CITY OF CAPE TOWN

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2009

CITY OF CAPE TOWN | ISIXEKO SASEKAPA | STAD KAAPSTAD

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MAYOR	Alderman D Plato
DEPUTY MAYOR	Alderman I Neilson
SPEAKER	Alderman JD Smit
CHIEF WHIP	Councillor AM Serritslev

MEMBERS OF THE MAYORAL COMMITTEE

Alderman CR Justus	Mayoral Committee Member for **Utility Services**
Alderman I Neilson	Mayoral Committee Member for **Finance**
Alderman F Purchase	Mayoral Committee Member for **Economic Development and Tourism**
Alderman B Walker	Mayoral Committee Member for **Corporate Services and Human Resources**
Councillor M Nieuwoudt	Mayoral Committee Member for **Planning and Environment**
Councillor G Pascoe	Mayoral Committee Member for **Social Development**
Councillor DG Ras	Mayoral Committee Member for **Community Services**
Councillor S Sims	Mayoral Committee Member for **Housing**
Councillor JP Smith	Mayoral Committee Member for **Safety and Security Services**
Councillor E Thompson	Mayoral Committee Member for **Transport, Roads and Stormwater**
Councillor D Ximbi	Mayoral Committee Member for **Health**

MEMBERS OF THE AUDIT COMMITTEE

A Mahmood	Chairperson	
B Engelbrecht	Member	
M Burton	Member	(re-appointed March 2009)
R Schur	Member	(resigned February 2009)
K Moloko	Member	(appointed August 2009)
Z Manjra	Member	(appointed March 2009)

AUDITORS	The Auditor-General Business Connexion Building Ring Road, Century Boulevard **Century City** 7441	Private Bag X1 **Chempet** 7442
BANKERS	ABSA Bank 1st floor, Tijgerpark IV Willie van Schoor Drive **Tyger Valley** 7530	 PO Box 4453 **Tyger Valley** 7536
REGISTERED OFFICE	12 Hertzog Boulevard **Cape Town** 8000	PO Box 655 **Cape Town** 8000

CITY MANAGER	Achmat Ebrahim
CHIEF FINANCIAL OFFICER	Mike Richardson

COUNCIL MEMBERS OF THE CITY OF CAPE TOWN

COUNCILLOR/ALDERMAN

- Abdullah, R
- Abrahams, A
- Abrahams, AN
- Adams, F
- Adams, R
- Amira, D
- Anderson-Jardine, LO
- Arendse, MG
- Arendse, PS
- Arendse, SWP
- Ariefdien, M
- August, SN
- Bala-Mjobo, BV
- Baskiti, M
- Bent, NL
- Benya, L
- Bergh, AV
- Berry, EA
- Bester, N
- Bevu, MZ
- Bew, CB
- Billie, NE
- Bottoman, TN
- Booi, PT
- Brady, WE
- Bredenhand, JC
- Brenner, HI
- Britz, MT
- Brynard, CA
- Burger, JHH
- Cavanagh, GV
- Chapple, PH
- Christians, DJ
- Claasen, CPV
- Claassen, HM
- Clayton, CC
- Cortje-Alcock, BA
- Crous, AC
- D'Alton, DJ
- Daniels, CJ
- Dantile, PN
- Dase, NC
- Davids, MM
- Dudley, DK
- Dunn, LR
- Elese, D
- Erasmus, JF
- Esbach, BM
- Fienies, MM
- Fourie, A
- Frans, J
- Gabriel, NA
- Gabriel, PJ
- Gexa, NG
- Gophe, XO
- Gouws, PJH
- Green, AM
- Groenewald, E
- Gutuza, FS
- Gwangxu, X
- Haskin, GCR
- Hassiem, W
- Haywood, M
- Herron, BN
- Heuvel, JA
- Hill, PA
- Hlazo, MW
- Holderness, N
- Ipser, CW
- Iversen, I
- Jackson, B
- Jackson, IR
- Jacobs, BM
- Jacobs, J
- Jacobs, NA
- Jaftha, WD
- Jama, JS
- Jantjies, LEJ
- Jeffreys, CB
- Jelele, LD
- Jespersen, GA
- Joko, B
- Jones, M
- Joseph, D
- Justus, CR
- Kearns, F
- Kent, MEA
- Kinahan, OM
- Klaas, MN
- Klein, TD
- Kleinsmith, ME
- Kotyi, PN
- Kwayinto, EN
- Labase, MM
- Landingwe, NJ
- Lategan, KH
- Lee, BEH
- Le Roux, B
- Ludidi, MT
- Lukas, A
- Maboee, BE
- Mafilika, B
- Magwentshu, ND
- Makanda, MN
- March, GW
- Martin, FJ
- Matha, MS
- Matiwane, MP
- Matshikiza, AB
- Matshoba, MO
- Mavungavunga, VN
- Mawela, XG
- Maxakato, FH
- Mbaliswana, MG
- Mbonde, ME
- McKenzie, CL
- Mdluli, VV
- Mgodeli, P
- Mgxekeni, TM
- Middleton, JH
- Mini, GB
- Mkutswana, MA
- Mngxunyeni, PM
- Mocke, DV
- Mofoko, NM
- Morkel, GN
- Moshani, NA
- Mothuko, NC
- Mrawu, R
- Mthiya, TB
- Murudker, M
- Mxolose, WS
- Neilson, ID
- Nenzani, SM
- Ngamlana, TI
- Nieuwoudt, MJ
- Njamela, JG
- Ntamo, GT
- Ntloko, HN
- Ntongana, NE
- Ntotoviyane, C
- Nyanga, X
- O'Connell, RA
- Oliver, MJ
- Orrie, A
- Pascoe, GI
- Pearce, Y
- Pick, UE
- Plato, D
- Pretorius, IJ
- Pringle, SB
- Purchase, F
- Qually, DL
- Ras, DG
- Rau, R
- Raymond, FHL
- Ridder, JC
- Robinson, AC
- Ross, ND
- Rossouw, S
- Salwary, MI
- Sass, GM
- Schwella, W
- Serritslev, AM
- Sidinana, LT
- Sikhutshwa, TR
- Siljeur, GR
- Simons, JM
- Sims, S
- Sizani, FM
- Smit, D
- Smit, JD
- Smith, DR
- Smith, J
- Solizwe, MT
- Sonnenberg, EJ
- Sopaqa, MM
- Sotashe, X
- Steenkamp, FR
- Stemela, HP
- Tabisher, C
- Thomas, CR
- Thomas, GHJ
- Thompson, EL
- Thompson, TB
- Timm, G
- Traut, A
- Trout, TV
- Truter, B
- Tshambula, D
- Twigg, GG
- Tyhalisisu, VKT
- Van Dalen, B
- Van der Merwe, JFH
- Van der Walt, ML
- Van Rensburg, MJ
- Van Wyk, J
- Van Zyl, P
- Venter, JD
- Vlotman, B
- Vos, J
- Vuba, ST
- Walker, VM
- Watkyns, BRW
- Williams, DC
- Xazana, R
- Ximbi, DL
- Yiba, LPL
- Zuma, BA

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2009

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, as set out on pages 12 to 63 in terms of Section 126(1) of the Municipal Finance Management Act, and have accordingly signed the statements on behalf of the City.

I certify that the salaries, allowances and benefits of councillors as disclosed in Note 30 to these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

ACHMAT EBRAHIM
CITY MANAGER

DATE: 31 ***AUGUST 2009***

REPORT OF THE AUDITOR-GENERAL TO PROVINCIAL PARLIAMENT AND COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE CITY OF CAPE TOWN FOR THE YEAR ENDED 30 JUNE 2009

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the City of Cape Town which comprise the statement of financial position as at 30 June 2009, and the statement of financial performance, the statement of changes in net assets and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 60 to 124.

The accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act, 2008 (Act No. 2 of 2008) (DoRA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 126(3)(a) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.

4. I conducted my audit in accordance with the International Standards on Auditing read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the

6. Paragraph 11 *et seq.* of the Standards of Generally Recognised Accounting Practice, GRAP 1 *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by the City of Cape Town in this respect will be limited to reporting on non-compliance with this disclosure requirement.

   I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

7. In my opinion the financial statements present fairly, in all material respects, the financial position of the City of Cape Town as at 30 June 2009 and its financial performance and its cash flows for the year then ended, in accordance with Standards of GRAP and in the manner required by the MFMA and DoRA.

Emphasis of matters

Without qualifying my opinion, I draw attention to the following matters:

Restatement of corresponding figures

8. As disclosed in note 46.3 to the financial statements, the corresponding figures for 30 June 2008 have been restated as a result of, amongst others, an error discovered during 2009 related to the accrual of revenue from service charges and fines in the financial statements of the City of Cape Town at, and for the year ended, 30 June 2008.

Other matters

I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Unaudited supplementary schedules

9. The supplementary information set out on pages 125 to 131 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

Governance framework

10. The governance principles that impact the auditor's opinion on the financial statements are related to the responsibilities and practices exercised by the accounting officer and executive management and are reflected in the key governance responsibilities addressed below.

Key governance responsibilities

11. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:

No.	Matter	Y	N
Clear trail of supporting documentation that is easily available and provided in a timely manner			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.	▪	
Quality of financial statements and related management information			
2.	The financial statements were not subject to any material amendments resulting from the audit.		▪
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.	▪	
Timeliness of financial statements and management information			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines section 126 of the MFMA.	▪	
Availability of key officials during audit			
5.	Key officials were available throughout the audit process.	▪	
Development and compliance with risk management, effective internal controls and governance practices			
6.	**Audit committee**		
	• The municipality had an audit committee in operation throughout the financial year.	▪	
	• The audit committee operates in accordance with approved, written terms of reference.	▪	
	• The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.	▪	
7.	**Internal audit**		
	• The municipality had an internal audit function in operation throughout the financial year.	▪	
	• The internal audit function operates in terms of an approved internal audit plan.	▪	
	• The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA.	▪	
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.	▪	
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.	▪	
10.	The information systems were appropriate to facilitate the preparation of the financial statements.	▪	
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in section 62(1)(c)(i) of the MFMA.	▪	
12.	Delegations of responsibility are in place, as set out in section 79 of the MFMA.	▪	

No.	Matter	Y	N
Follow-up of audit findings			
13.	The prior year audit findings have been substantially addressed.		▪
14.	SCOPA/Oversight resolutions have been substantially implemented.	▪	
Issues relating to the reporting of performance information			
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.		▪
16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.		▪
17.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the municipality against its mandate, predetermined objectives, outputs, indicators and targets set out in section 68 of the MFMA.	▪	
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.	▪	

12. The material amendment to the annual financial statements relates to the omission of disclosure required by the supply chain management regulations. This material amendment was identified by the auditors during the audit and not the internal controls of the municipality. This situation could have led to a qualified opinion had the annual financial statements not been adjusted during the audit. An understanding of the financial reporting objectives must be created with staff of the municipality to mitigate the risks over financial reporting. Furthermore, there should also be a discipline to produce monthly financial statements and management information for review by management.

13. The implementation of audit recommendations requires improved monitoring and supervision by management.

14. With regard to performance information, the following matters require attention:

    The information system framework is not detailed enough to facilitate the preparation of a performance report that is accurate and complete. Furthermore, detailed standard operating procedures setting out the roles and responsibilities of all levels of staff involved in the collection and collation of performance information, from source document to reporting, has not been prepared and communicated throughout the entire municipality. This is indicative of a situation where adequate control processes and procedures were not designed and implemented to ensure the accuracy and completeness of reported performance information and adequate mechanisms were not established to monitor and review the performance management system as required by section 40 of the Municipal Systems Act, 2003.

Investigations

15. The City of Cape Town had commissioned forensic investigations into several possible fraudulent and /or irregular acts by officials and suppliers. The monetary amount of the highest priority cases totals R14,9 million.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on performance information

16. I have reviewed the performance information as set out on pages 146 to 167.

The accounting officer's responsibility for the performance information

17. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality, prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

The Auditor-General's responsibility

18. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* and section 45 of the MSA.

19. In terms of the foregoing my engagement included performing procedures of a review nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

20. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the findings reported below.

Findings on performance information

Usefulness and reliability of reported performance information

21. The following criteria were used to assess the usefulness and reliability of the information on the municipality's performance with respect to the objectives in its annual performance plan:

    - Consistency: Has the municipality reported on its performance with regard to its objectives, indicators and targets in its approved integrated plan?
    - Relevance: Is the performance information as reflected in the indicators and targets clearly linked to the predetermined objectives and mandate. Is this specific and measurable, and is the time period or deadline for delivery specified?
    - Reliability: Can the reported performance information be traced back to the source data or documentation and is the reported performance information accurate and complete in relation to the source data or documentation?

The following audit findings relate to the above criteria:

Reported performance information not reliable

22. The reported performance information for the municipality, for the objective and indicators selected for review, could not be confirmed due to the lack of formally documented processes for collecting and collating data from the original source data to the information recorded on an excel spreadsheet and reflected in the annual report. Furthermore, the performance information recorded in the excel spreadsheets are not authorised by the responsible managers at the different departments.

23. The four indicators that were reviewed under "percentage of households with access to basic levels of sanitation, water, electricity and solid waste removal", are not measurable and verifiable as it is not possible to adequately validate the processes and systems that produce the data for the indicators, as estimated figures were used.

24. The reported information in the annual report, for the objective and indicators selected for review, is materially inconsistent with the evidence obtained during the audit. The estimated figures reported by the different departments differ materially from figures obtained from the strategic and planning directorate and from the actual figures reflected on the SAP system.

OTHER REPORTS

Special audits

25. As requested by the municipality, an agreed-upon procedures engagement was conducted during the year under review related to the municipality's Domestic Medium-Term Note Programme and the second issue of notes thereto. The procedures performed were in terms of the listing requirements as stipulated by the Bond Exchange of South Africa, and included amongst others, a review of the compliance with the Municipal Regulations on Debt Disclosure issued in terms of the Municipal Finance Management Act (Act no. 56 of 2003) and accuracy of the information presented in the pricing supplement supplied to prospective subscribers of the notes. The report covered information presented in the annual report for 30 June 2008 and was submitted to the municipality on 12 June 2009.

APPRECIATION

26. The assistance rendered by the staff of the City of Cape Town during the audit is sincerely appreciated.

Auditor General

Cape Town

12 January 2010

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

	Note	2009 R'000	2008 R'000
ASSETS			
Non-current assets		16 834 824	12 846 342
Property, plant and equipment	2	16 316 621	12 142 997
Investment property	3	91 546	95 076
Intangible assets	4	32 821	20 083
Investments	6	236 143	390 218
Long-term receivables	7	157 693	197 968
Current assets		7 194 601	7 261 489
Assets classified as held-for-sale	5	-	242
Inventory	8	193 351	216 340
Trade receivables	9	2 744 102	2 292 286
Other receivables	10	407 104	346 278
Investments	6	1 196 576	3 221 903
Current portion of long-term receivables	7	21 517	16 949
Current portion of derivative financial instruments		-	8 664
Cash and cash equivalents	11	2 631 951	1 158 827
TOTAL ASSETS		24 029 425	20 107 831
LIABILITIES			
Non-current liabilities		6 423 138	5 449 546
Long-term borrowings	12	3 811 963	3 047 812
Provisions	13	2 611 175	2 400 457
Derivative financial instruments		-	1 277
Current liabilities		5 113 890	5 302 075
Consumer deposits	14	235 526	237 591
Provisions	15	540 789	556 019
Payables	16	2 822 590	2 389 634
Unspent conditional grants and receipts	17	889 821	1 562 884
VAT	18	145 302	145 308
Current portion of long-term borrowings	12	475 484	409 239
Current portion of derivative financial instruments		4 378	1 400
Total liabilities		11 537 028	10 751 621
NET ASSETS			
Total net assets		12 492 397	9 354 210
Housing development fund	19	510 851	490 354
Reserves	20	1 776 549	1 569 576
Capital replacement reserve		1 042 091	908 673
Self-insurance reserve		734 458	660 903
Accumulated surplus	21	10 204 997	7 296 280
TOTAL NET ASSETS AND LIABILITIES		24 029 425	20 107 831

