period.

10.2 THE CTS SUSTAINABILITY GOALS

The primary sustainability goals of CTS as identified by management for the 2019-2022 business planning period include:

- Ultimate recognition as an international benchmark for sustainable major stadiums;
- The creation of and planning for sustainable events ensuring the minimization of:
 - carbon footprint;
 - waste management incl. recycling;
 - noise and light pollution;
 - non-sustainable event build-outs & break-downs;

10.3 SOCIAL SUSTAINABILITY

Given that the City of Cape Town is the 100% shareholder of CTS, it is incumbent on CTS to continue to ensure that through its day to day commercial and operational activities, it is contributing to the City's IDP goals of:

- Job creation;
- Contribution to the local and regional economy;
- Skills development;
- Mentorships;
- Support of entrepreneurial endeavour of emerging small businesses; and
- General upliftment of the less privileged members of the Cape Town and Western Cape communities.

10.4 ENVIRONMENTAL SUSTAINABILITY

10.4.1 OVERVIEW

The CTS has a long standing and successful Environmental Sustainability record which dates back to the 2010 FIFA World Cup SA™ "Green Goal" programme.

10.4.2 CTS ENVIRONMENTAL SUSTAINABILITY INITIATIVES

Environmental sustainability programs that have run during the current business planning period will be sustained for the 2019-2022 periods. They include:

- Water conservation
- Utilisation of energy efficient light sources
- Stadium cleaning in accordance with ISO 9001 quality standards

The recent critical water shortage in the Western Cape accelerated the implementation of a number of planned water saving measures at the CTS:

- Water reduction flows to all taps were reduced from 5 seconds to 3 second to save water.
- Water free hand sanitizer units were installed in all Stadium ablution facilities.
- Introduction of micro-management of pitch moisture content - soil moisture levels are measured daily to determine the amount of moisture in the soil. If the levels are adequate, no watering takes place.
- Historical fertilizing with granular fertilizers has been changed over to liquid foliar fertilizer applications which do not require irrigation to assist dispersion and dissolving into the soil.
- A liquid fertilizer named, "Humate Sure" is applied to the pitch on a monthly basis. This product helps moisture to remain in the soil given its coalescence around the roots of the grass plant.
- The pitch seed mixture has also been amended to allow for a larger percentage of the Fescue grass plant whose main benefit is its drought tolerance.

11 CTS BUDGET AND FINANCIAL PROJECTIONS

11.1 CTS BUDGETING

The first CTS financial budgets since its establishment (for the 2018/19 financial year) were, in part, based on outputs of the City's SAP accounting system and the CTS financial modelling tool developed for use during the City/Premium Anchor Tenant negotiation process. The following principles which under-pinned this budgeting process, will continue to be implemented for the 2019-2022 business planning period:

- The previously identified internal Stadium commercial revenue opportunities;
- The new additional revenue streams occasioned by the establishment of the more commercially flexible governance and management vehicle to operate the Stadium;
- The phased implementation of the historically identified and new commercial revenue opportunities (canvassed earlier in this report);
- Historical expenditure and revenue trends drawn from the City's SAP accounting system;
- A focus on cost saving initiatives within the internal operating environment;
- The business need for modest capital expenditure (any required major CAPEX need in respect of the security of a premium anchor tenant will be funded by the City);
- A consideration of CTS's SWOT analysis (an updated version of which is considered earlier in this report);
- The impact of inflation;
- City guidelines;

11.2 BUDGET PROJECTIONS

Budgeted expenditure of R 91,617 million against budgeted revenues of R 22, 921 million has been forecasted for CTS for the 2019/20 financial year.

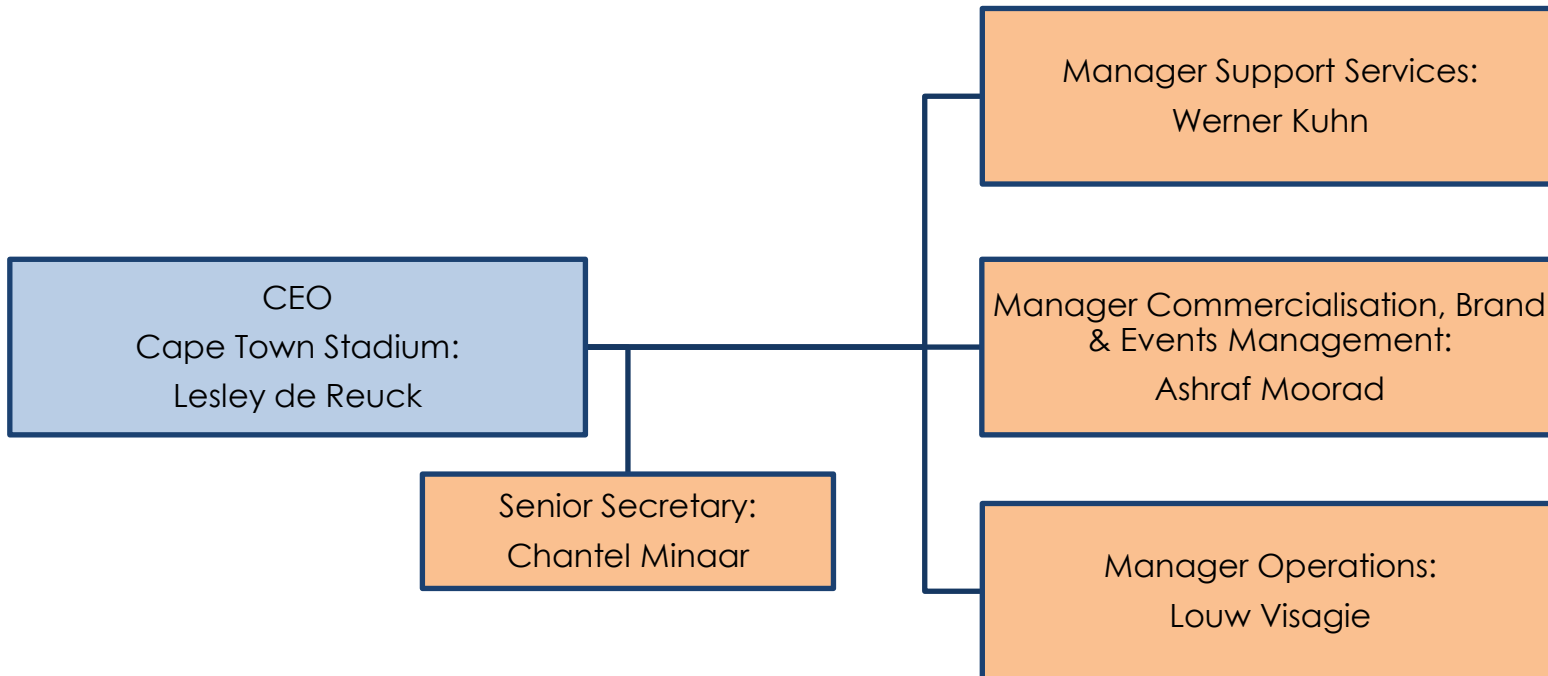
A copy of the 2019/20 – 21/22 budget has been attached as **ANNEXURE "C"**