THIS CITY WORKS FOR YOU

BUDGET 2008 R'000	BUDGET 2009 R'000		Note	ACTUAL 2009 R'000	ACTUAL 2008 R'000
		REVENUE			
3 136 000	3 381 612	Property rates	22	3 240 604	3 258 741
5 702 689	7 049 733	Service charges	23	6 943 215	5 813 617
239 405	212 340	Rental of letting stock and facilities	24	219 609	214 370
407 946	483 289	Finance income	25	656 733	535 703
161 018	170 998	Fines		183 283	158 469
32 042	33 212	Licences and permits		31 337	31 037
110 828	115 993	Income for agency services		109 222	112 654
1 859 501	2 253 222	Government grants and subsidies: operating	26	2 273 951	1 717 988
2 981 456	2 981 458	Government grants and subsidies: capital	26	2 900 886	1 275 656
229 955	215 729	Other income	27	195 685	293 551
-	96 357	Donated property, plant and equipment	28	69 424	55 892
43 853	41 794	Gains on disposal of property, plant and equipment		183 491	47 870
14 904 693	**17 035 737**	**Total revenue**		**17 007 440**	**13 515 548**
		EXPENDITURE			
3 485 980	4 854 663	Employee-related costs	29	4 537 568	4 042 510
70 648	79 279	Remuneration of councillors	30	77 629	70 935
566 571	786 668	Impairment costs	31	902 900	743 652
148 875	167 847	Collection costs		159 579	143 935
870 807	945 418	Depreciation and amortisation expense	32	733 726	774 709
1 210 242	839 450	Repairs and maintenance	33	908 297	785 254
311 703	390 586	Finance costs	34	406 570	292 765
2 164 272	2 899 316	Bulk purchases	35	2 880 965	2 141 514
599 439	646 609	Contracted services		674 675	596 506
84 273	126 703	Grants and subsidies paid	36	125 142	81 919
2 338 939	2 612 190	General expenses	37	2 460 710	2 382 694
24	31	Loss on disposal of property, plant and equipment		3 492	1 613
11 851 773	**14 348 760**	**Total expenditure**		**13 871 253**	**12 058 006**
3 052 920	**2 686 977**	**Surplus from operations**		**3 136 187**	**1 457 542**
3 052 920	**2 686 977**	**SURPLUS FOR THE YEAR**		**3 136 187**	**1 457 542**

	HOUSING DEVELOPMENT FUND	CAPITAL REPLACEMENT RESERVE	SELF-INSURANCE RESERVE	ACCUMULATED SURPLUS	TOTAL
	R'000	R'000	R'000	R'000	R'000
2008					
Balance as at 30 June 2007	532 225	807 493	549 935	1 224 439	3 114 092
Correction of prior year accounting policy adjustment				4 786 423	4 786 423
Restated balance at 01 July 2007	**532 225**	**807 493**	**549 935**	**6 010 862**	**7 900 515**
Restated surplus for the year				**1 457 542**	
Surplus at 30 June 2007- previously reported				478 386	478 386
Government capital grants recognised as revenue				1 275 656	1 275 656
Reversal of deferred income recognised as revenue				(324 261)	(324 261)
Correction of prior year error				(174 711)	(174 711)
Correction of prior year accounting policy adjustment				202 472	202 472
Correction of prior year deferred income				(4 307)	(4 307)
Transfer to/(from)	(15 901)	651 761	110 968	(744 368)	2 460
Property, plant and equipment purchased	(25 970)	(550 581)		576 551	-
Balance at 30 June 2008 - refer to Note 45	**490 354**	**908 673**	**660 903**	**7 296 280**	**9 356 210**
2009					
Net surplus for the year				3 136 187	3 136 187
Transfer to	51 556	554 189	73 555	(679 300)	-
Property, plant and equipment purchased	(31 059)	(420 771)		451 830	-
Balance at 30 June 2009	**510 851**	**1 042 091**	**734 458**	**10 204 997**	**12 492 397**

	Note	2009 R'000	2008 R'000
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		15 237 601	13 533 514
Cash paid to suppliers and employees		(11 955 348)	(10 030 976)
Cash generated from operations	38	3 282 253	3 502 538
Finance income		404 132	261 317
Finance costs		(384 107)	(271 461)
NET CASH FROM OPERATING ACTIVITIES		3 302 278	3 492 394
CASH FLOW FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(5 060 341)	(3 119 746)
Proceeds on disposal of property, plant and equipment and intangible assets		187 505	59 981
Decrease in assets held-for-sale		242	738
Decrease in non-current receivables		35 707	84 041
(Increase) / Decrease in investments		2 179 402	(1 027 192)
NET CASH FROM INVESTING ACTIVITIES		(2 657 485)	(4 002 178)
CASH FLOW FROM FINANCING ACTIVITIES			
New loans raised and interest capitalised		1 240 230	1 432 651
Loans repaid		(409 834)	(224 538)
Increase / (Decrease) in consumer deposits		(2 065)	23 142
NET CASH FROM FINANCING ACTIVITIES		828 331	1 231 255
NET INCREASE IN CASH AND CASH EQUIVALENTS	39	**1 473 124**	**721 471**
Cash and cash equivalents at the beginning of the year		1 158 827	437 356
Cash and cash equivalents at the end of the year		**2 631 951**	**1 158 827**

1. STATEMENT OF ACCOUNTING POLICIES

The following are the principal accounting policies of the City of Cape Town, which are, in all material respects, consistent with those applied in the previous year except as stated in note 45. The historical cost convention has been used, except where indicated otherwise. Management has used assessments and estimates in preparing the annual financial statements – these are based on the best information available at the time of preparation. The financial statements have been prepared on a going concern basis.

1.1. ADOPTION OF NEW AND REVISED STANDARDS

In the current year, the City has adopted all new and revised standards and interpretations issued by the Accounting Standards Board that are relevant to its operations and effective. The adoption of these new and revised standards and interpretations has resulted in changes to the accounting policies.
A number of new standards are not yet effective for the year ended 30 June 2009, and are presented below:

GRAP 18 – Segment Reporting
GRAP 21 – Impairment of non-cash generating assets
GRAP 23 – Revenue from Non-exchange Transactions
GRAP 24 – Presentation of Budget Information in Financial Statements
GRAP 26 – Impairment of cash generating assets
GRAP 103 – Heritage Assets

All the above standards, where applicable, will be complied with in the financial statements once the effective date has been set. Preliminary investigations indicated that the impact of the standards on the financial statements will be minimal except for additional disclosures.

1.2. BASIS OF PRESENTATION

The financial statements have been prepared in accordance with the standards of Generally Recognised Accounting Practices (GRAP), issued by the Accounting Standards Board (ASB) and approved by the Minister of Finance as effective.

During the year under review, the ASB issued a directive which replaced a government gazette with the result that the GRAP Reporting Framework hierarchy as set out in the standard of GRAP 3 on Accounting Policies, *Changes in Accounting Estimates and Errors* becomes now the effective determination.

Where a Standard of GRAP is approved as effective, it replaces the equivalent Statement of IPSAS, IFRS or SA GAAP. Where a standard of GRAP has been issued, but not yet in effect, an entity may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying paragraph .12 of the Standard of GRAP on Accounting Policies, *Changes in Accounting Estimates and Errors*.

In the process of applying the City's accounting policies, management has made the following significant accounting judgments, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

- **Operating lease commitments – City as lessor**

  City has entered into commercial property leases on its investment property portfolio. The City has determined that it retains all the significant risks and rewards of ownership of these properties, and so accounts for them as operating leases.

- **Pension and other post-employment benefits**

  The cost of defined benefit pension plans and other employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

- **Impairment of trade receivables**

  The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

- **Property, plant and equipment**

  The useful lives of assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

- **Provisions and contingent liabilities**

  Management judgement is required when recognising and measuring provisions, and when measuring contingent liabilities, as set out in note 13 and 47.2 respectively. Provisions are discounted where the effect of discounting is material using actuarial valuations.

- **Held-to-maturity financial assets**

  Management has reviewed the held-to-maturity financial assets in the light of its capital management and liquidity requirements, and has confirmed the positive intention and ability to hold those assets to maturity.

1.3. HOUSING FUNDS

The Housing Development Fund was established in terms of the Housing Act (Act No. 107 of 1997).

1.3.1 Housing development fund

Sections 15(5) and 16 of the Housing Act, (Act 107 of 1997), which came into operation on 1 April 1998, required that the City maintain a separate housing operating account. This legislated separate operating account is known as the Housing Development Fund.

The Housing Act also requires in terms of Section 14(4)(d)(ii)(aa), read with, inter alia, Section 16(2), that the net proceeds of any letting, sale or alienation of property, previously financed from government housing funds, be paid into a separate operating account, and be utilised by the City for housing development in accordance with the National Housing Policy.

The following provisions are set for the creation and utilisation of the Housing Development Fund:

- The Housing Development Fund is cash backed, and invested in accordance with the investment policy of the City.
- The proceeds in this fund are utilised for housing development in accordance with the National Housing Policy, and also for housing development projects approved by the MEC for Housing.
- Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets.
- Interest earned on the investments of the fund is disclosed as interest earned in the Statement of Financial Performance.

1.3.2 Unrealised housing proceeds

In order to comply with Section 14(4)(d)(i) and (ii) of the Housing Act, (Act 107 of 1997) where all net proceeds need to be paid into the Housing Development Fund, it was necessary to create a holding account which represents the unrealised funds due by long-term housing selling developments and sponsored loan debtors. This account is reduced when debtors are billed for their current loan repayments.

1.4. RESERVES

The City creates and maintains reserves in terms of specific requirements.

1.4.1 Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR in terms of delegated powers.

The following provisions are set for the creation and utilisation of the CRR:

- The cash funds that back up the CRR are invested until utilised. The cash may only be invested in accordance with the investment policy of the City.
- The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment, and may not be used for the maintenance of these items.
- Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR, and the accumulated surplus is credited by a corresponding amount.
- If a profit is made on the sale of assets other than land, the profit on these assets is reflected in the Statement of Financial Performance, and is then transferred via the Statement of Changes in Net Assets to the CRR, provided that it is cash backed. Profit on the sale of land is not transferred to the CRR, as it is regarded as revenue.

1.4.2 Insurance reserve

A general insurance reserve has been established and, subject to re-insurance where deemed necessary, it covers claims that may occur. Premiums are charged to the respective services, taking into account claims history and replacement value of the insured assets.

Reinsurance premiums paid to external re-insurers are regarded as an expense, and are shown as such in the Statement of Financial Performance. The net surplus or deficit on the insurance operating account is transferred to or from the Insurance Reserve via the Statement of Changes in Net Assets.

The balance of the Self-insurance Reserve is invested in short-term cash investments. Interest earned on the Insurance Reserve is recorded as interest earned in the Statement of Financial Performance, and is transferred to the Insurance Reserve via the Statement of Changes in Net Assets as a contribution.

An actuarial valuation is obtained each year to assess the adequacy of the Insurance Reserve at year-end.

1.4.3 Compensation for Occupational Injuries and Diseases Reserve (COID)

The City has been exempted from making contributions to the Compensation Commissioner for Occupational Injuries and Diseases in terms of Section 84 of the COID Act.

The certificate of exemption issued by the Commissioner, and as prescribed by the Compensation for Occupational Injuries and Diseases Act (No. 130 of 1993), requires that the City deposit cash and/or securities with the Commissioner, the market values of which in aggregate shall not be less than the capitalised value of the continuing liability of the City as at 31 December of each year.

The continuing liability is that of annual pensions, the capitalised value of which is determined on the basis of an actuarial determination prescribed by the Commissioner. A COID reserve has been established to equate to the value of the continuing liability. The market value of the securities is determined annually by the Commissioner, and the City is required to meet any shortfall in the aggregate value of the securities as at 31 December. Monthly pensions are funded by transferring funds out of the reserve to the expense account in the Statement of Financial Performance.

1.5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and impairment, or at fair value where assets have been acquired by grant or donation.

Heritage assets, which are culturally significant resources and are shown at cost, are not depreciated, owing to the uncertainty regarding their estimated useful lives. Land is also not depreciated, as it is deemed to have an indefinite life.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the assets are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the originally assessed standard of performance, it is regarded as repairs and maintenance, and is expensed.

The City maintains and acquires assets to provide a social service to the community, with no intention of disposing of the assets for any economic gain, and thus no residual values are determined other than for motor vehicles.

The gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value, and is recognised in the Statement of Financial Performance.

1.5.1 Depreciation rates

Depreciation is calculated on cost, using the straight-line method, over the estimated useful lives of the assets. The residual value, depreciation method and useful life, if not insignificant, are reassessed annually. The depreciation rates are based on the following estimated useful lives:

	Years		Years
Infrastructure		**Other**	
Roads and paving	10-50	Buildings	20 - 50
Electricity	20-30	Specialist vehicles	10 - 20
Water	15-30	Other vehicles	8
Sewerage	15-20	Office equipment	5
Housing	30	Furniture and fittings	10
Community		Watercraft	10
Recreational facilities	20-30	Bins and containers	5
Security	5-10	Plant and equipment	5 - 10
		Landfill sites	30

Assets under construction are carried at cost. Depreciation of an asset commences when the asset is ready for its intended use. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or, where appropriate, the term of the relevant lease.

1.5.2 Impairment of property, plant and equipment

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.6. INVESTMENT PROPERTIES

Investment properties are held to earn rental income, and for capital appreciation, and are stated at cost less accumulated depreciation. Investment properties are written down for impairment where considered necessary. Investment property excludes owner-occupied property that is used in the production or supply of goods or services, or for administrative purposes, or property held to provide a social service.

Investment property other than vacant land is depreciated on the straight-line basis over the useful lives of the assets estimated at 20 to 30 years.

1.7. INTANGIBLE ASSETS

An intangible asset is defined as an identifiable non-monetary asset without physical substance, held for use in the production or supply of goods or services, for rental to others, or for administrative purposes.

The City recognises computer development software costs as intangible assets if the costs are clearly associated with an identifiable and unique system controlled by the City, and have a probable benefit exceeding one year. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

Direct computer software development costs recognised as assets are amortised on the straight-line basis over the useful lives of the assets estimated at three to five years.

1.8. NON-CURRENT ASSETS HELD-FOR-SALE

Non-current assets and disposal groups are classified as held-for-sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition applies only when the sale is highly probable, and the asset (or disposal group) is available for immediate sale in its present condition. Assets classified as held-for-sale are measured at the lower of the asset's carrying amount or fair value less cost to sell.

1.9. FINANCIAL INSTRUMENTS

Financial instruments are recognised when the City becomes a party to the contractual provisions of the instrument, and are initially measured at fair value plus, in the case of a financial asset or liability not at fair value through the Statement of Financial Performance, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability. The subsequent measurement of financial instruments is dealt with as follows:

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred, and the City has transferred substantially all risks and rewards of ownership, or when the enterprise loses control of contractual rights that comprise the assets. Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or expires.

1.9.1 Financial assets

The City classifies its financial assets into the following categories:

- held-to-maturity.
- loans and receivables.
- available-for- sale; and
- fair value through profit and loss.

The classification depends on the purpose for which the financial asset is acquired, and is as follows:

- Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity, where the City has the positive intent and ability to hold the investment to maturity. They are subsequently measured at amortised cost, using the effective interest rate method. Any adjustment is recorded in the Statement of Financial Performance in the period in which it arises.
- Loans and receivables are financial assets that are created by providing money, goods or services directly to a debtor. They are subsequently measured at amortised cost, using the effective interest rate method. Any adjustment is recorded in the Statement of Financial Performance in the period in which it arises.
- Available-for-sale financial assets are financial assets that are designated as available for sale, and are subsequently measured at fair value at Statement of Financial Position date, except for investments in equity instruments that do not have quoted market prices in an active market, and whose fair value cannot be reliably measured, which shall be measured at cost. Any adjustment is recorded in the Statement of Changes in Net Assets in the period in which it arises. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. The fair value of financial instruments classified as available-for-sale is their quoted bid price at the Statement of Financial Position date.
- Fair value through profit and loss financial assets include derivative financial instruments used by the City to manage its exposure to fluctuations in interest rates attached to certain of its external borrowings interest swap agreements. Any fair value adjustment is recorded in the Statement of Financial Performance in the period in which it arises. To the extent that a derivative instrument has a maturity period of longer than a year, the fair value of these instruments will be reflected as a non-current asset or liability, and is subsequently measured at fair value at Statement of Financial Position date.

An assessment is performed at each Statement of Financial Position date to determine whether objective evidence exists that a financial asset is impaired. The carrying amounts of cash investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the Statement of Financial Performance.

1.9.2 Financial liabilities

The City measures all financial liabilities, including trade and other payables, at amortised cost, using the effective interest rate method. Financial liabilities include borrowings, other non-current liabilities (excluding provisions) and trade and other payables (excluding provisions). Interest-bearing external loans and bank overdrafts are recorded net of direct issue costs. Finance charges, including premiums payable, are accounted for on an accrual basis.

1.9.3 Trade payables and other

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

1.9.4. Trade and other receivables

Trade and other receivables are recognised initially at fair value, which approximates amortised cost, less provision for impairment. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off in the year in which they are identified as irrecoverable, subject to the approval of the necessary delegated authority. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of trade receivables is established when there is objective evidence that the City will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Interest is charged on overdue amounts.

1.10. INVENTORIES

Inventories consist of raw materials, work in progress, consumables and finished goods, which are valued at the lower of cost, determined on the weighted average basis, and net realisable value, except for plants and compost, which are valued at the tariffs charged. Where it is held for distribution or consumption at no charge or for a nominal amount, inventories are valued at the lower of cost and current replacement value.

Cost of inventories comprises all costs of purchase, cost of conversion, and other costs incurred in bringing the inventories to their present location and condition.

Redundant and slow moving inventories are identified and written down to their estimated net realisable values. Consumables are written down according to their age, condition and utility.

1.11. REVENUE RECOGNITION

Revenue is recognised net of indirect taxes, rebates and trade discounts, and consists primarily of rates, grants from National and Provincial Government, service charges, rentals, interest received and other services rendered. Revenue is recognised when it is probable that future economic benefits or services potential will flow to the City and these benefits can be measured reliably. Revenue arising from the application of the approved tariff charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

1.11.1 Revenue from exchange transactions

1.11.1.1 Service charges relating to solid waste, sanitation and sewage are levied in terms of the approved tariffs.

1.11.1.2 Service charges relating to electricity and water are based on consumption. Meters are read on a periodic basis, and revenue is recognised providing that the benefits can be measured reliably. Estimates of consumption are made every alternative month on the basis of consumption history. Such estimated consumption is recognised as income when invoiced and adjusted every following month that the meter is read. An accrual on the basis of a determined consumption factor is made for consumption not measured as at the end of the financial year.