Annexure A

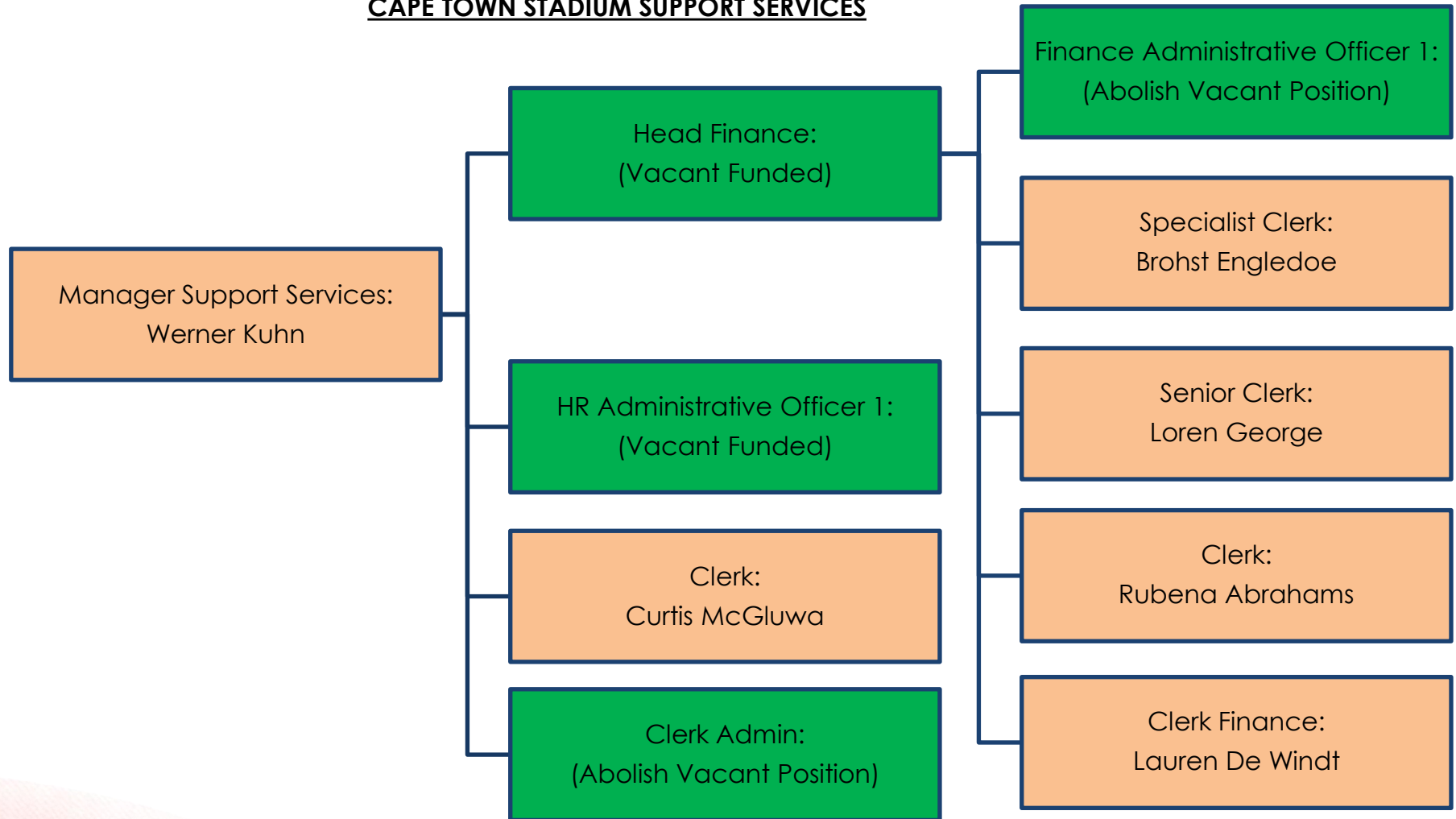


Cape Town Stadium HR Structure

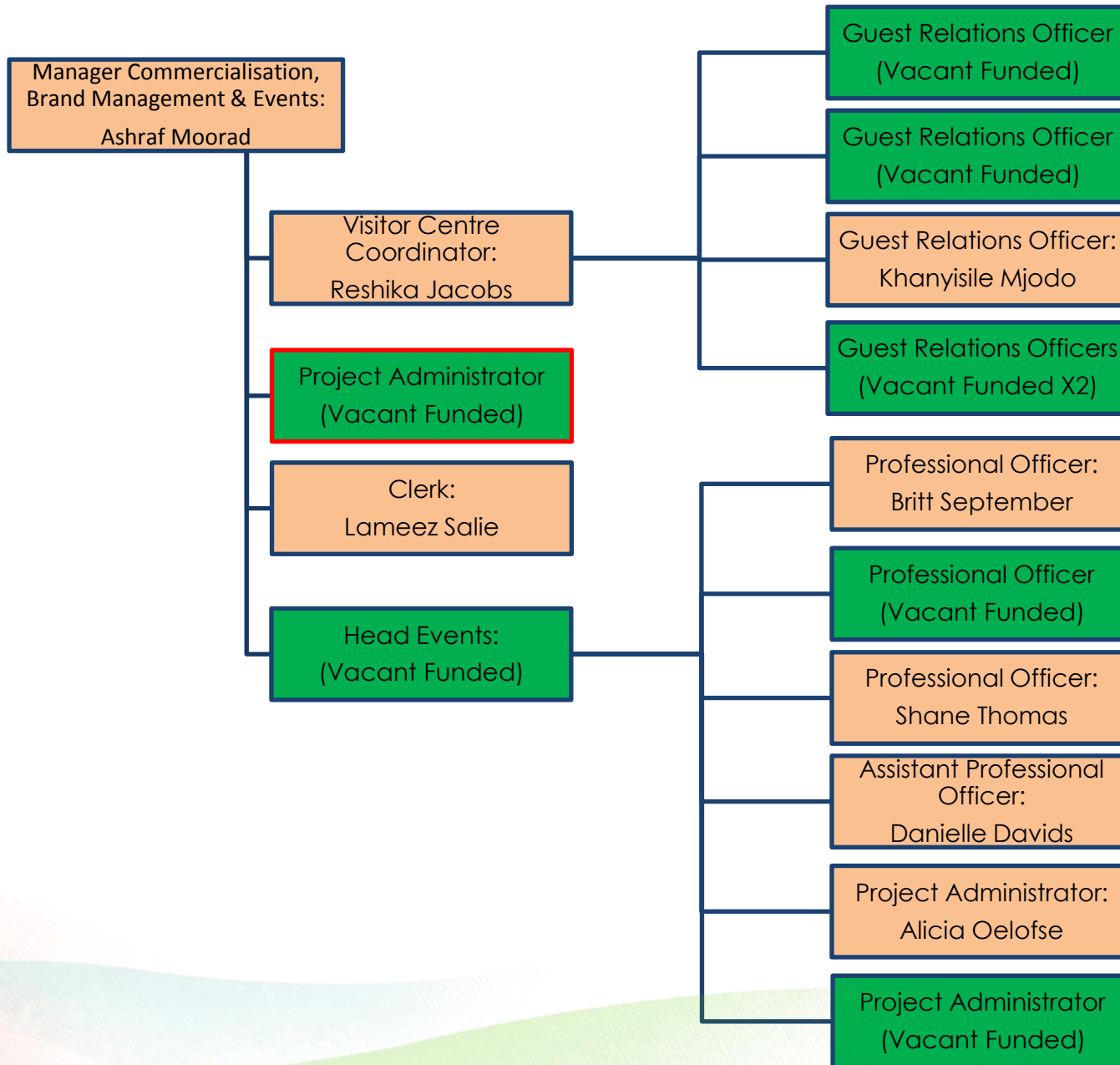
CAPE TOWN STADIUM MANAGEMENT



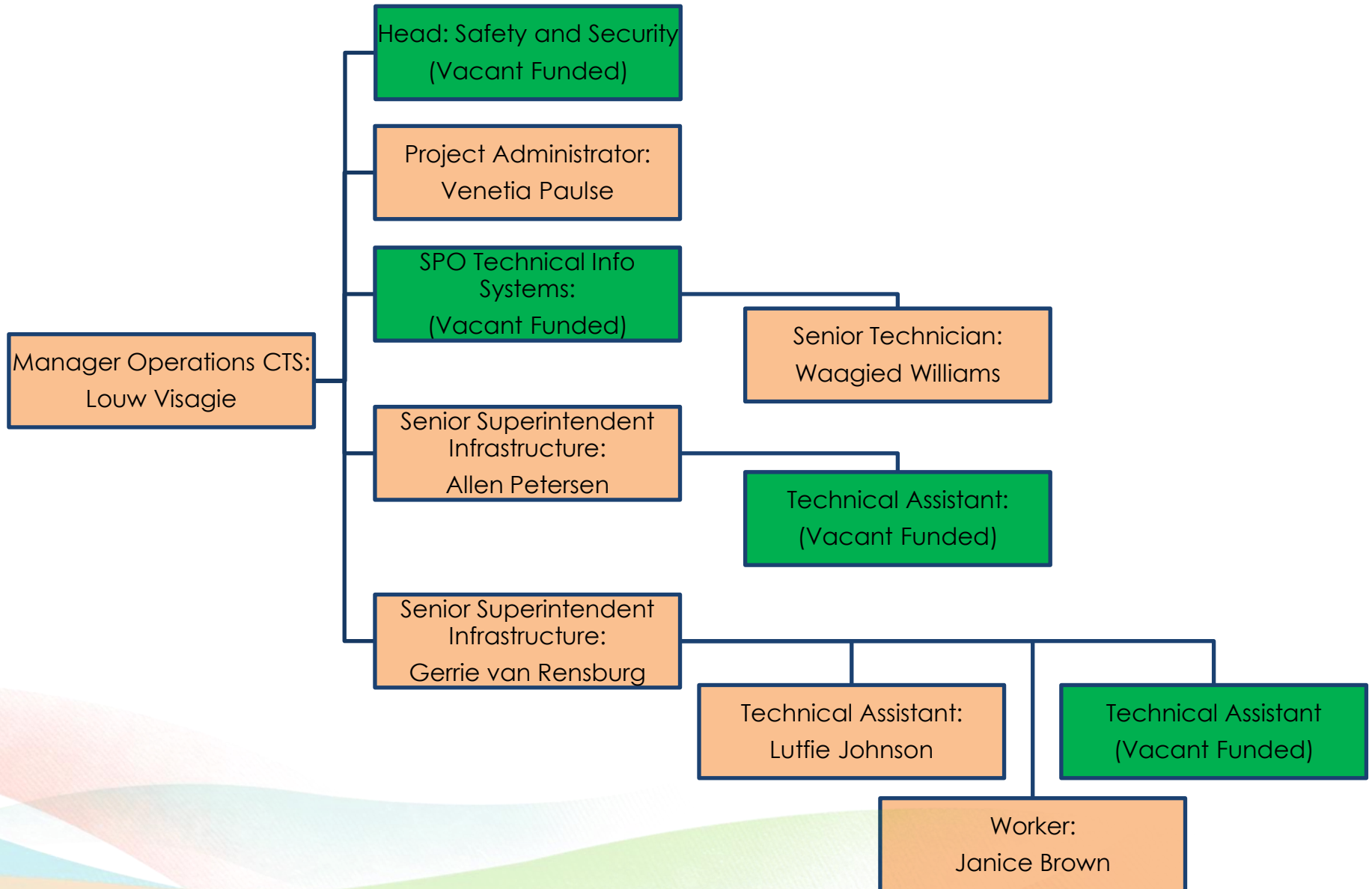
CAPE TOWN STADIUM SUPPORT SERVICES



CAPE TOWN STADIUM COMMERCIALISATION, BRAND MANAGEMENT & EVENTS



CAPE TOWN OPERATIONS



Annexure B

CAPE TOWN STADIUM (RF) KEY PERFORMANCE INDICATORS SDBIP 2018/19/20/21/22 AND OUTER YEARS																				
No	Pillar & Corporate Objective	Alignment to IDP			Measuring Department	Corporate Objective	Indicator (to include unit of measure)	Baseline 2017/2018	Annual Target 30 June 2019	Targets										Responsible Person
		IDP Programme	CJC Indicator no							30 Sept 2018	31 Dec 2018	31 Mar 2019	30 June 2019	30 Sept 2019	31 Dec 2019	31 Mar 2020	30-Jun-20	2019 / 20	2020 / 21	
1	SFA 1: The Opportunity City Objective 1.1	1.1b Cape Town Business Brand Programme 1.1g Leveraging the City's Assets	5.1	Finance	Operational	Percentage reduction of the grant allocation from the City of Cape Town	New	5%	1.25%	2.5%	3.75%	5%	1.5%	3.5%	5.00%	6%	6%	7%	8%	Lesley de Reuck
2	SFA 1: The Opportunity City Objective 1.1	1.1b Cape Town Business Brand Programme 1.1g Leveraging the City's Assets	5.1	Finance	Operational	Percentage achievement of projected Revenue	New	90%	16%	46%	76%	90%	20%	50%	75%	90%	90%	90%	90%	Lesley de Reuck
3	SFA 1: The Opportunity City Objective 1.1	1.1b Cape Town Business Brand Programme 1.1g Leveraging the City's Assets	N/A	CT Stadium (RF)	Positioning Cape Town as a forward-looking, globally competitive City	Percentage compliance with approved Repairs and Maintenance program	New	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	Louw Visagie
4	SFA 1: The Opportunity City Objective 1.1	1.1b Cape Town Business Brand Programme 1.1g Leveraging the City's Assets	5.D	CT Stadium (RF)	Positioning Cape Town as a forward-looking, globally competitive City	Percentage spent on Repairs and Maintenance Budget	150%	95%	15%	50%	75%	95%	15%	50%	75%	95%	95%	95%	95%	Louw Visagie
5	SFA 1: The Opportunity City Objective 1.1	1.1b Cape Town Business Brand Programme 1.1g Leveraging the City's Assets	N/A	CT Stadium (RF)	Positioning Cape Town as a forward-looking, globally competitive City	Percentage compliance with Occupational Health and Safety Acts and Regulations (Act 85 of 1993)	New	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	Louw Visagie
6	SFA 1: The Opportunity City Objective 1.1	1.1b Cape Town Business Brand Programme 1.1g Leveraging the City's Assets	N/A	CT Stadium (RF)	Positioning Cape Town as a forward-looking, globally competitive City	Number of marketing interventions implemented as per the approved Marketing Plan	New	12	3	6	9	12	3	7	11	16	16	16	16	Asharaf Moorad
7	SFA 1: The Opportunity City Objective 1.1	1.1b Cape Town Business Brand Programme 1.1g Leveraging the City's Assets	N/A	CT Stadium (RF)	Positioning Cape Town as a forward-looking, globally competitive City	Number of bowl events hosted	New	33	6	17	26	33	6	18	28	35	35	35	35	Asharaf Moorad
8	SFA 1: The Opportunity City Objective 1.1	1.1b Cape Town Business Brand Programme 1.1g Leveraging the City's Assets	N/A	CT Stadium (RF)	Positioning Cape Town as a forward-looking, globally competitive City	Number of non-bowl events hosted	New	40	12	27	34	40	14	30	40	50	50	50	50	Asharaf Moorad
9	SFA 1: The Opportunity City Objective 1.1	1.1b Cape Town Business Brand Programme 1.1g Leveraging the City's Assets	N/A	CT Stadium (RF)	Positioning Cape Town as a forward-looking, globally competitive City	Number of film/still shoot events hosted	New	10	2	5	8	10	4	10	12	15	15	15	5	Asharaf Moorad
10	SFA 1: The Opportunity City Objective 1.1	1.1b Cape Town Business Brand Programme 1.1g Leveraging the City's Assets	N/A	CT Stadium (RF)	Positioning Cape Town as a forward-looking, globally competitive City	Percentage approved commercialisation programmes implemented as per approved plan	New	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	Asharaf Moorad
11	SFA 1 Opportunity City Objective 1.3	1.3a Skills Investment programme	1.G	Corporate Services	1.3 Economic inclusion	Percentage budget spent on implementation of WSP (NKPI)	137%	95%	10%	30%	70%	95%	15%	35%	65%	95%	95%	95%	95%	Werner Kuhn
12	SFA 4 Inclusive City Objective 4.3		4.E	Corporate Services	4.3 Building integrated communities	Percentage of people from employment equity target groups employed in the three highest levels of management in compliance with the City's approved employment equity plan (EE) (NKPI)	New	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	Werner Kuhn
13	SFA 5 Well-Run City		N/A	Corporate Services	5.1 Operational sustainability	Percentage of absenteeism	5.99%	≤ 5%	≤ 5%	≤ 5%	≤ 5%	≤ 5%	≤ 5%	≤ 5%	≤ 5%	≤ 5%	≤ 5%	≤ 5%	≤ 5%	Werner Kuhn
14	SFA 5 Well-Run City Objective 5.1			Corporate Services	5.1 Operational sustainability	Percentage of Declarations of Interest completed	100%	100%	25%	50%	75%	100%	50%	75%	95%	100%	100%	100%	100%	Werner Kuhn
15	SFA 5 Well-Run City Objective 5.1		5.B	Finance	5.1 Operational sustainability	Opinion of the Auditor General	New	Clean Audit	Annual Target	Annual Target	Annual Target	Clean Audit	Annual Target	Annual Target	Annual Target	Annual Target	Clean Audit	Clean Audit	Clean Audit	Werner Kuhn

NKPI: National Key Performance Indicators per regulation 10 of the Municipal Systems Act

Cape Town Stadium (RF)
CEO: Lesley De Reuck13/11/18
DateChairman: Cape Town Stadium (RF)
Peter John Veldhuizen13/11/18
Date

ANNEXURE B1

CAPE TOWN STADIUM (RF) SOC LIMITED

SCORECARD DEFINITIONS, 2017 TO 2022



(2019/20 year review)

INDICATOR	IDP Objective	INDICATOR DEFINITION
Percentage reduction of the grant allocation from the City of Cape Town	1.1	This indicator will measure the percentage reduction in the grant allocation received from City of Cape Town.