1.11.1.3 Services provided on a prepayment basis is recognised at the point of sale. An adjustment for an unutilised portion is made at year end based on the average consumption history.

1.11.1.4 Income in respect of housing rental and instalment sale agreements is accrued monthly.

1.11.1.5 Interest earned on investments is recognised in the Statement of Financial Performance on a time proportionate basis, which takes into account the effective yield on the investment. Interest may be transferred from the accumulated surplus to the Housing Development Fund or the Insurance Reserve.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on trust funds is allocated directly to the fund.
- Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

1.11.1.6 Dividends are recognised when the City's right to receive payment is established.

1.11.1.7 Income for agency services is recognised on a monthly basis once the income collected on behalf of agents is earned. The income is recognised in terms of the agency agreement.

1.11.1.8 Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The City has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The City retains neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.
- Prepaid electricity sold is only recognised as income once the related units are consumed.

1.11.2 Revenue from non-exchange transactions

1.11.2.1 Revenue from rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable.

A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers, and are deducted from revenue.

1.11.2.2 Fines constitute both spot fines and summonses. Revenue from spot fines and summonses are recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

1.11.2.3 Donations are recognised on a cash receipt basis, or at fair value, or where the donation is in the form of property, plant and equipment, when the risks or rewards of ownership have transferred to the City.

1.11.2.4 Income from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No 56 of 2003), and is recognised when the recovery thereof from the responsible councillors or officials is probable.

1.12. OFFSETTING

Financial assets and liabilities are offset and the net amount reported on the Statement of Financial Position when there is a legally enforceable right to set off the recognised amount, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.13. CONDITIONAL GRANTS AND RECEIPTS

Income received from conditional grants, donations and subsidies is recognised to the extent that the City has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised and funds invested until it is utilised.

Interest earned on the investment is treated in accordance with grant conditions.

1.13.1 Grants and receipts of a revenue nature

Income is transferred to the Statement of Financial Performance as revenue to the extent that the criteria, conditions or obligations have been met.

1.13.2 Grants and receipts of a capital nature

Income is transferred to the Statement of Financial Performance to the extent that the criteria, conditions or obligations have been met.

1.14. PROVISIONS

A provision is recognised when the City has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost.

1.15. ENVIRONMENTAL REHABILITATION PROVISIONS

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the City's policy, taking into account current technological, environmental and regulatory requirements.

The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

1.16. CASH AND CASH EQUIVALENTS

Cash includes cash on hand, cash with banks, and call deposits. Cash equivalents are short-term bank deposits with a maturity of three months or less from inception, readily convertible to cash without significant change in value.

For the purposes of the Cash-Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any bank overdrafts.

1.17. EMPLOYEE BENEFITS

1.17.1 Retirement benefit plans

The City provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

Defined benefit plans are post-employment benefit plans other than defined contribution plans. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable.

1.17.2 Post-retirement pension funds

Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The City contributes monthly to the funds.

These contributions are charged to the operating account when employees have rendered the service entitling them to the contribution. Actuarial valuation of the liability is performed on an annual basis. The projected unit credit method has been used to value the liabilities.

The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation, together with adjustments for the unrecognised actuarial gains and losses, and past service costs.

Actuarial gains or losses are accounted for using the 'corridor method'. Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10% of the present value of the gross defined benefit obligations in the scheme. Actuarial gains and losses exceeding 10% are spread over the expected average remaining working lives of the employees participating in the scheme. Actuarial valuations are performed annually.

1.17.3 Medical aid: continued members

The City provides post-retirement benefits by subsidising the medical aid contributions of certain retired staff. According to the rules of the medical aid funds with which the City is associated, a member (who is on the current conditions of service) on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is liable for 30% of the medical aid membership fee, and the City for the remaining 70%. Under an accrued rights position agreed to by Council, the age of internally appointed staff under the City's new conditions of service determines, on a sliding-scale basis, the post-retirement subsidy for medical aid. External appointments do not qualify for a post-retirement medical aid subsidy.

These contributions are charged to the operating account when employees have rendered the service entitling them to the contribution. In addition, the City will contribute annually for the next five years, with effect from 1 July 2003, towards funding the unrecognised transitional liability that was calculated by means of the projected unit credit actuarial valuation method.

The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation, together with adjustments for the unrecognised actuarial gains and losses, and past service costs.

Actuarial gains or losses are accounted for using the 'corridor method'. Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10% of the present value of the gross defined benefit obligations in the scheme. Actuarial gains and losses exceeding 10% are spread over the expected average remaining working lives of the employees participating in the scheme. Actuarial valuations are performed annually.

1.17.4 Short-term and long-term employee benefits

The cost of all short-term employee benefits, such as leave pay, is recognised during the period in which the employee renders the related service. The City recognises the expected cost of performance bonuses only when the City has a present legal or constructive obligation to make such payment, and a reliable estimate can be made.

The City provides long-term incentives to eligible employees, payable on completion of years of employment. The City's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of Financial Performance.

1.18. LEASES

1.18.1 The City as lessee

1.18.1.1 Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the City.

Assets subject to finance lease agreements are capitalised at their cash cost equivalent, and the corresponding liabilities are raised. The cost of the assets is depreciated at appropriate rates on the straight-line basis over the estimated useful lives of the assets. Lease payments are allocated between the lease finance cost and the capital repayment, using the effective interest rate method. Lease finance costs are expensed when incurred.

1.18.1.2 Operating leases are those leases that do not fall within the scope of the above definition. Payments made under operating leases are charged to the Statement of Financial Performance on a straight-line basis over the period of the lease.

1.18.2 The City as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

1.19. GRANTS-IN-AID

The City transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the City does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

1.20. VALUE-ADDED TAX

The City accounts for value-added tax on the payment basis.

1.21. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998), or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain, and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.24. FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are initially accounted for at the rate of exchange ruling on the date of the transaction. Trade creditors denominated in foreign currency are reported at balance sheet date by applying the exchange rate at that date. Exchange differences arising from the settlement of creditors, or on reporting of creditors at rates different from those at which they were initially recorded during the period, are recognised as income or as expenses in the period in which they arise.

1.25. BORROWING COSTS

Borrowing costs are capitalised against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalised over the period during which the asset is being acquired or constructed, and borrowings have been incurred. Capitalisation ceases when construction of the asset is complete. Further borrowing costs are charged to the Statement of Financial Performance.

1.26. COMPARATIVE INFORMATION

Comparative figures are re-classified or restated as necessary to afford a proper and more meaningful comparison of results, as set out in the affected notes to the financial statements.

2. *PROPERTY, PLANT AND EQUIPMENT*

	Opening Balance R'000	Transfers/ Adjustments R'000	Additions R'000	Disposals R'000	Depreciation R'000	Impairment R'000	Carrying value R'000
As at 30 June 2009							
Land and buildings	1 419 737	107 377	299 705	(370)	(78 339)	(136 022)	1 612 088
Infrastructure	6 525 241	(17 122)	2 228 295	-	(317 273)	-	8 419 141
Community	1 954 680	(47 353)	1 885 368	-	(14 544)	-	3 778 151
Heritage	9 145	(394)	704	(15)	-	-	9 440
Leased assets	161 453	(745)	-	-	(27 004)	-	133 704
Other	1 415 407	(46 737)	608 142	(6 770)	(246 824)	(261)	1 722 957
Housing rental developments	657 334	1 151	9 660	(687)	(26 318)	-	641 140
TOTAL	**12 142 997**	**(3 823)**	**5 031 874**	**(7 842)**	**(710 302)**	**(136 283)**	**16 316 621**

(refer Appendix B for more detail)

	Opening Balance R'000	Transfers/ Adjustments R'000	Additions R'000	Disposals R'000	Depreciation R'000	Impairment R'000	Carrying value R'000
As at 30 June 2008							
Land and buildings	1 420 434	50 241	73 309	(38)	(90 483)	(33 726)	1 419 737
Infrastructure	5 676 153	(23 027)	1 262 804	-	(390 689)	-	6 525 241
Community	794 877	(24 981)	1 198 624	(171)	(13 669)	-	1 954 680
Heritage	6 646	60	2 452	(13)	-	-	9 145
Leased assets	188 507	(3)	-	-	(27 051)	-	161 453
Other	1 137 858	(83 705)	549 867	(5 285)	(183 328)	-	1 415 407
Housing rental developments	565 988	73 960	31 373	(797)	(11 907)	(1 283)	657 334
TOTAL	**9 790 463**	**(7 455)**	**3 118 429**	**(6 304)**	**(717 127)**	**(35 009)**	**12 142 997**

The leased property, plant and equipment are encumbered as set out in note 12. Provision has been made for the estimated cost of rehabilitation of waste sites, included in other assets, as described in note 13.

The City is required to measure the residual value of an item of property, plant and equipment. Management has determined that all of its infrastructural assets have no active market value, and the value of the amount at the end of its life would therefore be nil or insignificant. During the current financial year, the City reviewed the estimated useful lives and residual values of property, plant and equipment where appropriate.

Fully depreciated assets at an original cost of R1.54 billion are still currently in use.

3. *INVESTMENT PROPERTY*

	Opening Balance R'000	Transfers/ Adjustments R'000	Additions R'000	Depreciation R'000	Carrying value R'000
As at 30 June 2009					
Vacant land	38 409	(43)	-	-	38 366
Land and buildings	56 667	148	806	(4 441)	53 180
TOTAL	**95 076**	**105**	**806**	**(4 441)**	**91 546**

(refer Appendix B for more detail)

	Opening Balance R'000	Transfers/ Adjustments R'000	Additions R'000	Depreciation R'000	Carrying value R'000
As at 30 June 2008					
Vacant land	38 388	21	-	-	38 409
Land and buildings	61 080	1	-	(4 414)	56 667
TOTAL	**99 468**	**22**	**-**	**(4 414)**	**95 076**

Rental income has been received on various properties during the year. Fair value is determined from property sales statistics, and is the basis for property valuations for rating purposes.

Property valuations are conducted by mandated professionally qualified valuers. These valuations were used as basis for disclosure. The fair value of the investment properties amounted to R414.00 million (2008: R321.27 million).

4. INTANGIBLE ASSETS

	Opening Balance R'000	Transfers/ Adjustments R'000	Additions R'000	Amortisation R'000	Carrying value R'000
As at 30 June 2009					
Computer software (acquired separately)	**20 083**	**4 060**	**27 661**	**(18 983)**	**32 821**
(refer Appendix B for more detail)					
As at 30 June 2008					
Computer software (acquired separately)	**71 920**	-	**1 317**	**(53 154)**	**20 083**

The capitalised computer software was estimated to have a finite life of five years at acquisition. The software is amortised using the straight-line method over a period of 5 years.

5. ASSETS HELD-FOR-SALE

	Opening Balance R'000	Transfers/ Adjustments R'000	Depreciation R'000	Carrying value R'000
As at 30 June 2009				
Land held for sale	**242**	**(242)**	**-**	**-**
(refer Appendix B for more detail)				
As at 30 June 2008				
Land held for sale	**385**	**(129)**	**(14)**	**242**

Various properties have been presented as held-for-sale following a Council decision to dispose of properties no longer required for municipal purposes. These properties are identified for sale as and when the need arises. These transactions are expected to yield income of approximately R141.00 million, and should be concluded by 2012.

	2009 R'000	2008 R'000
6. INVESTMENTS		
6.1 Held-to-maturity		
6.1.1. Listed		
RSA Government stock at amortised cost	37 374	31 650
6.1.2 Unlisted		
Sinking fund deposits - note 40	416 537	514 549
Other fixed deposits	3 383 974	4 012 089
Provision for impairment	(9 616)	(14 800)
Total unlisted	3 790 895	4 511 838
Total held-to-maturity	3 828 269	4 543 488
Current portion included in short-term investments	(1 196 576)	(3 221 903)
Current portion included in cash and cash equivalents - refer note 11	(2 434 318)	(970 135)
TOTAL	**197 375**	**351 450**

Collateral deposits for staff housing loans
Included in other fixed deposits (unlisted investments) above are fixed deposits with a carrying value of R0.47 million (2008: R0.69 million) which were pledged as security deposits for securing staff home loans with financial institutions.

These pledges are repaid as soon as the employees' outstanding home loan balance is below 80% of the approved loan amount. The City has not issued fixed deposits as security since the year 2000. The City's exposure to risk is minimised by an assurance policy taken out by the employee, and ceded to the City to cover the guaranteed deposit.

	2009 R'000	2008 R'000
6.2 Available-for-sale		
6.2.1 Unlisted		
Investment in municipal entities at cost:		
Cape Town International Convention Centre (Pty) Ltd (Convenco)	284 000	284 000
Provision for impairment	(245 232)	(245 232)
Total unlisted	38 768	38 768

The carrying amount of the City's investment in Convenco, R284.00 million, has been compared with its share of the present value of Convenco's estimated future cash flows, discounted at a market related rate of interest. As at 30 June 2009 this calculation yields an impairment loss of R230.16 million which is less than the impairment loss of R245.23 million recognised at 30 June 2007. In accordance with Section 66 of IAS39, an impairment loss previously recognised cannot be reversed; the impairment provision at 30 June 2009 is therefore maintained at R245.23 million.

	2009 R'000	2008 R'000
Investment in Cape Town Community Housing Company (Pty) Ltd:		
Cape Town Community Housing Company (Pty) Ltd	-	-
Original investment at cost	2 500	26 289
Amounts previously written off	-	(10 000)
Provision for impairment	(2 500)	(16 289)
TOTAL	-	-
Total available-for-sale	**38 768**	**38 768**
TOTAL INVESTMENTS	**236 143**	**390 218**

7. *LONG-TERM RECEIVABLES*

	2009 R'000	2008 R'000
Loans to employees	2 261	3 719
Sporting bodies	1 672	1 928
Housing land sales	6 320	-
	27 433	29 268
Public organisations	31 652	33 100
Provision for impairment	(4 219)	(3 832)
	141 524	179 988
Housing selling development loans	242 626	264 688
Provision for impairment	(101 102)	(84 700)
Other: Road widening	-	14
	179 210	214 917
Current portion transferred to current receivables	(21 517)	(16 949)
TOTAL	**157 693**	**197 968**
Reconciliation of impairment provision		
Balance at beginning of the year	88 532	41 876
Transfers to provisions	16 789	46 656
Balance as at 30 June	**105 321**	**88 532**

Loans to employees

Staff were entitled to various loans, such as car and computer loans, which attract interest at 8% to 17% per annum, and are repayable over a maximum period of six years. These loans were granted before the implementation of the MFMA and are repayable by 2010.

Public organisations

Loans to public organisations are granted in terms of the National Housing Policy. At present, these loans attract interest at 1% (buildings) and 11.25% (infrastructure), and are repayable over 30 years.

Sporting bodies

To facilitate the development of sporting facilities loans were made to provide the necessary financial assistance. These loans attract interest at a rate of 4% to 19% per annum and are repayable over a maximum period of 20 years.

Housing selling development loans
Housing loans were granted to qualifying individuals in terms of the National Housing Policy. These loans currently attract interest at 13.5% per annum, and are repayable over 20 years. The interest rate is determined as per Council policy.

Road widening
A loan was made to a ratepayer for the amount due by him in respect of the construction of a road. This loan attracts interest at a rate of 15% per annum, and is repayable over a maximum period of 10 years.

	2009 R'000	2008 R'000
8. *INVENTORY*		
Consumable stores	159 628	175 683
Medical supplies	1 014	1 210
Spare parts and meters	15 749	15 543
Water	5 780	5 802
Other goods held for resale	11 180	17 781
Green electricity rights	-	321
TOTAL	**193 351**	**216 340**

Inventory to the value of R0.61 million (2008: R1.62 million) was written off during the year - refer note 37. Inventories (excluding bulk water) which were recognised as expenses during the year amounted to R569.8 million of which a portion was capitalised. Green electricity rights are rights to sell green units at green tariffs to consumers upon their request for green electricity. Due to the absence of an active market the value was written off.

9. *TRADE RECEIVABLES*

	Gross balance R'000	Provision for impairment R'000	Net balance R'000
As at 30 June 2009			
Service debtors	5 071 716	(2 410 796)	2 660 920
Rates and other	1 527 334	(586 018)	941 316
Trade: Electricity	663 287	(120 345)	542 942
Water	1 835 158	(1 157 889)	677 269
Waste management (solid waste)	305 169	(166 135)	139 034
Wastewater management (sewerage and sanitation)	740 768	(380 409)	360 359
Housing rental developments	365 716	(326 272)	39 444
Housing selling developments and others	386 232	(342 494)	43 738
TOTAL	**5 823 664**	**(3 079 562)**	**2 744 102**
As at 30 June 2008			
Service debtors	4 183 305	(1 981 392)	2 201 913
Rates and other	1 228 578	(566 752)	661 826
Trade: Electricity	533 547	(102 159)	431 388
Water	1 548 511	(889 157)	659 354
Waste management (solid waste)	258 363	(137 495)	120 868
Wastewater management (sewerage and sanitation)	614 306	(285 829)	328 477
Housing rental developments	310 377	(270 181)	40 196
Housing selling developments and others	369 129	(318 952)	50 177
TOTAL	**4 862 811**	**(2 570 525)**	**2 292 286**

Consumer debtors to the net amount of R856.27 million (2008: R546.56 million) are only due after 30 days. Included in the outstanding balances are consumer debtors to the value of R391.61 million (2008: R698.10 million), who have made arrangements to repay their outstanding debt over a re-negotiated period. At 30 June 2009, the City classified an outstanding debt of approximately R312.20 million owed by National and Provincial Governments.