Percentage achievement of projected revenue	1.1	This indicator will measure the achievement of the annual projected revenue as per the latest approved budget.
Percentage compliance with approved Repairs and Maintenance program	1.1	The indicator measures the approved repairs and maintenance programme as per the Service Delivery Agreement between the Cape Town Stadium (RF) SOC and the City of Cape Town. Repairs and Maintenance refers to all facilities and equipment at the Cape Town Stadium. Repairs and maintenance is further defined as Preventive Maintenance, Corrective Maintenance, Reactive Maintenance, Emergency Maintenance as well as repairs of damages after events. All repairs and maintenance is done from the operating budget.
Percentage spent on Repairs and Maintenance Budget	1.1	The percentage reflecting year to date spent in relation to the total approved repair and maintenance budget. Note that 'in-year reporting' during the financial year will be indicated as a trend (year-to-date spend). Maintenance is defined as the actions required for an asset to achieve its expected useful life. Planned maintenance includes assets inspection, and measures to prevent known failure modes, and can be time or condition-based. Repairs are actions undertaken to restore an asset to its previous condition after failure or damage. Expenses on repairs and maintenance are considered operational expenditure. Primary repairs and maintenance costs refer to repairs and maintenance expenditure incurred for labour and materials paid to outside suppliers. Second repairs and maintenance costs refer to repairs and maintenance incurred for labour provided in-house/internally.
Percentage compliance with Occupational Health and Safety Acts and Regulations	1.1	This Indicator measures compliance against the Occupational Health and Safety Regulations on event and non-event days as well as contractors at the Cape Town Stadium.
Number of marketing interventions implemented as per the approved Marketing Plan	1.1	The Marketing Plan outlines the methodology to be used to market the Cape Town Stadium. This will be measured by the number of marketing activations and interventions achieved per quarter through the various marketing channels i.e. printed ads (events magazines, brochures, posters etc.), digital content (for stadium big screens and digital boards aired during events), social media, online presence etc.
Number of bowl events hosted	1.1	The indicator measures the number of bowl events hosted. Bowl Events relates to events that utilise the pitch and/or the seating areas around the pitch.
Number of non-bowl events hosted	1.1	The indicator measures the number of non-bowl events hosted. Non-Bowl events relates to all other spaces utilised within the Stadium for events such as Conferences, Product Launches,

ANNEXURE B1

CAPE TOWN STADIUM (RF) SOC LIMITED

SCORECARD DEFINITIONS, 2017 TO 2022



(2019/20 year review)