	Total R'000	Not Due R'000	0-30 R'000	31-60 R'000	61-90 R'000	91-365 R'000	+365 R'000
	Analysis of trade receivables' ageing in days						
As at 30 June 2009							
Rates and other	1 527 334	297 139	331 247	72 820	55 781	308 701	461 646
Provision for impairment	(586 018)	(34 682)	(38 657)	(8 498)	(6 510)	(36 025)	(461 646)
	941 316	**262 457**	**292 590**	**64 322**	**49 271**	**272 676**	**-**
Electricity	663 287	282 012	149 123	31 375	18 734	82 968	99 075
Provision for impairment	(120 345)	(10 632)	(5 622)	(1 182)	(706)	(3 128)	(99 075)
	542 942	**271 380**	**143 501**	**30 193**	**18 028**	**79 840**	**-**
Water	1 835 158	165 806	146 370	65 458	64 448	341 612	1 051 464
Provision for impairment	(1 157 889)	(22 516)	(19 877)	(8 889)	(8 752)	(46 391)	(1 051 464)
	677 269	**143 290**	**126 493**	**56 569**	**55 696**	**295 221**	**-**
Waste management	305 169	35 652	20 557	13 079	10 522	67 378	157 981
Provision for impairment	(166 135)	(1 975)	(1 138)	(725)	(583)	(3 733)	(157 981)
	139 034	**33 677**	**19 419**	**12 354**	**9 939**	**63 645**	**-**
Wastewater management	740 768	146 265	8 435	41 527	34 121	176 103	334 317
Provision for impairment	(380 409)	(16 586)	(957)	(4 709)	(3 870)	(19 970)	(334 317)
	360 359	**129 679**	**7 478**	**36 818**	**30 251**	**156 133**	**-**
Housing rental developments	365 716	19 135	11 081	5 658	8 647	88 465	232 730
Provision for impairment	(326 272)	(13 460)	(7 794)	(3 980)	(6 082)	(62 226)	(232 730)
	39 444	**5 675**	**3 287**	**1 678**	**2 565**	**26 239**	**-**
Housing selling developments	386 232	17 013	8 181	3 246	3 171	42 754	311 867
Provision for impairment	(342 494)	(6 905)	(3 403)	(1 352)	(1 320)	(17 647)	(311 867)
	43 738	**10 108**	**4 778**	**1 894**	**1 851**	**25 107**	**-**
Gross debtors	**5 823 664**	**963 022**	**674 994**	**233 163**	**195 424**	**1 107 981**	**2 649 080**
Total provision for impairment	**(3 079 562)**	**(106 756)**	**(77 448)**	**(29 335)**	**(27 823)**	**(189 120)**	**(2 649 080)**
TOTAL	**2 744 102**	**856 266**	**597 546**	**203 828**	**167 601**	**918 861**	**-**

	Total R'000	Not Due R'000	0 - 30 R'000	31-60 R'000	61-90 R'000	91-365 R'000	+365 R'000
As at 30 June 2008							
Rates and other	1 228 578	73 526	125 949	46 430	48 553	492 928	441 192
Provision for impairment	(566 752)	(13 281)	(22 749)	(7 256)	(8 238)	(74 036)	(441 192)
	661 826	**60 245**	**103 200**	**39 174**	**40 315**	**418 892**	**-**
Electricity	533 547	238 271	70 507	22 265	22 122	78 258	102 124
Provision for impairment	(102 159)	(18)	(6)	(2)	(2)	(7)	(102 124)
	431 388	**238 253**	**70 501**	**22 263**	**22 120**	**78 251**	**-**
Water	1 548 511	137 062	113 174	52 157	60 395	348 324	837 399
Provision for impairment	(889 157)	(5 650)	(9 081)	(4 122)	(4 823)	(28 082)	(837 399)
	659 354	**131 412**	**104 093**	**48 035**	**55 572**	**320 242**	**-**
Waste management	258 363	20 805	19 646	9 889	10 106	60 422	137 495
Provision for impairment	(137 495)	-	-	-	-	-	(137 495)
	120 868	**20 805**	**19 646**	**9 889**	**10 106**	**60 422**	**-**
Wastewater management	614 306	76 189	62 099	29 670	31 176	168 285	246 887
Provision for impairment	(285 829)	(4 752)	(7 456)	(3 449)	(3 656)	(19 629)	(246 887)
	328 477	**71 437**	**54 643**	**26 221**	**27 520**	**148 656**	**-**
Housing rental developments	310 377	26 476	8 423	8 059	8 400	82 630	176 389
Provision for impairment	(270 181)	(18 534)	(5 896)	(5 641)	(5 880)	(57 841)	(176 389)
	40 196	**7 942**	**2 527**	**2 418**	**2 520**	**24 789**	**-**
Housing selling developments	369 129	24 179	3 111	3 302	3 123	40 042	295 372
Provision for impairment	(318 952)	(7 714)	(1 005)	(1 055)	(999)	(12 807)	(295 372)
	50 177	**16 465**	**2 106**	**2 247**	**2 124**	**27 235**	**-**
Gross debtors	**4 862 811**	**596 508**	**402 909**	**171 772**	**183 875**	**1 270 889**	**2 236 858**
Total provision for impairment	**(2 570 525)**	**(49 949)**	**(46 193)**	**(21 525)**	**(23 598)**	**(192 402)**	**(2 236 858)**
TOTAL	**2 292 286**	**546 559**	**356 716**	**150 247**	**160 277**	**1 078 487**	**-**

	2009 R'000	2008 R'000
Reconciliation of impairment provision		
Balance at beginning of the year	2 570 525	2 330 459
Contributions to provisions	704 016	651 395
Transfers to/(from) provisions	(102 278)	31 328
Bad debts written off	(92 701)	(442 657)
Balance as at 30 June	**3 079 562**	**2 570 525**

Reconciliation of impairment provision
In determining the recoverability of a trade receivable, the City considers any change in the credit quality of the trade receivable from the date the credit was initially granted, up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes no further credit provisions are required in excess of the present allowance for doubtful debts.

10. OTHER RECEIVABLES

	Gross balance R'000	Provision for impairment R'000	Net balance R'000
As at 30 June 2009			
Payments made in advance	1 096	-	1 096
Rates and general	225 143	(1 745)	223 398
Property rentals	45 777	(21 988)	23 789
Government subsidies	158 821	-	158 821
TOTAL	**430 837**	**(23 733)**	**407 104**
As at 30 June 2008			
Payments made in advance	9 848	-	9 848
Rates and general	297 907	(12 293)	285 614
Property rentals	37 159	(18 207)	18 952
Government subsidies	31 864	-	31 864
TOTAL	**376 778**	**(30 500)**	**346 278**

Analysis of other receivables' ageing in days

	Total R'000	Not Due R'000	0-30 R'000	31-60 R'000	61-90 R'000	91-365 R'000	+365 R'000
As at 30 June 2009							
Payments made in advance	1 096	1 096	-	-	-	-	-
Government subsidies	158 821	-	136 162	7 248	7 217	8 194	-
	159 917	**1 096**	**136 162**	**7 248**	**7 217**	**8 194**	**-**
Rates and general	225 143	217 021	3 910	390	264	1 813	1 745
Provision for impairment	(1 745)	-	-	-	-	-	(1 745)
	223 398	**217 021**	**3 910**	**390**	**264**	**1 813**	**-**
Property rentals	45 777	4 356	13 797	309	2 060	6 271	18 984
Provision for impairment	(21 988)	(488)	(1 547)	(35)	(231)	(703)	(18 984)
	23 789	**3 868**	**12 250**	**274**	**1 829**	**5 568**	**-**
Gross debtors	**430 837**	**222 473**	**153 869**	**7 947**	**9 541**	**16 278**	**20 729**
Total provision for impairment	**(23 733)**	**(488)**	**(1 547)**	**(35)**	**(231)**	**(703)**	**(20 729)**
TOTAL	**407 104**	**221 985**	**152 322**	**7 912**	**9 310**	**15 575**	**-**

Included in rates and general is an amount of R83.5 million (2008: R74.8 million) for VAT due by SARS.

	Total R'000	Not Due R'000	0-30 R'000	31-60 R'000	61-90 R'000	91-365 R'000	+365 R'000
As at 30 June 2008							
Payments made in advance	9 848	9 848	-	-	-	-	-
Government subsidies	31 864	-	25 358	2 785	3 721	-	-
	41 712	**9 848**	**25 358**	**2 785**	**3 721**	**-**	**-**
Rates and general	297 907	275 081	2 817	107	87	124	19 691
Provision for impairment	(12 293)	-	-	-	-	-	(12 293)
	285 614	**275 081**	**2 817**	**107**	**87**	**124**	**7 398**
Property rentals	37 159	4 420	(712)	230	(1 138)	16 152	18 207
Provision for impairment	(18 207)	-	-	-	-	-	(18 207)
	18 952	**4 420**	**(712)**	**230**	**(1 138)**	**16 152**	**-**
Gross debtors	**376 778**	**289 349**	**27 463**	**3 122**	**2670**	**16 276**	**37 898**
Total provision for impairment	**(30 500)**	**-**	**-**	**-**	**-**	**-**	**(30 500)**
TOTAL	**346 278**	**289 349**	**27 463**	**3 122**	**2 670**	**16 276**	**7 398**

	2009 R'000	2008 R'000
Reconciliation of impairment provision		
Balance at beginning of the year	30 500	22 293
Additional provisions	5 525	10 591
Bad debts written off	(12 292)	(2 384)
Balance as at 30 June	**23 733**	**30 500**

In determining the recoverability of other receivable, the City considers any change in the credit quality of other receivable from the date the credit was initially granted, up to the reporting date.

11. *CASH AND CASH EQUIVALENTS (BANK AND CASH)*

		2009	2008
Bank balance		158 743	158 866
ABSA - Primary bank account	40-5658-4470	158 727	158 849
Salary bank account	40-5658-4496	-	-
Cashier's bank account	40-5658-4527	-	-
General income account	40-5658-4569	-	-
FNB - Traffic fines bank account	62073198816	16	17
Cash on hand and in transit		38 890	29 826
Call and term deposits - refer note 6		2 434 318	970 135
TOTAL		**2 631 951**	**1 158 827**

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

12. *LONG-TERM BORROWINGS*

	2009	2008
Local registered stock loans	2 208 602	1 009 264
Annuity loans	14 229	26 994
Other loans	1 907 654	2 251 781
Finance leases	156 962	169 012
Sub-total - refer to Appendix A for more detail	4 287 447	3 457 051
Current portion transferred to current liabilities	(475 484)	(409 239)
TOTAL	**3 811 963**	**3 047 812**

The capitalised lease liabilities are secured by items of leased plant, to the carrying value of R133.71 million (2008: R161.45 million). R416.54 million (2008: R514.55 million) has been invested in specific ring-fenced deposit accounts for the repayment of long-term liabilities - refer note 6 and 40 for more detail.

	2009 R'000	2008 R'000
Long-term borrowings detailed as follows:		
LOCAL REGISTERED STOCK	**2 208 602**	**1 009 264**
ABSA Investor Services Unsecured bond paying fixed interest semi-annually, redeemable on 30 June 2010.	4 600	4 600
Standard Bank Nominees Secured bond paying fixed interest semi-annually. As security a sinking fund was established which together with interest capitalized will be used to settle the original loan liability on 31 March 2014.	6 800	6 800
Listed Bonds Unsecured bonds totalling R2.20 billion listed on the Bond Exchange of South Africa. Interest is payable semi-annually while capital will be redeemed by way of a bullet repayment on the final redemption date. Subsequently sinking funds have been established for the purpose of providing for the capital repayment at the date of redemption.	2 197 202	997 864
ANNUITY LOANS	**14 229**	**26 994**
ABSA Bank Unsecured fixed interest loans repayable semi-annually in equal instalments of interest and capital, final redemption on 30 June 2010.	14 229	26 994
OTHER LOANS	**1 907 654**	**2 251 781**
DBSA Bank Unsecured fixed interest loan, repayable semi-annually in equal instalments of capital with interest payable on the reducing balance. Various final redemptions.	967 778	1 067 671
ABSA Bank Structured unsecured loan of R50.00 million plus capitalised interest. Deposits are made semi-annually into two sinking funds with ABSA Bank which, together with fixed interest capitalized over ten years, will settle the loan liability on 30 June 2010.	264 243	223 148
Future Syndications Structured R200.00 million 10-year loan funded by various financial institutions was repaid on 17 September 2008. Interest (fixed on R190.00 million, variable R10.00 million, in terms of interest rate swap agreements) was payable semi-annually.	-	200 000
Nedcor Bank Unsecured fixed rate loan, interest payable annually and loan capital repayable on 31 August 2019.	50	50
FirstRand Bank Structured 15-year loans repayable annually in reducing instalments of capital and fixed-rate interest, now repaid. As part of the loan structure, the City lent funds to FirstRand Bank at a fixed rate of interest, repayable together with capitalized interest. In addition, the City issued a 15-year bond to FirstRand Bank, at the same fixed rate of interest as the City's loan to FirstRand Bank, redeemable together with compounded interest.	-	12 445
FirstRand Bank Structured R125.00 million 15-year loan repayable semi-annually in equal instalments of capital and fixed-rate interest. As part of the loan structure, the City sold moveable assets with a market value of R125.00 million to FirstRand Bank. FirstRand Bank leased the assets back to the City over 15 years, with rentals payable during the years 2009-2011. At the same time the City lent R125.00 million to FirstRand Bank, repayable together with interest on the same dates, and in the same amounts, as the rental payable by the City under the lease agreement. The City has ceded its rights under its loan to FirstRand Bank as security for its obligations to FirstRand Bank under the original loan and any other indebtedness.	36 889	51 318

	2009 R'000	2008 R'000
FirstRand Bank Structured R220.00 million 15-year loan, R200.00 million of which is repayable semi-annually in equal instalments of capital and fixed-rate interest over 15 years, and the balance of R20.00 million payable in one instalment, together with fixed-rate interest, on 30 June 2017. The bullet repayment of the R20.00 million capital and interest will be made out of the guaranteed investment portfolios of two 15-year sinking fund investment policies purchased from Momentum Group. As part of the loan structure, the City purchased two 15-year sinking fund policies from Momentum Group for an upfront premium of R220.00 million. R20.00 million of the premium was invested in the guaranteed investment portfolio referred to above. The balance of the premium, R200.00, was invested in a linked investment (unguaranteed) portfolio. The maturity proceeds of this unguaranteed portfolio were sold in advance to FirstRand Bank for R200.00 million on day one of the policies. The City has ceded and pledged the sinking fund policies to FirstRand Bank as security for the City's obligations to FirstRand Bank under the policies and any other debt liability.	194 484	200 300
FirstRand Bank Structured R150.00 million 15-year loan repayable semi-annually in equal instalments of capital and fixed interest. As part of the loan structure, the City leased moveable electricity assets with a market value of R150.00 million to FirstRand Bank for 20 years. Rental is payable in three instalments during 1998 – 2000, with a nominal annual rental thereafter. The rentals are payable into a deposit account with FirstRand Bank, which attracts a fixed rate of interest. FirstRand Bank leased the assets back to the City over 15 years, with rentals payable during the years 2003 – 2013, out of the deposit account, which will reduce to zero on 30 June 2013. The City has ceded its rights to repayment of the deposit to FirstRand Bank as security for its obligations to FirstRand Bank under the original loan and any other indebtedness.	74 210	86 849
ABSA Bank Unsecured fixed interest loan, repayable semi-annually in equal instalments of capital with interest payable on the reducing balance, final redemption on 30 June 2018.	180 000	200 000
FirstRand Bank Structured R300.00 million 15-year loan, R74.30 million of which is repayable semi-annually in equal instalments of capital and fixed-rate interest over 15 years, and the balance of R225.70 million payable in one instalment, together with capitalized fixed-rate interest, on 30 June 2018. The bullet repayment of the R225.70 million capital and interest will be made out of a 15-year sinking fund investment policy purchased from Momentum Group. As part of the loan structure, the City purchased a 15-year sinking fund policy from Momentum Group for a premium of R228.40 million which was invested in an unguaranteed investment portfolio. The premium is payable semi-annually over 15 years through a series of promissory notes issued by the City to Momentum, later sold on to FirstRand Bank and FutureGrowth. In terms of a put option agreement, the maturity proceeds of this unguaranteed portfolio was sold in advance to FirstRand Bank for a fixed option price of R894.60 million, payable on 30 June 2018. The City has ceded and pledged the sinking fund policy to FirstRand Bank as security for the City's obligations to FirstRand Bank under the put option agreement and any other debt liability.	190 000	210 000

	2009 R'000	2008 R'000
FINANCE LEASES	**156 962**	**169 012**
Nedbank Sale and leaseback structured R55.30 million 15 year loan funded by Nedbank through an Infrastructure Trust. Lease rentals equating to fixed rate interest are payable semi-annually over 15 years; a bullet rental amount of R55.30 million is payable on 02/01/2012 out of the proceeds of a sinking fund. The City deposits semi-annually with Nedbank equal amounts which, together with compounded interest over 15 years, will equate to the original loan capital. The City has ceded its rights under the deposit agreement to Nedbank as security for repayment of the loan capital. An additional floating rate liability of R5.99 million (2008: R7.44 million) arising from a restructuring of the loan is repayable over the remaining life of the loan.	61 242	62 744
Investec Sale and leaseback structured R54.80 million 15-year loan funded by Investec Bank. Lease rentals equating to loan fixed-rate interest plus capital are payable semi-annually over 15 years. Investec has granted the City the right to acquire the assets at the expiry of the lease at an agreed option price of R47.60 million. The City has deposited with Investec an amount, which together with compound interest, will equate to the option price payable on 31 December 2011. The City has ceded its rights under the deposit agreement to Investec as security for repayment of the lease and the option price.	18 744	24 604
Standard Corporate and Investment Bank (SCMB) Sale and leaseback structured R59.30 million 15-year loan. The City sold moveable electricity assets to Standard Bank at the market value of R59.30 million. The City invested R5.80 million of the proceeds in a sinking fund deposit, which when compounded over 15 years at a fixed rate of interest, grows to the original loan capital amount. Standard Bank leased the assets back to the City with rentals, equating to the loan fixed-rate interest, payable annually over 15 years. A bullet rental amount of R59.30 million is payable on 24 June 2011 out of the sinking fund deposit.	76 976	81 664
TOTAL - refer to Appendix A for more details	**4 287 447**	**3 457 051**

The rates of interest payable on the above-mentioned structured loans and finance leases are based on certain underlying assumptions relating to the lenders' statutory costs, and the allowability of deductions by the lenders for income tax purposes in connection with these loans. In the event of changes to, or interpretation of, the Income Tax Act or any other relevant legislation that impact on the loan structure costs, the lenders have the right to increase or decrease the future rates of interest payable on the loans over their remaining lives, in order to absorb the increase or decrease in costs.