INDICATOR	IDP Objective	INDICATOR DEFINITION
		Exhibitions, Weddings etc.
Number of film/still shoot events hosted	1.1	The indicator measures the number of film/still events hosted. Still and Film Shoots relates to the use of specific areas within the stadium for commercial and non-commercial purposes.
Percentage approved commercialisation programmes implemented as per approved plan	1.1	The indicator measures the implementation of the commercialisation programme as per the approved plan. Commercialisation programs is the process of introducing new products/programs to the market, principally for financial gain.
Percentage budget spent on implementation of WSP (NKPI)	1.3	The Workplace Skills Plan outlines the planned education, training and development interventions for the organisation. Its purpose is to formally plan and allocate budget for appropriate training interventions that will address the needs arising out of local government's skills sector plan, the IDP, the individual departmental staffing strategies, individual employees' personal development plans and the employment equity plan. Proxy measure for NKPI.
Percentage of people from employment equity target groups employed in the three highest levels of management in compliance with the City's approved Employment equity plan (EE) (NKPI)	4.3	The indicator measures the percentage of people from employment equity target groups employed in the three highest levels of management, in compliance with the Cape Town Stadium (RF) approved EE plan. Each directorate contributes to the corporate achievement of targets and goals by implementing its own objectives of quantitative and qualitative goal-setting.
Percentage of absenteeism	5.1	The indicator measures the actual number of days absent due to sick, unpaid/unauthorised leaves in the department or directorate expressed as a percentage over the number of working days in relation to the number of staff employed. Sick, unpaid/unauthorised leave will include 4 categories namely normal sick leave, unpaid unauthorised leave, leave in lieu of sick leave and unpaid in lieu of sick leave.
Percentage of Declarations of Interest completed	5.1	The total number of completed declarations of interest as a % of the total number of staff. The target is cumulative over the year. Each employee needs to complete the declaration of interest at least once per year (or when circumstances change), as prescribed by the applicable legislation and Cape Town Stadium (RF) board decisions aligned with City policies/decisions.
Opinion of the Auditor General	5.1	The indicator measures good governance and accounting practices and will be evaluated and considered by the Auditor-General in determining his opinion. An unqualified audit opinion is where the auditor, having completed the audit, has no reservation as to the fairness of presentation of financial statements and their conformity with general recognised accounting practice. This is referred to as a 'clean audit'.

ANNEXURE B1

CAPE TOWN STADIUM (RF) SOC LIMITED
SCORECARD DEFINITIONS, 2017 TO 2022



(2019/20 year review)

INDICATOR	IDP Objective	INDICATOR DEFINITION
		Alternatively, the auditor would issue a qualified audit opinion either in whole or in part over the financial statements if these have not been prepared in accordance with general recognised accounting practice, or the auditor could not audit one or more areas of the financial statements. Future audit opinions will cover the audit of predetermined objectives.

CAPE TOWN STADIUM (RF) SOC LIMITED

Annexure C1

Financial Performance

Three year budget 2018/19 - 2021/22

Category	Actual YTD 2018/19	Budget 2018/19	Budget 2019/20	Budget 2020 vs 2019	Budget 2020 vs 2019	Budget 2020/21	Budget 2021 vs 2020	Budget 2021 vs 2020	Budget 2021/22	Budget 2022 vs 2021	Budget 2022 vs 2021
	R	R	R	R	%		R	%		R	%
Revenue by Source											
Rental of facilities and equipment	7 053 336.06	14 130 534.00	16 071 000.00	1 940 466.00	14%	16 958 000.00	887 000.00	6%	23 439 597.24	6 481 597.24	38%
Transfers and subsidies (Grants)	19 914 570.88	72 660 211.00	71 346 000.00	- 1 314 211.00	-2%	69 971 000.00	- 1 375 000.00	-2%	65 496 382.40	- 4 474 617.60	-6%
Other Revenue	24 837.74	4 600 000.00	6 850 000.00	2 250 000.00	49%	7 566 000.00	716 000.00	10%	8 353 960.00	787 960.00	10%
Total Revenue	26 992 744.68	91 390 745.00	94 267 000.00			94 495 000.00			97 289 939.64		
Expenditure by Type											
Remuneration of board members	112 657.50	660 000.00	739 200.00	79 200.00	12%	776 160.00	36 960.00	5%	822 729.60	46 569.60	6%
Other materials	200 646.26		1 354 200.00	1 354 200.00	100%	1 428 060.00	73 860.00	5%	1 513 743.60	85 683.60	6%
Contracted Services	24 151 156.42	54 040 483.63	73 099 625.90	19 059 142.27	35%	74 149 956.49	1 050 330.59	1%	75 797 893.88	1 647 937.39	2%
Other expenditure	2 518 693.17	36 690 261.37	19 073 974.10	- 17 616 287.27	-48%	18 140 823.51	- 933 150.59	-5%	19 155 572.56	1 014 749.05	6%
Total Expenditure	26 983 153.35	91 390 745.00	94 267 000.00			94 495 000.00			97 289 939.64		
Surplus/(deficit) before taxation	9 591.33	-	-			0.00			0.00		
Taxation											
Surplus/(deficit) after taxation	9 591.33	-	-			0.00			0.00		

Financial Projections

The 2019/20 financial year has taken into account the first 5 months of operations of the Cape Town Stadium.

The 2019/20 budget was prepared following a similar approach used in the previous 5 month period. The budget takes into account the current market conditions, such as inflation, historical trend analysis, as well as the proposed City budget guidelines. Further details are discussed below:

REVENUE PROJECTIONS

1. Rental of facilities and equipment

Rental of fixed assets in 2019/20 have been budgeted to increased by 14% due to the potential increase in income to be realised from the proposed new financial model for the Rugby 7's.

For the financial year 2021/22 Rental of facilities and equipment is budgeted at a 38% increase on the assumption of securing an anchor tenant and the assumption that the hospitality and concession rights goes live.

2. Transfers and subsidies (Grant)

The City approved additional funding of R2,500,000 for the appointment of a Chief Financial Officer and Company Secretary. This was the only adjustment to the 2018/19 budget.

Per the Key Performance Indicators as agreed upon between the City and the entity, the grant was budgeted at a decrease of 6%, 7% and 8% per annum respectively, taking inflation into account.

3. Other Revenue

Other revenue comprise of income generated through Stadium Tours, Naming Rights, Advertising Fees and Parking Fees. An inflationary increase have been applied to Stadium Tours and Advertising Fees.

Naming Rights and Advertising Fees has been budgeted to increase with 46% due to the naming rights and other relevant tenders that would have been awarded.

Other revenue to increase with inflation for the outer years.

EXPENDITURE

4. Remuneration of board members

This remained at a budget of 6 board members, adjusted with annual inflationary increases.

5. Other materials

Other materials comprise of fuel, printing and stationary and other material related costs. Although this was not budgeted for in the current budget, actual costs relating to these expenditure items are incurred. An estimate amount have thus been included in the 2019/20 budget and adjusted with an inflation related increase going forward.

6. Contracted Services

For the 2018/19 budget, Contracted services increase with R2,500,000 for the appointment of a Chief Financial Officer and a Company Secretary, as approved by Council.

Contracted services consist out of:

- Consultants and Professional Services - The budgeted amount for the outer years remains stable with inflationary increases.
- Contractors Costs - R15million has been reallocated from other expenditure to contracted services for the 2019/20 budget.
- Outsource Services

In the 2019/20 budget a total amount of R17 million has been reallocated from other expenditure to Contracted Services due to the realignment of the budget.

7. Other

In the 2019/20 budget a total amount of R17 million has been reallocated to Contracted Services due to the realignment of the budget.