13. PROVISIONS (NON-CURRENT)

	Long-service leave benefits R'000	Environmental rehabilitation R'000	Post-retirement medical aid benefits R'000	Post-retirement pension benefits R'000	Total R'000
As at 30 June 2009					
Balance at beginning of the year	187 565	397 357	1 803 197	12 338	2 400 457
Interest cost	18 218	48 503	226 267	1 667	294 655
Service cost and transitional liability	15 624	(48 980)	58 023	368	25 035
Benefit payments	(26 080)	-	(87 391)	(1 874)	(115 345)
Actuarial loss	73 340	-	1 131	4	74 475
Additional provisions made	14 847	41 400	89 000	2 200	147 447
	283 514	438 280	2 090 227	14 703	2 826 724
Transfer to current provision	(36 530)	(75 000)	(102 022)	(1 997)	(215 549)
TOTAL	**246 984**	**363 280**	**1 988 205**	**12 706**	**2 611 175**

Long-service leave benefits

An actuarial valuation has been performed of the City's liability for long-service leave benefits relating to vested leave benefits to which employees may become entitled upon completion of ten years' service and every five years thereafter. The provision is utilised when eligible employees receive the value of the vested benefits.

	2009	2008
Key financial assumptions		
Discount rate	10.7%	8.7%
General inflation rate (CPI)	7.5%	5.5%
Salary increase	8.5%	6.5%

Environmental rehabilitation

Provision is made in terms of the City's licensing stipulations on the landfill waste sites, for the estimated cost of rehabilitating waste sites. The provision has been determined on the basis of a recent independent study. The cost factors derived from the study by a firm of consulting engineers have been applied and projected at an annual inflation rate of 5.1% (2008: 7.9%) and discounted to present value at the average borrowing cost of 11.0% (2008: 11.7%); hence the difference. The payment dates of total closure and rehabilitation are uncertain, but are currently expected to be between 2009 and 2020.

Post-retirement medical aid and pension benefits

An actuarial valuation has been performed of the City’s liability in respect of benefits to eligible retirees and retrenched employees. The provision is utilised when eligible employees receive the value of the vested benefits – refer to note 46 for more detail.

	2009 R’000	2008 R’000
14. CONSUMER DEPOSITS		
Electricity and water	**235 526**	**237 591**

Guarantees held in lieu of electricity and water deposits were R29.30 million (2008: R28.50 million).Deposits are released when the owner/occupant of a property terminates the contract with the City to supply water and electricity to a property, or when certain contractual services are delivered.

15. PROVISIONS

	Opening Balance 2009 R'000	Transfers from operating R'000	Transfers to operating R'000	Transfers from non-current R'000	Closing Balance 2009 R'000
Staff parity	108 116	-	(108 116)	-	-
Insurance claims	4 034	5 713	(3 037)	-	6 710
Post-retirement benefits	91 200	-	(91 200)	104 019	104 019
Legal fees	2 146	2 821	-	-	4 967
Environmental rehabilitation	41 400	-	(41 400)	75 000	75 000
Leave benefits	309 123	19 287	(14 847)	36 530	350 093
TOTAL	**556 019**	**27 821**	**(258 600)**	**215 549**	**540 789**

Insurance and COID claims
Provision has been made for outstanding insurance claims as at 30 June 2009, funded out of the General Insurance (Reserve) Fund. The assessment of claims is based on the assessed quantum of claims received.

Legal fees
Legal costs relating to the process of defending City of Cape Town in Labour Appeal Court and Labour Court cases, for which court dates have already been set. The calculations of these amounts are based on assessments by attorneys.

Staff leave
Annual leave accrues to employees on a monthly basis, subject to certain conditions. The provision is an estimate of the amount due to staff as at the financial year-end, based on the value of statutory and non-statutory leave.

16. PAYABLES

	2009 R'000	2008 R'000
Trade creditors	1 883 216	1 487 919
Payments received in advance	563 556	522 802
Accrued interest	22 463	21 304
Inter-company advances	152 513	149 883
Third-party payments	161 575	139 224
Other creditors	39 267	68 502
TOTAL	**2 822 590**	**2 389 634**

Guarantees held in lieu of retentions were R16.39 million (2008: R108.40 million).

17. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

	2009 R'000	2008 R'000
Conditional grants from other spheres of government	**790 158**	**1 466 446**
Municipal infrastructure grant (MIG)	-	60 913
National Government	540 307	1 079 034
Provincial Government Western Cape (PGWC) - other	249 851	326 499
Other conditional receipts	**99 663**	**96 438**
Public contributions	99 663	96 438
TOTAL	**889 821**	**1 562 884**

These amounts are separately invested in terms of Section 12 of the MFMA. Refer note 26 and 28 for more detail of grants from National and Provincial Government.

The unspent portion of the conditional grant will be spent over the next two or three years to the conclusion of the projects for which they were intended. Substantial portions of the grants were provided in advance for the 2010 projects, and will be fully spent by the advent of the 2010 Soccer World Cup™ event.

The launching of projects in many instances is a protracted process due to interest groups' participation. No amounts are due for repayment to the donors for the reasons set out above.

	2009 R'000	2008 R'000
18. VAT		
VAT payable	358 184	312 227
VAT receivable	(212 882)	(166 919)
TOTAL NET VAT PAYABLE	**145 302**	**145 308**

The City is registered for VAT on the payment basis.

19. HOUSING DEVELOPMENT FUND

	2009 R'000	2008 R'000
Realised housing proceeds		
Opening balance	281 098	244 356
Income	110 589	66 141
Land sales	13 119	11 345
Repayments long-term debtors	41 261	45 357
Repayments public organisations	3 047	75
Service contributions	5 837	5 939
Subsidy refunds	47 325	3 425
Interest	26 363	20 541
Expenditure	(57 025)	(43 290)
Funding capital projects	(31 059)	(25 970)
Funding operating projects	(25 966)	(17 320)
Non-cash transfer to provision for impairment	(19 131)	(6 650)
Closing balance - realised proceeds	341 894	281 098
Unrealised housing proceeds		
Opening balance	209 256	287 869
Loans realised	(23 510)	(31 957)
Long-term housing loans	(22 062)	(30 315)
Long-term loans public organisations	(1 448)	(1 642)
Transfer to provision for impairment - long-term debtors selling schemes	(16 402)	(42 824)
Transfer to provision for impairment - long-term public organisations	(387)	(3 832)
Closing balance - unrealised proceeds	168 957	209 256

Unrealised housing proceeds represent loan repayments not yet due in terms of the debtors loan agreement.

TOTAL	**510 851**	**490 354**

20. RESERVES

	2009 R'000	2008 R'000
Capital replacement reserve	1 042 091	908 673
Insurance reserve	734 458	660 903
Self-insurance reserve	694 790	624 177
Compensation for occupational injuries and diseases	39 668	36 726
TOTAL	**1 776 549**	**1 569 576**

The capital replacement reserve and the self-insurance reserve are fully funded and invested in ringfenced financial instruments

21. ACCUMULATED SURPLUS

	2009 R'000	2008 R'000
Accumulated surplus	**10 204 997**	**7 296 280**

Receipts, from grant funded assets acquired, to the value of R8.20 billion (2008: R5.58 billion) are included and earmarked to fund the depreciation charges over the asset useful lives.

	2009 R'000	2008 R'000
22. *PROPERTY RATES*		
Actual		
Residential Commercial State	3 561 855	3 531 969
Penalties	77 244	75 850
	3 639 099	3 607 819
Income forgone *	(398 495)	(349 078)
TOTAL PROPERTY RATES	**3 240 604**	**3 258 741**
Valuations		
Rateable properties	599 530 758	610 128 945
Non-rateable properties	16 174 244	21 281 967
TOTAL PROPERTY VALUATIONS	**615 705 002**	**631 410 912**
Valuations as at July 2009		
Residential	435 344 532	443 830 433
Commercial	126 915 504	142 541 407
Agriculture	8 895 965	9 256 380
State	31 773 932	31 518 881
Municipal	12 775 069	4 263 811
TOTAL PROPERTY VALUATIONS	**615 705 002**	**631 410 912**

The last general valuation came into effect on 1 July 2007 and is based on market related values. Supplementary valuations are processed when completed by Valuations Department and takes into account changes to individual property values. Rates are levied on a daily basis and payable monthly. Interest is raised monthly on accounts in arrear at prime plus 1% per annum.

	2009 R'000	2008 R'000
23. *SERVICE CHARGES*		
Sale of electricity	4 227 295	3 144 778
Sale of water	1 281 671	1 264 279
Waste management	490 499	423 145
Wastewater management	744 294	762 940
Other	199 456	218 475
TOTAL	**6 943 215**	**5 813 617**
24. *RENTAL OF LETTING STOCK AND FACILITIES*		
Rental agreements	231 870	227 904
Hire/rentals	22 875	21 793
	254 745	249 697
Income forgone *	(35 136)	(35 327)
TOTAL	**219 609**	**214 370**
25. *FINANCE INCOME*		
Interest receivable - external investments	508 720	431 696
Interest receivable - outstanding debtors	215 721	167 747
	724 441	599 443
Less: Interest transferred to external funds (conditional grants)	(68 180)	(67 424)
Net finance income	656 262	532 019
Gains on foreign exchange transactions	472	31
Gains on valuation of derivatives (held-for-trading)	-	3 653
TOTAL	**656 733**	**535 703**

*Income forgone can be defined as any income that the City is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

	2009 R'000	2008 R'000
26. *GOVERNMENT GRANTS AND SUBSIDIES*		
Unconditional grants	1 732 382	1 434 819
Equitable share	486 734	327 577
RSC levy replacement grant	1 245 648	1 107 242
Conditional grants	3 442 455	1 558 825
Municipal infrastructure grant (MIG)	384 305	157 312
Provincial health subsidies	115 310	109 187
Metropolitan Transport Advisory Board	65 022	60 052
National projects	2 140 788	976 834
Provincial projects - other	647 094	256 827
Other	89 936	(1 387)
TOTAL	**5 174 837**	**2 993 644**

The City does not foresee a significant decrease in the level of grant funding.

Equitable share
These grants are used to subsidise the provision of basic services to indigent communities.

RSC levy grant
A grant has been received to replace the RSC levies.

Municipal integrated grant projects

	2009	2008
Balance unspent at beginning of year	(60 913)	-
Regrouping adjustment	-	-
Current-year receipts	(245 447)	(218 055)
Adjustments	-	-
Conditions met - transferred to revenue	384 305	157 311
Amounts still to be claimed	(77 945)	(169)
Conditions still to be met - transferred to liabilities - refer note 17	**-**	**(60 913)**

This grant was used to fund the construction of infrastructural assets for the City. Other than the amount unspent, the conditions of the grant have been met. No funds have been withheld.

Provincial health subsidies

	2009	2008
Balance unspent at beginning of year	-	-
Current-year receipts - included in public health vote - see Appendix E	(115 310)	(109 187)
Conditions met - transferred to revenue	115 310	109 187
Conditions still to be met - transferred to liabilities	**-**	**-**

The City renders services on behalf of the PGWC and is refunded partially for expenditure incurred. This grant has been used to fund clinic services. The conditions of the grant have been met. There were no delays in payment of the subsidies, nor were any amounts withheld.

	2009 R'000	2008 R'000
Provincial projects and MTAB		
Balance unspent at beginning of year	(326 499)	(254 694)
Regrouping adjustment	8 847	830
Current-year receipts	(568 111)	(334 275)
Interest earned	(11 557)	(9 853)
Adjustments	(43 676)	(36 915)
Conditions met - transferred to revenue	712 116	316 879
Amounts still to be claimed	(20 971)	(8 471)
Conditions still to be met - transferred to liabilities - refer note 17	**(249 851)**	**(326 499)**
National Government projects		
Balance unspent at beginning of year	(1 079 034)	(299 761)
Regrouping adjustment	480 458	1 265
Current-year receipts	(1 525 244)	(1 709 428)
Interest earned	(36 656)	(39 866)
Adjustments	(2 044)	339
Conditions met - transferred to revenue	2 140 788	976 834
Amounts still to be claimed	(518 575)	(8 417)
Conditions still to be met - transferred to liabilities - refer note 17	**(540 307)**	**(1 079 034)**

These grants received from National Government are for operating and capital expenditure, such as budget reform, restructuring, urban renewal, etc. Excluding the amounts unspent, the conditions of the grants have been met - see Appendix E.

27. *OTHER INCOME*

	2009 R'000	2008 R'000
Insurance recoveries	1 156	475
Bulk infrastructure levies	76 926	88 951
City Improvement Districts (CIDs)	58 528	57 801
Skills development levy	18 386	11 699
Other income	40 689	134 625
TOTAL	**195 685**	**293 551**

28. *PUBLIC CONTRIBUTIONS*

	2009 R'000	2008 R'000
Public contributions: Consumer connections	30 643	41 568
Other	38 781	14 324
	69 424	**55 892**
Public contributions and other third-party funds		
Balance unspent at beginning of year	(96 438)	(95 271)
Regrouping adjustment	1 257	377
Current-year receipts	(46 658)	(53 470)
Interest earned	(2 444)	(2 863)
Adjustments	(24 777)	(1 056)
Conditions met - transferred to revenue	69 424	55 892
Amounts still to be claimed	(27)	(47)
Conditions still to be met - transferred to liabilities - refer note 17	**(99 663)**	**(96 438)**

The City receives grants from various private vendors for operating and capital projects. Included in these funds are monies held on behalf of third parties. Other than the amounts unspent, the conditions of the grants have been met. No funds have been withheld.

29. *EMPLOYEE-RELATED COSTS*

	2009 R'000	2008 R'000
Salaries and wages	2 995 166	2 534 086
Social contributions - UIF, pensions and medical aid	769 183	654 964
Travel, car, accommodation, subsistence and other allowances	243 958	233 785
Housing benefits and allowances	55 926	50 581
Overtime payments	226 815	193 460
Staff parity provision	(101 074)	108 116
Contribution: post-retirement and long service	368 616	286 400
	4 558 590	4 061 392
Expenditure recharged to capital projects	(21 022)	(18 882)
TOTAL	**4 537 568**	**4 042 510**

Remuneration of executives

Analysis of remuneration benefits

	Total R'000	Annual salary R'000	Performance bonus R'000	Car allowance R'000	Social contribution R'000
2009					
City manager	1 467	1 053	140	50	224
Finance	1 170	775	133	110	152
Health	1 023	724	19	133	147
Integrated human settlement services	1 127	855	112	30	130
Service delivery integration	1 288	916	127	85	160
Economic and social development	1 071	763	106	72	130
Safety and security	1 043	767	17	146	113
Community development	1 155	834	114	84	123
Corporate services	1 131	820	116	60	135
Strategy and planning	1 083	968	65	48	2
Transport, roads and stormwater	1 034	867	62	-	105
Utility services	1 206	905	119	48	134
Internal audit	1 067	888	105	72	2
	14 865	**11 135**	**1 235**	**938**	**1 557**
2008					
City manager	1 280	966	99	51	164
Finance	1 019	707	55	117	140
Health	956	606	110	127	113
Integrated human settlement services	993	783	52	30	128
Service delivery integration	1 153	839	88	85	141
Economic and social development	922	688	42	72	120
Safety and security	1 014	844	-	51	119
Community development	1 037	753	80	84	120
Corporate services	1 005	710	110	60	125
Strategy and planning	917	866	-	49	2
Transport, roads and stormwater	937	791	50	1	95
Utility services	1 079	824	84	48	123
Internal audit	919	814	31	72	2
	13 231	**10 191**	**801**	**847**	**1 392**

	2009 R'000	2008 R'000
30. *REMUNERATION OF COUNCILLORS*		
Executive Mayor	768	717
Deputy Executive Mayor	694	615
Speaker	620	571
Chief Whip	591	532
Mayoral Committee Members	5 981	5 425
Subcouncil Chairpersons	13 038	11 162
Councillors	48 966	45 202
Councillors' pension contributions	6 971	6 711
TOTAL	**77 629**	**70 935**

In-kind benefits

The Executive Mayor, Deputy Executive Mayor, Speaker, Chief Whip and Mayoral Committee members are employed full-time, and have access to Council's vehicles for official functions.