Annexure C2

	2018/19		2019/20	Budget 2019 vs 2020	Budget 2020 vs 2019	2020/2021	Budget 2019 vs 2020	Budget 2020 vs 2019	2021/2022	Budget 2019 vs 2020	Budget 2020 vs 2019
	ACTUAL YTD (DEC18)	BUDGET	DRAFT BUDGET			DRAFT BUDGET			DRAFT BUDGET		
Revenue	R	R	R	R	%		R	%		R	%
Rental Fixed assets	7 053 336.06	14 130 534.00	16 071 000.00	1 940 466.00	14%	16 958 000.00	887 000.00	6%	23 439 597.24	6 481 597.24	38%
Other Revenue	24 837.74	4 600 000.00	6 850 000.00	2 250 000.00	49%	7 566 000.00	716 000.00	10%	8 353 960.00	787 960.00	10%
Stadium Tours	24 837.74	-	100 000.00	100 000.00	100%	106 000.00	6 000.00	6%	112 360.00	6 360.00	6%
Naming Rights and Advertising	-	4 100 000.00	6 000 000.00	1 900 000.00	46%	6 360 000.00	360 000.00	6%	6 741 600.00	381 600.00	6%
Parking Fees	-	500 000.00	750 000.00	250 000.00	50%	1 100 000.00	350 000.00	47%	1 500 000.00	400 000.00	36%
Grants	19 914 570.88	72 660 211.00	71 346 000.00	- 1 314 211.00	-2%	69 971 000.00	- 1 375 000.00	-2%	65 496 382.40	- 4 474 617.60	-6%
Total Revenue	26 992 744.68	91 390 745.00	94 267 000.00	2 876 255.00	3%	94 495 000.00	228 000.00	0%	97 289 939.64	2 794 939.64	3%
Expenditure											
Remuneration of Board Members	112 657.50	660 000.00	739 200.00	79 200.00	12%	776 160.00	36 960.00	5%	822 729.60	46 569.60	6%
Other Materials	200 646.26	-	1 354 200.00	1 354 200.00	100%	1 428 060.00	73 860.00	5%	1 513 743.60	85 683.60	6%
Fuel	135 059.43	-	318 000.00	318 000.00	100%	337 080.00	19 080.00	6%	357 304.80	20 224.80	6%
Printing and Stationery	54 433.72	-	795 000.00	795 000.00	100%	842 700.00	47 700.00	6%	893 262.00	50 562.00	6%
Other	11 153.11	-	241 200.00	241 200.00	100%	248 280.00	7 080.00	3%	263 176.80	14 896.80	6%
Contracted Services	24 151 156.42	54 040 483.63	73 099 625.90	19 059 142.27	100%	74 149 956.49	1 050 330.59	1%	75 797 893.88	1 647 937.39	2%
Consultants and Professional Services	8 797 446.75	33 667 640.15	34 028 048.90	360 408.75	1%	35 565 404.44	1 537 355.54	5%	34 889 668.71	- 675 735.73	-2%
Audit Committee Fees	28 398.00	103 680.00	109 000.00	5 320.00	5%	111 000.00	2 000.00	2%	117 660.00	6 660.00	6%
Accountants and Auditing	-	24 590.00	26 000.00	1 410.00	6%	28 000.00	2 000.00	8%	29 680.00	1 680.00	6%
Seconded Employees	7 592 153.33	27 673 454.00	26 470 439.00	- 1 203 015.00	-4%	28 366 917.95	1 896 478.95	7%	27 259 933.03	- 1 106 984.92	-4%
Advisory Services - Communication, Research and Advisory		512 456.00	2 673 000.00	2 160 544.00	422%	2 833 380.00	160 380.00	6%	3 003 382.80	170 002.80	6%
Project Management	1 035 479.42	2 815 904.15	2 072 000.00	- 743 904.15	-26%	1 396 320.00	- 675 680.00	-33%	1 480 099.20	83 779.20	6%
Professional Engineering Cost	147 116.00	1 292 641.00	1 358 000.00	65 359.00	5%	1 431 000.00	73 000.00	5%	1 516 200.00	85 200.00	6%
Legal Costs	- 5 700.00	1 244 915.00	1 319 609.90	74 694.90	6%	1 398 786.49	79 176.59	6%	1 482 713.68	83 927.19	6%
Contractors Other	9 039 457.12	8 513 811.00	24 271 320.00	15 757 509.00	65%	22 320 470.00	- 1 950 850.00	-8%	23 659 698.20	1 339 228.20	6%
Pest Control	-	103.00	2 000.00	1 897.00	95%	2 120.00	120.00	6%	2 247.20	127.20	6%
Sewerage Services	-	29 138.00	33 000.00	3 862.00	12%	34 000.00	1 000.00	3%	36 040.00	2 040.00	6%
Building Contractors	4 021 752.53	-	9 185 110.00	9 185 110.00	100%	10 102 520.00	917 410.00	10%	10 708 671.20	606 151.20	6%
Electrical Maintenance	2 401 583.54	-	6 050 000.00	6 050 000.00	100%	4 655 000.00	- 1 395 000.00	-23%	4 934 300.00	279 300.00	6%
Event Promoters	-	2 347 933.00	2 465 000.00	117 067.00	5%	663 000.00	- 1 802 000.00	-73%	702 780.00	39 780.00	6%
Graphic Designers	-	27 500.00	29 000.00	1 500.00	5%	31 000.00	2 000.00	7%	32 860.00	1 860.00	6%
Grading of Sports Field	1 038 537.52	1 914 314.00	1 870 380.00	- 43 934.00	-2%	2 057 417.00	187 037.00	10%	2 180 862.02	123 445.02	6%
Servicing of Vehicles Equipment	181 470.92	432 777.00	555 830.00	123 053.00	22%	611 413.00	55 583.00	10%	648 097.78	36 684.78	6%
Transportation of Goods			18 000.00	18 000.00	100%	20 000.00	2 000.00	11%	21 200.00	1 200.00	6%
Security Services : Events	1 396 112.61	3 762 046.00	4 063 000.00	300 954.00	7%	4 144 000.00	81 000.00	2%	4 392 640.00	248 640.00	6%
Outsources Services	6 314 252.55	11 859 032.48	14 800 257.00	2 941 224.52	25%	16 264 082.05	1 463 825.05	10%	17 248 526.97	984 444.92	6%
Catering Services	10 713.82	53 078.00	57 000.00	3 922.00	7%	58 000.00	1 000.00	2%	61 480.00	3 480.00	6%
Cleaning Costs	3 926 448.12	5 380 956.15	7 357 119.00	1 976 162.85	37%	8 092 831.05	735 712.05	10%	8 578 400.91	485 569.86	6%
Food and Beverages	20 715.99	74 766.00	81 000.00	6 234.00	8%	82 000.00	1 000.00	1%	86 920.00	4 920.00	6%
Legislative Levies (CIPC)	2 000.00	-	4 000.00	4 000.00	100%	5 000.00	1 000.00	25%	6 000.00	1 000.00	20%
Medical Health Services & Support	-	453 022.00	100 000.00	- 353 022.00	-78%	120 000.00	20 000.00	20%	127 200.00	7 200.00	6%
Transportation Services: People	29 900.92	1 040 339.00	60 000.00	- 980 339.00	-94%	65 000.00	5 000.00	8%	70 000.00	5 000.00	8%
Security Services (day to day)	1 792 746.38	3 974 459.33	5 600 164.00	1 625 704.67	41%	6 160 180.00	560 016.00	10%	6 529 790.80	369 610.80	6%
Administrative and Support Staff	96 604.56	-	200 000.00	200 000.00	100%	220 000.00	20 000.00	10%	240 000.00	20 000.00	9%
Clearing and Grass Cutting	435 122.76	553 296.00	990 974.00	437 678.00	79%	1 090 071.00	99 097.00	10%	1 155 475.26	65 404.26	6%
Refuse Removal	-	329 116.00	350 000.00	20 884.00	6%	371 000.00	21 000.00	6%	393 260.00	22 260.00	6%
Other Expenditure	2 518 693.17	36 690 261.37	19 073 974.10	- 17 616 287.27	-48%	18 140 823.51	- 933 150.59	-5%	19 155 572.56	1 014 749.05	6%

Hire Charges (equipment, tool, cars, etc.)	121 104.74	699 131.00	335 000.00	- 364 131.00	-52%	353 000.00	18 000.00	5%	375 460.00	22 460.00	6%
Audit Fees	-	550 000.00	594 000.00	44 000.00	8%	606 000.00	12 000.00	2%	642 360.00	36 360.00	6%
Training	57 733.54	243 744.00	405 000.00	161 256.00	66%	420 000.00	15 000.00	4%	445 200.00	25 200.00	6%
Travelling Costs	3 708.12	1 890.00	88 000.00	86 110.00	4556%	93 500.00	5 500.00	6%	99 306.00	5 806.00	6%
Bank Charges & Services	440.38	269 652.00	291 000.00	21 348.00	8%	297 000.00	6 000.00	2%	314 820.00	17 820.00	6%
Conferences & Seminars - National	-	64 093.00	69 000.00	4 907.00	8%	71 000.00	2 000.00	3%	75 260.00	4 260.00	6%
Water & Electricity	-	7 874 519.67	7 693 000.00	- 181 519.67	-2%	8 154 580.00	461 580.00	6%	8 643 854.80	489 274.80	6%
Insurance	-	428 040.00	463 000.00	34 960.00	8%	473 380.00	10 380.00	2%	25 842.80	- 447 537.20	-95%
Levy: Skills Development	8 661.68	168 762.00	164 000.00	- 4 762.00	-3%	164 000.00	-	0%	164 000.00	-	0%
Licences : Television, Radio Satellite Signals	188 438.89	1 762 098.85	441 000.00	- 1 321 098.85	-75%	470 000.00	29 000.00	7%	498 200.00	28 200.00	6%
Mat Building & Infra	-	20 673 232.85	2 094 818.77	- 18 578 414.08	-90%	757 895.63	- 1 336 923.14	-64%	1 212 633.01	454 737.38	60%
Material Electrical & Electronic	-	25 000.00	27 000.00	2 000.00	8%	27 000.00	-	0%	28 620.00	1 620.00	6%
Postage & Courier	-	662.00	1 000.00	338.00	51%	1 000.00	-	0%	1 000.00	-	0%
Tele:Cell Phone Subs	-	2 250.00	3 000.00	750.00	33%	4 000.00	1 000.00	33%	5 000.00	1 000.00	25%
Travel agency fees	307.40	-	5 000.00	5 000.00	100%	6 000.00	1 000.00	20%	7 000.00	1 000.00	17%
Uniform & Protective Clothing	455.29	22 602.00	50 000.00	27 398.00	121%	53 000.00	3 000.00	6%	56 180.00	3 180.00	6%
Internet Charge	-	440 408.00	471 000.00	30 592.00	7%	481 000.00	10 000.00	2%	509 860.00	28 860.00	6%
CompServ SoftwLicUpg	35 649.17	19 196.00	80 000.00	60 804.00	317%	91 000.00	11 000.00	14%	96 460.00	5 460.00	6%
CompServ Spec IT Services	2 093 658.23	3 096 616.00	5 360 749.00	2 264 133.00	73%	5 160 467.88	- 200 281.12	-4%	5 470 095.95	309 628.07	6%
Wireless Network	-	270 409.00	292 000.00	21 591.00	8%	298 000.00	6 000.00	2%	315 880.00	17 880.00	6%
Advertising	8 535.73	76 322.00	105 000.00	28 678.00	38%	108 000.00	3 000.00	3%	114 480.00	6 480.00	6%
Drivers Licenses and permits	-	1 633.00	41 406.33	39 773.33	2436%	51 000.00	9 593.67	23%	54 060.00	3 060.00	6%
Total Expenditure	26 983 153.35	91 390 745.00	94 267 000.00			94 495 000.00			97 289 939.64		
Profit/(Loss)	-9 591.33	-	-			-0.00			-0.00		

CAPE TOWN STADIUM (RF) SOC LIMITED

Annexure C 3

Cash Flow Statement

Three year budget 2018/19 - 2021/22

<u>Category</u>	Actual 2017/18	Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22
Cash Flow from Operating Activities					
Receipts					
Other Revenue	6 749 078	18 730 534	22 921 000	24 524 000	31 793 557
Government Operating	17 398 677	72 660 210	71 346 000	69 971 000	65 496 382
Payments					
Suppliers and Employees	- 24 147 989	- 85 545 000	- 90 496 320	- 91 660 150	- 95 344 141
Net Cash From/(Used) Operating Activities	- 234	5 845 744	3 770 680	2 834 850	1 945 799
Cash Flow from Investing Activities	-	-	-	-	-
Cash Flow from Financing Activities	-	-	-	-	-
Net Increase/(Decrease) in Cash Held	- 234	5 845 744	3 770 680	2 834 850	1 945 799
Cash and Cash Equivalents at beginning of year	-	-	5 845 744	9 616 424	12 451 274
Cash and Cash Equivalents at end of year	- 234	5 845 744	9 616 424	12 451 274	14 397 073

CAPE TOWN STADIUM (RF) SOC LIMITED

Financial Position

Annexure C 4

Three year budget 2018/19 - 2021/22

<u>Category</u>	Actual 2017/18	Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22
	R	R	R	R	R
ASSETS					
Current Assets					
Cash	-	5 845 744	9 616 424	12 451 274	14 397 073
Total Assets	-	5 845 744	9 616 424	12 451 274	14 397 073
NET ASSETS AND LIABILITIES					
Net Assets					
Accumulatd deficit	- 4 776 718				
Current liabilities					
Trade and other payables	4 776 718	5 845 744	9 616 424	12 451 274	14 397 073
Total net assets and liabilities	-	5 845 744	9 616 424	12 451 274	14 397 073

Annexure D

Legislative Framework: (Legal Services)

- 1 For the purpose of this document "**laws**" will mean all constitutions; statutes; regulations; by-laws; codes; ordinances; decrees; rules; judicial, arbitral, administrative, ministerial, departmental or regulatory judgements, orders, decisions, rulings, or awards; policies; voluntary restraints; guidelines; directives; compliance notices; abatement notices; agreements with, requirements of, or instructions by any governmental body; and the common law, and "**law**" shall have a similar meaning, including, but not limited to:

1. The Municipal Finance Management Act, 2003 (Act No. 56 of 2003) & Regulations thereto ("MFMA");
2. The Municipal Systems Act, 2000 (Act No.32 of 2000) & Regulations thereto;
3. The Companies' Act 71 of 2008 (as amended);
4. The Safety at Sports & Recreational Events Act, 2010 (Act No. 2 of 2010);
5. The Safety at Sports & Recreational Events Regulations of 2017;
6. Disaster Management Act, 2002 (Act no. 57 of 2002);
7. The South African Police Services Act, 1995 (Act 68 of 1995);
8. Criminal Procedure Act, 1977 (Act No. 51 of 1997);
9. Liquor Act, 1989 (Act no. 27 of 1989);
10. Firearms Control Act, 2000 (Act no. 60 of 2000);
11. Occupational Health and Safety Act, 1993 (Act No. 85 of 1993) and the regulations thereto (including the OHSA Constructions Regulations of 2014);
12. Municipal Asset Transfer Regulations No. 31346 of 2008;
13. Respective electrical, mechanical, civil, structural ect. South Africa Bureau of Standards (SABS of SANS) code of Practise.