Subcouncil Chairpersons and full-time councillors are provided with an office and administrative and secretarial support at the cost of Council.

The Executive Mayor has two full-time bodyguards, and all councillors have access to security in terms of the councillors' security policy.

Councillors are provided with work stations/ward offices, which are appropriately equipped. Computers are provided to councillors, either in their offices or at their homes.

	2009 R'000	2008 R'000
31. *IMPAIRMENT COSTS*		
Allowances for impairment losses	724 585	708 643
Irrecoverable debts written-off	47 216	-
Impairment of investment	(5 184)	-
Impairment of property, plant and equipment	136 283	35 009
TOTAL	**902 900**	**743 652**

Land made available for informal housing opportunities.

	2009 R'000	2008 R'000
32. *DEPRECIATION AND AMORTISATION EXPENSE*		
Depreciation of property, plant and equipment	710 302	717 141
Depreciation of investment property	4 441	4 414
Amortisation of intangible assets	18 983	53 154
TOTAL - refer to notes 2,3,4 and Appendix B	**733 726**	**774 709**
33. *REPAIRS AND MAINTENANCE*		
Repairs and maintenance expenditure	1 372 625	1 185 860
Expenditure recharges	(464 328)	(400 606)
Operating employee costs recharged	(407 167)	(350 153)
Repairs and maintenance recharged	(57 161)	(50 453)
TOTAL	**908 297**	**785 254**
34. *FINANCE COSTS*		
Interest expense	396 027	274 798
Long-term borrowings (amortised cost)	369 702	247 516
Finance leases (amortised cost)	26 325	27 282
Loss on valuation of derivatives (held-for-trading)	10 365	17 959
Amortisation of bond issue expenses	141	3
Loss on foreign exchange transactions	37	5
TOTAL	**406 570**	**292 765**

	2009 R'000	2008 R'000
35. BULK PURCHASES		
Electricity	2 624 556	1 913 979
Water	256 409	227 535
TOTAL	**2 880 965**	**2 141 514**
36. GRANTS AND SUBSIDIES PAID		
Ad hoc	-	4 789
Community upliftment	6 515	2 920
Destination marketing organisation and tourism	92 089	36 069
Economic promotion and job creation	2 980	7 809
Educational institutions and health forums	1 443	3 487
Health and HIV/Aids/TB	1 099	128
Programmes, conferences and events	960	2 361
Senior citizens and disabled	763	142
Social arts and culture and other	6 476	11 845
Sporting bodies	4 628	4 569
Wesgro	8 189	7 800
TOTAL	**125 142**	**81 919**
37. GENERAL EXPENSES		
Chemicals	67 282	59 657
Communication and publication	21 691	17 755
Computer services and software	30 419	25 193
Consultants	58 841	42 119
Electricity - Eskom payments	41 363	31 632
Fuel	156 611	123 889
Furniture and fittings	343	17 403
Hire charges	184 219	169 141
Legal fees	21 554	23 895
Levy: Skills development	33 499	28 269
Licences and permits	50 929	65 391
Materials and consumables	55 409	57 432
City Improvement Districts (CIDs)	56 772	56 212
Minor tools and equipment	35 522	31 163
Pharmaceutical supplies	39 201	22 526
Postage and courier	22 426	20 407
Printing and stationery	63 475	49 479
Rental	41 546	35 906
Scrapping of inventory – refer note 8	606	1 616
Security services	205 862	171 831
Sewerage services - disposals external	24 349	22 084
Telecommunications	108 799	104 783
Training	45 514	28 675
Insurance: claims	31 746	33 389
Insurance: underwriting	20 478	19 842
Indigent relief	286 035	242 451
Operating grants and donations - Projects	344 170	231 261
Contributions, transfers and other	415 556	651 901
	2 464 217	2 385 302
Expenditure recharged to capital projects	(3 507)	(2 608)
TOTAL	**2 460 710**	**2 382 694**

Xenophobia costs written-off

Expenditure of R106.10 million was incurred and approved in terms of section 32 of the MFMA during the year to alleviate the plight of xenophobia victims. An additional amount of R47.20 million was written-off relating to 2007/8 expenditure. Council resolved that the expenditure of R153.30 million must be financed from corporate budget savings.

38. *CASH GENERATED BY OPERATIONS*

	2009 R'000	2008 R'000
Surplus for the year	3 136 187	1 457 542
Adjustment for:	1 147 966	1 439 547
Insurance Reserve	-	2 460
Adjustment deferred income	-	(4 307)
Depreciation	733 726	774 709
Impairment	136 283	35 009
Gain and loss on disposal of property, plant and equipment	(180 000)	(46 257)
Net loss on valuation of derivatives	10 365	14 306
Contribution to provisions	195 485	658 292
Contribution to impairment provision	502 270	248 273
Finance income	(656 733)	(535 703)
Investment income	(404 132)	(261 317)
Accrual interest	(252 601)	(274 386)
Finance costs	406 570	292 765
Interest paid	384 107	271 461
Accrual interest	22 463	21 304
Operating surplus before working capital changes:	**4 284 153**	**2 897 089**
(Increase)/decrease in inventories	22 989	(56 869)
Increase in trade receivables	(708 253)	(348 298)
Increase in other receivables	(54 060)	(208 900)
Increase/(decrease) in unspent conditional grants and receipts	(673 063)	913 158
Increase in payables	410 493	278 077
Increase in net VAT	(6)	28 281
Cash generated by operations	**3 282 253**	**3 502 538**

39. *CASH AND CASH EQUIVALENTS*

	2009 R'000	2008 R'000
Balance at the end of the year	2 631 951	1 158 827
Balance at the beginning of the year	1 158 827	437 356
Net increase in cash and cash equivalents - refer note 11	**1 473 124**	**721 471**

40. *UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION*

	2009 R'000	2008 R'000
Long-term liabilities raised - refer Appendix A	1 200 000	1 400 000
Used to finance property, plant and equipment	(3 421 955)	(2 743 736)
2007/8 and prior years	(1 812 519)	(1 501 266)
2008/9	(1 609 436)	(1 242 470)
Total EFF (overdrawn)	(2 221 955)	(1 343 736)
Cash set aside for the repayment of long-term liabilities - refer note 6 and 12	416 537	514 549
Cash overdrawn	**(1 805 418)**	**(829 187)**

41. *IRREGULAR AND FRUITLESS EXPENDITURE*

	2009 R'000	2008 R'000
Reconciliation of irregular and fruitless expenditure:		
Opening balance	127 266	1 256
Fruitless expenditure current year	219	126 537
Approved by Council	(126 299)	(527)
Closing balance	**1 186**	**127 266**

Incident	Disciplinary steps/criminal proceedings	2009 R'000	2008 R'000
Time theft	Council referred the matter to SCOPA	263	263
Arrear staff debtors	Council referred the matter to SCOPA	466	466
Labour brokers	Council accepted SCOPA's recommendation	-	125 990
Splitting of orders	Council referred the matter to SCOPA	238	238
Deviation from SCM Policy	Council accepted SCOPA's recommendation	-	309
Foreign exchange loss - payment duplicated	Report to be submitted to Council	219	-
Estimated irregular expenditure		**1 186**	**127 266**

	2009 R'000	2008 R'000

42. ADDITIONAL DISCLOSURES

42.1 SUPPLY CHAIN MANAGEMENT REGULATIONS

42.1.1 Deviations

In terms of Section 36 of the Municipal Supply Chain Management Regulations, any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager, and noted by Council. The expenses incurred as listed below have been approved condoned by the City Manager and noted by Council.

Incident	2009 R'000	2008 R'000
Appointment of consultants	200 195	7 614
Information technology upgrade	30 144	23 571
Upgrade of electricity services	40 572	48 386
Extension of contracts	134 196	405 290
Upgrade of road infrastructure	28 796	281 861
Supply and delivery of plant and equipment	29 235	339
Others	169 338	273 098
Deviations less than R200 000	195 736	-
Total amount condoned by Council	**828 212**	**1 040 159**

Bids awarded to relatives of persons in service of the State
No bids were awarded to relatives of persons in service of the State during the financial year.

42.2 MUNICIPAL FINANCE MANAGEMENT ACT

42.2.1 Section 124

Disclosures concerning councillors, directors and officials

As at 30 June 2009, no councillors had arrear accounts outstanding for more than 90 days.

	Total R	Outstanding < 90 days R	Outstanding > 90 days R
As at 30 June 2008			
AV Bergh - Anavi Trust	8 043	4 888	3 155
WD Jaftha	14 690	611	14 079
M Muruduker	51 678	3 125	48 553
Total signed arrangements	**74 411**	**8 624**	**65 787**

42.2.2 Section 125

Other compulsory disclosures

	SALGA contributions R'000	Audit fees R'000	PAYE UIF R'000	Pension and medical aid R'000
As at 30 June 2009				
Opening balance	-	497	38 976	90 263
Subscriptions/fees	12 000	15 729	587 358	1 213 335
Amount paid - current year	(6 000)	(15 649)	(543 177)	(1 107 986)
Amount paid - previous years	(6 000)	(497)	(38 976)	(90 263)
Balance unpaid (included in payables)	**-**	**80**	**44 181**	**105 349**
As at 30 June 2008				
Opening balance	-	1 454	32 968	79 342
Subscriptions/fees	-	13 603	473 341	1 048 121
Amount paid - current year	-	(13 106)	(434 365)	(957 858)
Amount paid - previous years	-	(1 454)	(32 968)	(79 342)
Balance unpaid (included in payables)	**-**	**497**	**38 976**	**90 263**

	2009 R'000	2008 R'000
43. COMMITMENTS		
43.1 CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure		
Approved and contracted for:		
Infrastructure	3 246 639	665 742
Community	21 929	72 432
Heritage	144	710
Other	42 981	18 801
Housing Development Fund	-	292
TOTAL	**3 311 693**	**757 977**
This expenditure will be financed from:		
External loans	1 541 343	399 152
Capital Replacement Reserve	287 760	41 106
Government grants	1 482 590	275 510
Other sources	-	42 209
TOTAL	**3 311 693**	**757 977**

43.2 OPERATING LEASE COMMITMENTS

The City as Lessee

Future minimum lease payments under non-cancellable operating leases:

	2009 R'000	2008 R'000
Buildings	**15 528**	**41 366**
Payable within one year	12 620	25 839
Payable within two to five years	2 908	15 527
Vehicles and other equipment	**42 859**	**78 662**
Payable within one year	28 880	35 714
Payable within two to five years	13 790	42 707
Payable after five years	189	241
	58 387	**120 028**
Future minimum sub-lease recoveries under non-cancellable operating leases	-	(132)
	58 387	**119 896**

Minimum lease payments recognised as an expense during the period amount to R53.40 million (2008: R65.98 million). Leased premises are contracted for remaining periods of between one and four years, with renewal options available in certain instances.

Rental relating to full-maintenance lease agreements for 65 refuse compactors is subject to adjustment, and linked to prime rates of interest. Contingent rentals do not need to be included in lease payments to be recognised on a straight-line basis over the lease term. The decision has been taken to purchase new compactors on completion of the five-year term of the lease.

The City has significant current lease arrangements for photocopy and fax machines over a period of three years, without being subject to escalation. In terms of a recent Council policy decision, such leased equipment shall be purchased on termination of the relevant contract. In keeping with this policy, it has been decided to terminate lease agreements in respect of older equipment, where the initial period has expired and the lease is continuing on a month-to-month basis.

	2009 R'000	2008 R'000
The City as lessor		
At Statement of Financial Performance date, the City has contracted with tenants for the following future minimum lease payments:		
Payable within one year	10 747	10 655
Payable within two to five years	30 131	34 649
Payable after five years	59 983	66 212
	100 861	**111 516**

The City lets its investment properties under operating leases. Property rental income earned during the year was R10.67 million (2008: R10.40 million). The properties are maintained by the tenants, at their cost. No investment properties have been disposed of since the Statement of Financial Performance date.

The impact of charging the escalations in operating leases on a straight-line basis over the term of the lease has been an decrease in current-year income of R8 029.

44. FINANCIAL RISK MANAGEMENT

Exposure to currency, interest rate, liquidity and credit risk arises in the normal course of the City's operations. The note presents information about the City's exposure to each of the above risks, policies and processes for measuring and managing risk, and the City's management of capital. Further quantitative disclosures are included throughout these financial statements.

Council has established a risk management committee, which is responsible for developing and monitoring the City's risk management policies. A member of the committee, representing the audit committee reports quarterly to the audit committee. The risk management committee policies are established to identify and analyse the risks faced by the City, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in the City's activities.

The accounting policy for financial instruments was applied to the following balance sheet items.

	Fair value through profit and loss R'000	Held to maturity investment R'000	Loans and receivables R'000	Available for sale R'000	Net assets and non financial assets R'000	Total carrying amount R'000	Fair value R'000
Financial assets							
2009							
Investments		1 393 951		38 768		1 432 719	1 491 265
Long-term receivables			179 210			179 210	179 210
Trade receivables			2 744 102			2 744 102	2 744 102
Other receivables			406 008		1 096	407 104	407 104
Cash and cash equivalents			2 631 951			2 631 951	2 631 951
	-	**1 393 951**	**5 961 271**	**38 768**	**1 096**	**7 395 086**	**7 453 632**
2008							
Investments		3 573 353		38 768		3 612 121	3 653 272
Long-term receivables			214 917			214 917	214 917
Trade receivables			2 292 286			2 292 286	2 292 286
Other receivables			336 430		9 848	346 278	346 278
Current portion of derivative financial instruments	8 664					8 664	8 664
Cash and cash equivalents			1 158 827			1 158 827	1 158 294
	8 664	**3 573 353**	**4 002 460**	**38 768**	**9 848**	**7 633 093**	**7 673 711**

	Fair value through profit and loss R'000	Amortised cost R'000	Net assets and non financial liabilities R'000	Total carrying amount R'000	Fair value R'000
Financial liabilities					
2009					
Long-term borrowings		4 287 447		4 287 447	4 295 662
Consumer deposits		235 526		235 526	235 526
Payables		2 259 034	563 556	2 822 590	2 822 590
Current portion of derivative financial instruments	4 378			4 378	4 378
	4 378	**6 782 007**	**563 556**	**7 349 941**	**7 358 156**
2008					
Long-term borrowings		3 457 051		3 457 051	3 262 803
Derivative financial instruments	1 277			1 277	1 277
Consumer deposits		237 591		237 591	237 591
Payables		1 866 832	522 802	2 389 634	2 389 634
Current portion of derivative financial instruments	1 400			1 400	1 400
	2 677	**5 561 474**	**522 802**	**6 086 953**	**5 892 705**

Fair values

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practical to estimate that value:

Cash and short-term investments

The carrying amount approximates fair value because of the short maturity of those instruments.

Available-for-sale investments

The fair values of some investments are estimated based on quoted market prices of those or similar investments. Unlisted equity investments are estimated using the discounted cash flow method.

Loan receivables / payables

Interest-bearing borrowings and receivables are generally at interest rates in line with those currently available in the market on a floating rate basis, and therefore the fair value of these financial assets and liabilities closely approximates their carrying values.

Fixed interest rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Trade and other receivables/payables/deposits

The fair value of trade and other receivables/ payables/deposits is estimated as the present value of future cash flows except for retentions which are payables discounted at the market rate of interest at the reporting date.

44.1 Credit risk

Credit risk is the risk of financial loss to the City if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the City's investments, loans, trade receivables and cash and cash equivalents.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at 30 June was:

	2009 R'000	2008 R'000
Investments – refer note 6	1 393 951	3 573 353
Loans receivable –refer note 7	179 210	214 917
Trade and other receivable – refer note 9 and 10	3 151 206	2 638 564
Cash and cash equivalents – refer note 11	2 631 951	1 158 827
Total	**7 356 318**	**7 585 661**

Investments
The City limits its exposure to credit risk by only investing with reputable financial institutions that have a sound credit rating and within specific guidelines set out in accordance with Council's approved investment policy. Consequently, the City does not consider there to be any significant exposure to credit risk.

Loans receivable
Loans are granted and managed in accordance with policies and regulations as set out in note 7. The associated interest rates and repayments are clearly defined and where appropriate, the City obtains certain suitable forms of security when granting loans. Allowances for impairment are made in certain instances.

Trade and other receivable
Trade and other receivables are amounts owing by consumers and are presented net of impairment losses. The City has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The City is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The City's strategy on managing its risk includes encouraging residents to install water management devices which control water flow to households and pre-paid electricity meters. In certain instances a deposit is required for new service connections serving as a guarantee.

The City's maximum exposure to credit risk is represented by the carrying value of each financial asset in the statement of financial performance. The City has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area. The City establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables. The outstanding amounts of the 10 largest debtors represent 1.7% of the total outstanding balance. The average credit period on services rendered is 30 days from date of invoice. Interest is raised at prime plus 1% on any unpaid accounts after due date. The City of Cape Town has provided fully for all receivables outstanding over 365 days. Trade receivables up to 365 days are provided for based on estimated irrecoverable amounts, determined by reference to past default experience. Additional information relating to the analysis of trade receivable and other is given in note 9 and 10.

Payment of accounts of consumer debtors unable to pay, are re-negotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer.

Cash and cash equivalents
The City limits its exposure to credit risk by only investing with reputable financial institutions that have a sound credit rating and within specific guidelines set out in accordance with Council's approved investment policy. Consequently, the City does not consider there to be any significant exposure to credit risk.

44.2 Liquidity risk

Liquidity risk is the risk that the City will not be able to meet its obligations as they fall due. The City's approach to managing liquidity risk is to ensure that sufficient liquidity is available to meets its liabilities when due, without incurring unacceptable losses or risking damage to the City's reputation.

The City ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts. A credit line overdraft facility of R10.00 million is available and is unsecured. Interest payable is linked to the prime interest rate.

On average, 91.08% of trade and other receivables (own billed) income are realised within 30 days after due date and trade payables are settled within 30 days of invoice. National and Provincial Grant funding is received in terms of the Division of Revenue Act (DORA).

The following are contractual liabilities of which interest is included in borrowings:

	Up to 1 year R'000	1 - 5 years R'000	> 5 years R'000	Total R'000
2009				
Liabilities				
Borrowings	931 923	2 453 816	5 845 785	9 231 524
Capital repayments	465 608	824 756	2 997 083	4 287 447
Interest	466 315	1 629 060	2 848 702	4 944 077
Trade and other payables	2 259 034	-	-	2 259 034
Trade payables	1 883 216	-	-	1 883 216
Sundry creditors	375 818	-	-	375 818
Derivatives	4 378			4 378
	3 195 335	**2 453 816**	**5 845 785**	**11 494 936**

44.3 *Market risk*

Market risks is the risks that changes in market prices, such as foreign exchange rates and interest rates will affect the City's income or value of its holdings of financial instruments. The objective of market risks management is to manage and control market risk exposures within acceptable parameters, while optimising the return on the risk.

Currency risk
The City is exposed to foreign currency risk through the importation of goods and services either directly or indirectly through the award of contracts to local importers. The City manages any material direct exposure to foreign currency risk by entering into forward exchange contracts. The City manages its indirect exposure by requiring the local importer to take out a forward exchange contract at the time of procurement in order to pre-determine the rand value of the contracted goods of services. The City was not a direct party to any outstanding forward exchange contract at reporting date.

The movement in the currency was not material to the City's procurement and consequently not elaborated on any further.

Derivative financial instruments
Interest rate swap agreements, based on notional amounts totalling R250 million, have been entered into as part of two structured external loans to the City over the life of the loans 1998 – 2010. These derivatives are classified as held for trading financial instruments, and fair valued through profit or loss. Fair value was determined by discounting remaining net cash flows under the swap agreements at ABSA Bank swap curve rates equal to the prevailing rates of return for financial instruments having substantially the same terms and characteristics.

Interest rate risk
Financial assets and liabilities that are sensitive to interest rate risk are cash and cash equivalents, investments and loan payables. The City is not exposed to interest rate risk on these financial instruments as the rates applicable are fixed interest rates except for one loan payable of R6.29 million.

Interest rate swap agreements, based on notional amounts totalling R50.00 million, have been entered into in order to maximise economic benefits, while limiting exposure to fluctuating interest rates on its loan payables over the life of the loans, i.e. 1998 to 2010. The fair value of interest rate swaps is based on discounted estimated future cash flows based on the terms and maturity of the contract and using market interest rates for a similar instrument at reporting date.

The effective rates on financial instruments at 30 June 2009 are:

		Maturity of interest bearing assets/liabilities			
	Weighted interest rate %	1 years or less R'000	1 - 5 years R'000	> 5 years R'000	Total R'000
Financial assets					
Investments	8.23%	1 196 576	79 236	156 907	1 432 719
Cash and cash equivalents	8.40%	2 631 951	-	-	2 631 951
Total financial assets		**3 828 527**	**79 236**	**156 907**	**4 064 670**
Financial liabilities					
Loans	11.67%	449 871	683 532	2 997 082	4 130 485
Finance leases	14.85%	15 738	141 224	-	156 962
Total financial liabilities		**465 609**	**824 756**	**2 997 082**	**4 287 447**

Fair value sensitivity analysis
At 30 June 2009, if interest rate at that date had been 100 basis points higher, with all other variables held constant, the fair value liability would have no significant impact. A 100 basis points lower would have had an equal but opposite effect of an amount of R66 816.

44.4 Capital management

The primary objective of managing the City's capital is to ensure that there is sufficient cash available to support the funding requirement of the City, including capital expenditure and ensures that the City remains financially in a sound position.

The City monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. In a capital intensive industry, a gearing ratio of 50% or less can be considered reasonable. Included within net debt is interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents.

45. *PRIOR YEAR ADJUSTMENTS*

45.1 Changes in accounting policy

During the year, the City has reviewed and changed its accounting policy with respect to the treatment of government and other grants for capital in the light of the approved GRAP 23 standard issued but not yet effective. In order to conform to the benchmark treatment in the standard of GRAP on non-exchange transactions, the City recognised capital income, to the extent that the conditions have been met, as revenue rather than as deferred income.

Previously, the City applied IAS 20 where capital income was disclosed in the Statement of Financial Position, to the extent that the conditions have been met, as deferred income and only recognised as revenue on a systematic basis over the useful life of assets in the Statement of Financial Performance. The change in accounting policy has been accounted for retrospectively.

45.2 Reclassification

RSC levy income has been reallocated to other income due to the abolishment and material nature of the current transactions.

Recharged expenditure related to employee costs and general expenses have been reallocated from repair and maintenance costs.

Provision contributions for landfill sites, post-retirement benefits and long-service awards have been re-allocated respectively from finance costs to general expenses to employee-related costs.

The income forgone relating to housing rentals have been reclassified from service charges to rental of letting stock and facilities.

45.3 Correction of errors

Revenue from service charges and fines were incorrect during the year. Service charges and fines that should have been recognised in 2006/7 and 2007/8 were incorrectly omitted. The 2007/8 figures have therefore been restated.

Presented below are only those Statement of Financial Performance and Position items which have been impacted by the prior year adjustments.

	Note	As previously reported R'000	Changes in accounting policy R'000	Reclassification R'000	Correction of errors R'000	Restated R'000
2008						
Statement of Financial Performance						
Service charges	23	5 749 773	167 829	35 327	(139 312)	5 813 617
Rental of letting stock and facilities		249 697		(35 327)		214 370
RSC levies		20 475		(20 475)		-
Fines		159 225	34 643		(35 399)	158 469
Government grants: operating	26	1 767 663		(49 675)		1 717 988
Government grants: capital	26	-	1 275 656			1 275 656
Deferred income		324 261	(324 261)			-
Other income	27	273 076		20 475		293 551
Donated property, plant and equipment	28	6 217		49 675		55 892
Total revenue		12 536 392	1 153 867	-	(174 711)	13 515 548
Employee related costs	29	3 430 193		612 317		4 042 510
Repairs and maintenance	33	1 185 860		(400 606)		785 254
Finance costs	34	482 476		(189 711)		292 765
General expenses	37	2 404 694		(22 000)		2 382 694
Total expenditure		12 058 006		-		12 058 006
Surplus for the year		478 386	1 153 867	-	(174 711)	1 457 542
Statement of Financial Position						
Deferred income		5 402 793	(5 402 793)			-
Payables	16	2 563 237	(173 603)			2 389 634
Trade receivables	9	2 124 457	167 829			2 292 286
Other receivables	10	329 231	34 643		(17 596)	346 278
Accumulated surplus	21	1 535 008	5 778 868		(17 596)	7 296 280

46. *RETIREMENT BENEFIT INFORMATION*

The City makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes. These funds are governed by the Pension Funds Act, and include both defined benefit and defined contribution schemes. Contributions of R448.41 million (2008: R319.20 million) to the defined benefit and defined contribution structures are expensed as incurred during the year under review.

These schemes are subject to a tri-annual, bi-annual or annual actuarial valuation, as set out below.

46.1 DEFINED BENEFIT SCHEMES

Cape Joint Pension Fund (multi-employer fund)

The DB section is a multi-employer plan, and the contribution rate payable is 27%, 9% by the members, and 18% by their councils. The fund was certified as being in a sound financial condition as at 30 June 2008 by the actuary. The valuation disclosed an actuarial surplus of R182.73 million, and was funded 106.5%.

SALA Pension Fund (multi-employer fund)

The fund is a defined benefit plan, is financially sound, and was 110% funded as at 30 June 2007. The next tri-annual valuation is due 1 July 2009 and will be available in June 2010.

46.2 DEFINED CONTRIBUTION SCHEMES

Cape Joint Pension Fund (multi-employer fund)

This scheme was established to accommodate the unique characteristics of contract employees and cost to company' employees. All existing members were given the option to transfer to the defined contribution plan before 1 July 2003. The actuary report certified that the structure of the assets is appropriate relative to the nature of the liabilities, assuming a smoothed bonus philosophy, and given normal circumstances. The report was certified as being in a sound financial condition as at 30 June 2008 by the actuary. The valuation disclosed funding of 103.3%

Cape Joint Retirement Fund (multi-employer fund)

The contribution rate paid by the members (9%) and their councils (18%) is sufficient to fund the benefits accruing from the fund in future. The actuary certified the fund, a defined contribution plan, as being in a sound financial position as at 30 June 2008.

Municipal Councillors' Pension Fund (multi-employer fund)

The Municipal Councillors' Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13.75%) and their councils (15%) is sufficient to fund the benefits accruing from the fund in the future.

The last actuarial valuation of the fund was undertaken at 30 June 2006, and the actuary reported that the fund was as a whole in a sound financial position.

National Fund for Municipal Workers (multi-employer fund)

The retirement and pension funds are both defined contribution schemes. The last voluntary actuarial valuation of the fund was performed on 30 June 2007. As at 30 June 2007, the results state that the way the benefits are structured in the rules, the fund is limited to an amount equal to the accumulation of all the contributions, plus investment returns, less administration costs.

South African Municipal Workers Union National Provident Fund (multi-employer fund)

The SAMWU National Provident Fund is a defined contribution scheme. The last actuarial valuation of the fund was performed at 30 June 2005, and certified as being in a financially sound position. The next statutory valuation is due no later than 30 June 2008.

46.3 DEFINED BENEFIT AND CONTRIBUTION SCHEME

Cape Municipal Pension Fund

The Cape Municipal Pension Fund operates both as a defined benefit and defined contribution scheme. The last actuarial valuation of the fund was performed at 30 June 2008, and certified as being in a financially sound position. The next statutory valuation is due by 30 June 2009.

	Total	DB section	DC section
In-service members	8 105	406	7 699
Pensioners	5 501	4 671	830
Membership 30 June 2008	13 606	5 077	8 529

	2009 R'million	2008 R'million
Past-service position - defined benefit section	3 323	4 719
Past-service position - defined contribution section	4 478	3 528
Total liabilities	7 801	8 247
Assets valued at market value	7 932	8 403
Actuarial surplus	131	156
Actual employer contribution - defined benefit section	20.25%	20.25%
Actual employer contribution - defined contribution section	18.00%	18.00%
Normal retirement age	60 years	60 years
Net discount rate: pre-retirement	1.50%	2.00%
post-retirement	3.00%	3.00%

46.4 POST-EMPLOYMENT BENEFITS

For past service of in-service and retired employees, the City recognises and provides for the actuarially determined present value of post-retirement medical aid employer contributions on an accrual basis, using the projected unit credit method.

The members of medical aid schemes entitled to a post-employment medical scheme subsidy at 30 June 2009, were 12 309 (2008: 13 445) in-service members, and 6 484 (2008: 6 450) pensioners.

46.4.1 Health care arrangement assumptions

It was assumed that the employer's health care arrangements and subsidy policy would remain as outlined in the accounting policy, and that the level of benefits and contributions would remain unchanged, with exception for inflationary adjustments. Implicit in this approach is the assumption that current levels of cross-subsidy from in-service members to retiree members within the medical scheme are sustainable and will continue.

It is further assumed that the subsidy will continue until the last survivor's death for eligible members and their spouses, and to age 21, if earlier, for dependent children.

Continuation of membership

It is assumed that 100% of in-service members entitled to a post-retirement subsidy retiring from the City of Cape Town will remain on the employer's health care arrangements.

Family profile

Family profile was based on actual data and therefore no assumptions had to be made.

Plan assets

There are currently no long-term assets set aside off-balance sheet in respect of the employer's post-employment health care liability.

46.4.2 Retirement pension benefits

For past service of employees and retired employees, the City recognises and provides for the actuarially determined present value of post-retirement revenue pensions on an accrual basis, using the projected unit credit method.

The number of employees who were eligible for a post-retirement pension at 30 June 2009 was 46 (2008: 52) employees, and 149 (2008: 191) pensioners.

Plan assets

There are currently no long-term assets set aside off-balance sheet in respect of the employer's post-employment retirement pension liability.

Post retirement scheme defined-benefit obligations

	2009			2008		
	Health care benefits R'000	Retirement pension benefits R'000	Total R'000	Health care benefits R'000	Retirement pension benefits R'000	Total R'000
Present value of unfunded liability	2 552 756	16 823	2 569 579	2 125 308	16 244	2 141 552
Unrecognised actuarial gains/(losses)	(462 529)	(2 120)	(464 649)	(233 111)	(1 706)	(234 817)
Net liability in balance sheet	2 090 227	14 703	2 104 930	1 892 197	14 538	1 906 735
Amounts included in the Statement of Financial Performance						
Service costs	58 023	368	58 391	47 203	391	47 594
Interest costs	226 267	1 667	227 934	141 928	1 413	143 341
Actuarial losses recognised	1 131	4	1 135	-	-	-
Transitional liability recognised	-	-	-	184 077	-	184 077
Total included in profit and loss	285 421	2 039	287 460	373 208	1 804	375 012
Movement in the liability recognised in the Statement of Financial Position						
Balance at the beginning of the year	1 892 197	14 538	1 906 735	1 596 474	14 753	1 611 227
Net expense recognised in Statement of financial performance	285 421	2 039	287 460	373 208	1 804	375 012
Contributions paid	(87 391)	(1 874)	(89 265)	(77 485)	(2 019)	(79 504)
Net liability in balance sheet	2 090 227	14 703	2 104 930	1 892 197	14 538	1 906 735

The contributions paid are actual contributions paid by the City, and the unrecognised actuarial gains and losses have been adjusted accordingly to take into account the difference between the estimated contribution payments determined by the actuary, and actual contributions paid to members by the City of Cape Town.

	2009		2008	
	Health care benefits	Retirement pension benefits	Health care benefits	Retirement pension benefits
Key financial assumptions				
Discount rate	8.7%	8.7%	10.9%	10.8%
General inflation rate (CPI)	5.5%	-	7.9%	-
General salary inflation rate	-	6.5%	-	8.9%
Health care cost inflation rate	7.5%	-	9.7%	-
Net effective discount rate	1.1%	2.1%	1.1%	1.7%
Pension increase rate - pensioners	-	3.0%	-	3.9%
Net effective discount rate - pensioners	-	5.5%	-	6.6%
Expected retirement age - females	60	-	60	-
Expected retirement age - males	65	-	65	-

47. *GUARANTEES AND CONTINGENT LIABILITY*

47.1 Guarantees

The City issued the following guarantees:

- To Development Bank of South Africa (DBSA) for a loan to the Gugulethu Central Market Place (the Company) for the sum of R250 000. As at 30 June 2009, the Company was in arrears with its repayment of capital and interest to the DBSA to the sum of R472 708 (2008: R371 706).
- A bank guarantee of R346 727 as security for the lease of property.

47.2 Other contingent liabilities

Contractual disputes

Various contractual claims by contractors/suppliers and staff are currently in dispute, and are being addressed through mediation. The maximum potential liability is estimated at R49.95 million (2008: R72.87 million).

Outstanding insurance claims

The estimated liability for insurance claims amounts to R72.82 million (2008: R56.79 million). The estimated amount was based on quotations, medical reports and letters of demand received. The merits must still be determined and could result in a lessor amount or more.