CITY OF CAPE TOWN POLICIES AND BY LAWS:

14. Events By-Law, 2010 & amendment thereto (2015) read with City Events Policy (2013);
15. Building Development Management ("BDM") temporary structure application & approval Requirements, 2015;
16. Community Fire Safety By-Law 2002 as amended;
17. Environmental Health By-Law, 2003 as amended;
18. By-Law relating to Streets, Public Places and the Prevention of Noise Nuisances, 2007 as amended;
19. Outdoor Advertising & Signage By-Law, 2001 as amended (2013 & 2014);
20. Filming By-Law, 2005;
21. Public Parks By-Law, 2010 as amended;
22. Informal Trading By-Law, 2009 as amended (2013);
23. Integrated Waste Management By-Law, 2010;
24. Liquor Trading Days & Hours By-Law (PG 6788 – 10/09/2010 as amended);
25. Community safety; and traffic Control

City of Cape Town Risk Report
Risk Register Report

Parent Unit: MUNICIPAL ENTITY
Unit: Cape Town Stadium
Date: 23 November 2018

Annexure E

Risk Number	Risk Title	Linked Objectives	Consequence		Contributing Factor Title	Existing Control Title	Control Effectiveness	Residual Rating			Action Plan Title	Due Date	% Complete	Progress Notes	Action Plan Owners
								RI	RL	RR					
1	Human resource capacity constraints	Events and events management	• Delays in appointment of required staffs[1] • Inefficiencies[1] • Delays in service delivery[1] • Skills gap[1] • Inability to implement succession plan[1] • Current non financial capacity	1.1	Dependency on Corporate HR for recruitment and the scarcity of stadium management related skills	Implementation of and reliance of City processes and procedures	30%	7	7	49	Request use of different model and process to fasttrack appointments (reduce the number of signatories)	2019/06/30	5%	Due to the fact that appointments are being made on the CCT staff structure, the CCT processes have to be followed. A concession has been made though, that the CEO can sign off the notice of appointment.[1]	Lesley De Reuck
		1.2		Dependency on long term strategy/plan affecting both the ability to attract/retain requisite skills	Long term sustainability plan - implement marketing strategy as approved by Board.	50%				Implementation of the commercial strategy (appointment of commercialisation partner/s)	2019/06/30	5%	Workshops hosted with external parties to determine best fit and cost effective model for approval by Board (as per SDBIP)[1]	Lesley De Reuck	
		1.3		Gap between commercialization skills and municipal official public sector skills / current structure not optimum for commercialisation	Current departments fulfilling necessary roles	60%				Engagement with relevant line departments to utilise the City's transversal tenders to address structure alignment, identified training interventions and coaching.	2019/06/30	15%	Quotes received for organisational realignment.[1] Getting quotes from panel of approved services providers for training and coaching.[1] Awaiting responses.[1]	Lesley De Reuck	
										Implementation of the commercial strategy (appointment of commercialisation partner/s)	2019/06/30	5%	Workshops hosted with external parties to determine best fit and cost effective model for approval by Board (as per SDBIP)[1]	Lesley De Reuck	
2	Inability to commercialise optimally	Commercialisation and marketing management	• Not meeting financial targets[1] • Negative impact on financial sustainability[1] • Liable for the commercialization of stadium	2.1	Unconcluded negotiations with anchor tenant	This will be managed by Council approving the HOA and the signing thereof	0%	7	7	49	City of Cape Town to conclude their process to allow the signature of the HOA	2019/04/30	0%	Awaiting City Council approval of HOA.[1]	Lesley De Reuck
						This will be managed by the successful negotiation of the detailed WPR contract	0%				Present WPR deal to CCT Council for approval	2019/10/31	0%	Will be initiated once HOA has been concluded and conditions precedent dealt with.[1]	Lesley De Reuck Kevin Jacoby
3	The financial sustainability/viability of the Stadium	Events and events management	• Not meeting financial targets[1] • Effect on revenue[1]	3.1	Absence of premier anchor tenant	Long term agreements with the PSL Club and Big Concerts agreed to. Optimise utilisation of all stadium spaces for non bowl events. Negotiated financial models with event organisers to increase utilisation	60%	7	7	49	Conclude WPR contract as well as seek PSL and Big Concerts multi-year deals, seek long term multi-year deal with religious organisations and aggressive pursuing of new events	2019/12/31	5%	Signed PSL club for two years plus option on a further year[1] Meeting with Big Concerts and Jehovah Witnesses to sign multi year deals[1]	Lesley De Reuck
		3.2				Global economy	Long term sustainability plan - implement marketing strategy as approved by Board.	50%				Conclude WPR contract as well as seek PSL and Big Concerts multi-year deals, seek long term multi-year deal with religious organisations and aggressive pursuing of new events	2019/12/31	5%	Signed PSL club for two years plus option on a further year[1] Meeting with Big Concerts and Jehovah Witnesses to sign multi year deals[1]
		Finance, legal and administration management													
4	Non compliance with legislation	Finance, legal and administration management	• None compliance to VAT Act[1] • AG finding[1] • Non compliance with Companies Act, MFMA and GRAP standards	4.1	Dependent on part time legal and financial support from City of Cape Town	City appointed part time CFO. Current internal department dealing with the financial	50%	5	4	20	Making use of external legal support where appropriate. Ultimately full time CFO and Company Secretary to be appointed.	2019/06/30	10%	External legal company was appointed to redraft all current contracts (concluded). Realignment of the current organogram in process to ensure structure is organised in such a way that it can deliver on the ME's mandate.[1]	Lesley De Reuck
						Reliance/dependency on City of Cape Town legal team / regular external legal services procured.	50%								

Disclaimer: The Cape Town Stadium Company is responsible and accountable for risk management. IRM's responsibilities are limited to the facilitation of the risk identification, assessment and treatment processes. Risks assessed with a rating below the approved risk acceptance level remain the responsibility of the risk owner and should not be regarded as "inferior risks". These require management actions but will not be monitored during IRM processes. Sign-off serves as a certification that inter alia:

- Contributing Factors which are accepted implies that the existing controls will be maintained;
- Risks were not manipulated in any manner and / or omitted on purpose;
- Reasonable assurance can be provided that key risks have been identified;
- "SMART" actions were developed taking into consideration accountability; sustainability and systems to facilitate action implementation.
- Sufficient resources are available to implement actions developed.

Risk Owner:

Signature:

Date:

Lesley De Reuck
05/12/18