Loan agreements

The rates of interest payable on certain structured loans and finance leases are based on certain underlying assumptions relating to the lenders' statutory costs, and the allowability of deductions for income tax purposes in connection with the loans. In the event of changes to the Income Tax Act or any other relevant legislation that impact on the loan structure costs, the lenders are required to increase or decrease the future rates of interest payable on the loans or their remaining lives, in order to absorb the increase or decrease in costs.

Performance bonuses

The estimated liability for performance bonuses amounts to R12.67 million (2008: R23.00 million) and is only payable after the Annual Report has been tabled, and finally approved by Council.

48. *RELATED PARTY DISCLOSURES*

During the year, in the ordinary course of business, transactions between the City and the under-mentioned entities have occurred under terms and conditions that are no more favourable than those entered into with third parties in arm's length transactions.

	2009 R'000	2008 R'000
Cape Town International Convention Centre (Pty) Ltd		
The Convention Centre was established for Cape Town to become host to international conferences, with the objectives of promoting Cape Town as a tourism city. At year-end, the amount owing by Convenco to the City amounted to R0.86 million (2008: R3.91 million).		
Percentage owned	50.18%	50.18%
Arm's length transactions for the year:		
Receivables	865	3 909
Service charges	8 644	11 545
Khayelitsha Community Trust		
The trust was established to promote economic activities for the upliftment of the local community. At year-end, the amount owing by the trust to the City amounted to R1.26 million (2008: R1.42 million).		
Percentage owned	Trust	Trust
Arm's length transactions for the year:		
Receivables	1 262	1 420
Grants	7 837	-

	2009 R'000	2008 R'000
City Improvement Districts (CIDs)		
These entities were established to enable projects at the initiative of local communities, to provide services over and above the services provided by the City. At year-end, there were no balances due by the CID's to the City.		
Percentage owned	Special rating area's	
Arm's length transactions for the year:		
Receivables	1	-
Levies	56 772	53 408
Cape Metropolitan Transport Fund (administrator of the fund)		
The fund was established to pool funds for road networks and maintenance in the metropolitan area. At year-end, the amount owing by the City to Cape Metropolitan Transport Fund amounted to R152.51 million (2008: R149.50 million).		
Percentage owned	Administrator	
Funds held on behalf of Inter administrator fund	152 513	149 499
Grants and transfers received	68 856	122 369
Interest paid	17 407	-
Revenue collected	4 692	-

Other Municipal Entities

The Regional Electricity Distributor (RED1) and Philippi East Trading Centre (Pty) Ltd are in the process of being liquidated. There were no transactions between the City and the Municipal Entities during the year.

Councillors

A number of councillors of the City hold positions in other entities, where they may have significant influence over the financial or operating policies of these entities. Accordingly, the following are considered to be such entities:

Councillor	Position held in entity	Entity	Nature
Anderson-Jardine, L	Managing Director	Sheen Industrial	
Cavanagh, G	Divisional Sales Director	Lithotech Sales Cape	
Christians, D	CFO	Advnace South Africa Fair	
D'Alton, D	Manager	Muizenberg City Imjprovement District	
Dantile, P	Owner	Ubunye Technical Services	
Herron, B	Director/Shareholder	Green Market Square College (Pty) Ltd	
Joko, B	Member	Sizisa Ukhanyo Trading cc	Small business enterprise
Joseph, D	Administrator	Jikelela Labour Services	
Justus, C	Non Executive Director	Communicare	Housing developers
Lukas, A	Member	Seasons Find t/a Faras	Catering
Mkutswana, M	Member	Imuyeka Trading	
Purchase, F	Member	Regal Cycles cc	Small business enterprise
Purchase, F	Member	Fish Hoek Business Improvement District	
Serritslev, A	Director	Eisleben Business Park (Pty)	City Project
Serritslev, A	Member	Cape Town Partnership	City Improvement
Serrritslev, A	Member	Phillippi Development Initiative	City Project

Executive Management Team

No business transactions took place between the City of Cape Town and key management personnel (City Manager and Executive Directors) and their close family members during the year under review. Details relating to remuneration are disclosed in note 29.

EXTERNAL LOANS	EFFECTIVE INTEREST RATE (nacs)	LOAN NUMBER	REDEEMABLE DATE	BALANCE AS AT 30 JUNE 2008 R'000	RECEIVED DURING THE YEAR R'000	CAPITALISED DURING THE YEAR R'000	REDEEMED/ WRITTEN OFF DURING YEAR R'000	BALANCE AT 30 JUNE 2009 R'000
LOCAL REGISTERED STOCK								
ABSA Investor Services	16,500%	830004515	2010	4 600				4 600
Standard Bank Nominees	14,650%	830011508	2014	6 800				6 800
CCT01	12,570%	830014004	2023	1 000 000				1 000 000
CCT02	11,615%	830016003	2024	-	1 200 000			1 200 000
Transaction costs				(2 136)		(865)	(203)	(2 798)
Total local registered stock				**1 009 264**	**1 200 000**	**(865)**	**(203)**	**2 208 602**
ANNUITY LOANS								
ABSA Bank	11,150%	830000000	2010	15 231			7 203	8 028
ABSA Bank	11,150%	830000450	2010	11 763			5 562	6 201
Total annuity loans				**26 994**	**-**	**-**	**12 765**	**14 229**
OTHER LOANS								
FirstRand Bank	13,325%	830001690	2008	8 291			8 291	-
FirstRand Bank	13,962%	830001700	2008	4 154			4 154	-
Future Syndications	13,226%	830000910	2008	200 000			200 000	-
ABSA Bank	14,383%	830000440	2010	223 148		41 095	-	264 243
FirstRand Bank	12,122%	830001710	2011	51 318			14 429	36 889
FirstRand Bank	12,923%	830000880	2013	86 849			12 639	74 210
DBSA	12,250%	83001051	2015	181 844			25 978	155 866
FirstRand Bank	12,631%	830003504	2017	200 300			5 816	194 484
ABSA Bank	10,900%	830007011	2018	200 000			20 000	180 000
DBSA	10,590%	83001050	2018	339 161			33 916	305 245
FirstRand Bank	12,046%	830009531	2018	210 000			20 000	190 000
Nedcor Bank	1,000%	830000920	2019	50			-	50
DBSA	5,000%	830012028	2020	48 000			4 000	44 000
DBSA	9,420%	830012035	2020	112 000			9 333	102 667
DBSA	9,639%	830013000	2022	193 333			13 333	180 000
DBSA	10,565%	830013507	2022	193 333			13 333	180 000
Total other loans				**2 251 781**	**-**	**41 095**	**385 222**	**1 907 654**
FINANCE LEASES								
Investec	14,343%	830000870	2011	24 604			5 860	18 744
SCMB	15,209%	830000890	2011	81 664			4 688	76 976
Nedbank	14,544%	830000860	2012	62 744			1 502	61 242
Total finance leases				**169 012**	**-**	**-**	**12 050**	**156 962**
TOTAL EXTERNAL LOANS				**3 457 051**	**1 200 000**	**40 230**	**409 834**	**4 287 447**

	COST					ACCUMULATED DEPRECIATION						
	OPENING BALANCE	TRANSFERS/ ADJUSTMENTS	ADDITIONS	DISPOSALS	CLOSING BALANCE	OPENING BALANCE	TRANSFERS/ ADJUSTMENTS	IMPAIRMENT	ADDITIONS	DISPOSALS	CLOSING BALANCE	CARRYING VALUE
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
LAND AND BUILDINGS												
Land	211 050	18 077	219 168	(178)	448 117	(36 032)	-	(136 022)	-	-	(172 054)	276 063
Buildings and land	2 347 305	89 390	80 537	(311)	2 516 921	(1 102 586)	(90)	-	(78 339)	119	(1 180 896)	1 336 025
	2 558 355	**107 467**	**299 705**	**(489)**	**2 965 038**	**(1 138 618)**	**(90)**	**(136 022)**	**(78 339)**	**119**	**(1 352 950)**	**1 612 088**
INFRASTRUCTURE												
Assets under construction	1 642 702	(834 782)	1 974 824	-	2 782 744	-	-	-	-	-	-	2 782 744
Drains	414 550	41 822	22 228	-	478 600	(174 695)	2	-	(13 505)	-	(188 198)	290 402
Roads	2 861 264	196 715	72 023	-	3 130 002	(1 430 800)	(2)	-	(60 545)	-	(1 491 347)	1 638 655
Beach improvements	26 569	-	836	-	27 405	(17 512)	-	-	(357)	-	(17 869)	9 536
Sewerage mains and purification	1 034 259	31 530	24 834	-	1 090 623	(334 452)	(53)	-	(54 895)	-	(389 400)	701 223
Electricity mains	440 893	865	20	-	441 778	(151 514)	-	-	(22 239)	-	(173 753)	268 025
Electricity peak load equipment	2 076 516	504 490	88 533	-	2 669 539	(1 048 321)	(65)	-	(84 554)	-	(1 132 940)	1 536 599
Water meters and mains	54 932	18 062	9 881	-	82 875	(6 916)	-	-	(4 187)	-	(11 103)	71 772
Reservoirs - water	393 580	436	2 987	-	397 003	(229 148)	-	-	(16 137)	-	(245 285)	151 718
Water mains and purification	1 781 613	24 879	32 129	-	1 838 621	(808 279)	(1 021)	-	(60 854)	-	(870 154)	968 467
	10 726 878	**(15 983)**	**2 228 295**	**-**	**12 939 190**	**(4 201 637)**	**(1 139)**	**-**	**(317 273)**	**-**	**(4 520 049)**	**8 419 141**
COMMUNITY ASSETS												
Assets under construction	1 694 624	(231 598)	1 738 176	-	3 201 202	-	-	-	-	-	-	3 201 202
Parks and gardens	20 196	886	115	-	21 197	(3 018)	-	-	(658)	-	(3 676)	17 521
Libraries	124 169	33 380	16 631	-	174 180	(46 015)	-	-	(2 399)	-	(48 414)	125 766
Recreation facilities	69 250	128 399	76 688	-	274 337	(23 731)	-	-	(2 224)	-	(25 955)	248 382
Civic buildings	227 347	21 545	53 758	-	302 650	(108 142)	35	-	(9 263)	-	(117 370)	185 280
	2 135 586	**(47 388)**	**1 885 368**	**-**	**3 973 566**	**(180 906)**	**35**	**-**	**(14 544)**	**-**	**(195 415)**	**3 778 151**
HERITAGE ASSETS												
Assets under construction	6 523	(5 350)	549	-	1 722	-	-	-	-	-	-	1 722
Painting and art galleries	2 622	4 956	155	(15)	7 718	-	-	-	-	-	-	7 718
	9 145	**(394)**	**704**	**(15)**	**9 440**	**-**	**-**	**-**	**-**	**-**	**-**	**9 440**
LEASED ASSETS												
Infrastructure and other	398 956	(828)	-	-	398 128	(237 503)	83	-	(27 004)	-	(264 424)	133 704
	398 956	**(828)**	**-**	**-**	**398 128**	**(237 503)**	**83**	**-**	**(27 004)**	**-**	**(264 424)**	**133 704**
OTHER ASSETS												
Assets under construction	225 555	(193 141)	142 715	-	175 129	-	-	-	-	-	-	175 129
Landfill sites	381 897	76 800	55 347	-	514 044	(104 286)	-	-	(40 307)	-	(144 593)	369 451
Office equipment	150 920	7 092	30 856	(5 978)	182 890	(80 861)	60	-	(23 545)	5 611	(98 735)	84 155
Furniture and fittings	123 382	2 697	14 393	(2 540)	137 932	(56 757)	(11)	-	(16 484)	2 332	(70 920)	67 012
Bins and containers	29 976	361	3 140	(2)	33 475	(25 494)	-	-	(1 727)	2	(27 219)	6 256
Emergency equipment	25 662	140	6 491	(497)	31 796	(14 247)	-	-	(3 357)	494	(17 110)	14 686
Motor vehicles	730 736	33 762	134 200	(23 874)	874 824	(401 044)	(9 345)	(261)	(62 570)	20 853	(452 367)	422 457
Fire engines	74 525	1 358	5 835	(2 478)	79 240	(29 604)	-	-	(6 009)	1 047	(34 566)	44 674
Refuse trucks	396 938	(3 859)	86 675	(26 889)	452 865	(249 687)	10 352	-	(15 307)	26 569	(228 073)	224 792
Computer equipment	658 204	27 055	128 437	(25 955)	787 741	(421 322)	(58)	-	(77 428)	24 535	(474 273)	313 468
Animals	-	-	53	-	53	-	-	-	-	-	-	53
Watercraft	1 148	-	-	(46)	1 102	(234)	-	-	(90)	46	(278)	824
	2 798 943	**(47 735)**	**608 142**	**(88 259)**	**3 271 091**	**(1 383 536)**	**998**	**(261)**	**(246 824)**	**81 489**	**(1 548 134)**	**1 722 957**
HOUSING RENTAL STOCK	**1 140 876**	**1 151**	**9 660**	**(3 443)**	**1 148 244**	**(483 542)**	**-**	**-**	**(26 318)**	**2 756**	**(507 104)**	**641 140**
TOTAL	**19 768 739**	**(3 710)**	**5 031 874**	**(92 206)**	**24 704 697**	**(7 625 742)**	**(113)**	**(136 283)**	**(710 302)**	**84 364**	**(8 388 076)**	**16 316 621**
INVESTMENT PROPERTIES	**128 651**	**158**	**806**	**-**	**129 615**	**(33 575)**	**(53)**	**-**	**(4 441)**	**-**	**(38 069)**	**91 546**
INTANGIBLE ASSETS	**265 043**	**4 060**	**27 661**	**-**	**296 764**	**(244 960)**	**-**	**-**	**(18 983)**	**-**	**(263 943)**	**32 821**
ASSETS HELD-FOR-SALE	**385**	**(385)**	**-**	**-**	**-**	**(143)**	**143**	**-**	**-**	**-**	**-**	**-**
TOTAL	**20 162 818**	**123**	**5 060 341**	**(92 206)**	**25 131 076**	**(7 904 420)**	**(23)**	**(136 283)**	**(733 726)**	**84 364**	**(8 690 088)**	**16 440 988**

2008			BUSINESS UNITS	2009		
ACTUAL INCOME R'000	ACTUAL EXPENDITURE R'000	SURPLUS/ (DEFICIT) R'000		ACTUAL INCOME R'000	ACTUAL EXPENDITURE R'000	SURPLUS/ (DEFICIT) R'000
5 728	191 003	(185 275)	Executive and Council	8 461	151 438	(142 977)
5 974 589	1 995 413	3 979 176	Budget and Treasury Office	6 378 665	1 847 231	4 531 434
292 602	1 024 271	(731 669)	Corporate Services	422 325	924 577	(502 252)
162 774	326 150	(163 376)	Planning and Development	139 889	394 782	(254 893)
176 847	341 738	(164 891)	Health	203 882	400 711	(196 829)
42 475	298 563	(256 088)	Community and Social Services	77 531	357 722	(280 191)
404 947	666 715	(261 768)	Housing	658 229	818 659	(160 430)
221 457	1 183 143	(961 686)	Public Safety	271 395	1 337 417	(1 066 022)
877 183	674 803	202 380	Sport and Recreation	1 927 021	798 758	1 128 263
12 542	117 443	(104 901)	Environmental Protection	15 572	157 586	(142 014)
1 200 141	1 170 936	29 205	Waste Management	1 239 690	1 222 517	17 173
1 136 050	898 053	237 997	Wastewater Management	1 366 370	1 144 078	222 292
260 683	817 915	(557 232)	Road Transport	609 458	880 887	(271 429)
2 201 252	1 890 981	310 271	Water	2 213 578	2 385 723	(172 145)
3 494 664	3 365 266	129 398	Electricity	4 779 061	4 305 134	473 927
1 055	45 054	(43 999)	Other: Tourism	3 151	50 871	(47 720)
16 464 989	**15 007 447**	**1 457 542**	Sub-total	**20 314 278**	**17 178 091**	**3 136 187**
2 949 441	2 949 441	-	Less: Inter-departmental charges	3 306 838	3 306 838	-
13 515 548	**12 058 006**	**1 457 542**	**Total**	**17 007 440**	**13 871 253**	**3 136 187**

	ACTUAL R'000	BUDGET R'000	VARIANCE R'000	VARIANCE %	EXPLANATION OF VARIANCES GREATER THAN 10%
REVENUE					
Property rates	3 240 604	3 381 612	141 008	4.17%	
Service charges	6 943 215	7 049 733	106 518	1.51%	
Rental of letting stock and facilities	219 609	212 340	(7 269)	(3.42%)	
Finance income	656 733	483 289	(173 444)	(35.89%)	Actual interest earned on cash investments, mainly due to higher-than-budgeted cash holdings during the year.
Fines	183 283	170 998	(12 284)	(7.18%)	
Licences and permits	31 337	33 212	1 875	5.65%	
Agency services	109 222	115 993	6 771	5.84%	
Government grants and subsidies: Operating	2 273 951	2 253 222	(20 728)	(0.92%)	
Government grants and subsidies: Capital	2 900 886	2 981 458	80 571	2.70%	
Other income	195 685	215 729	20 044	9.29%	
Public contributions, donated/contributed PPE	69 424	96 357	26 933	27.95%	The income from connection fees is lower than the amount originally budgeted due to the down swing in the economy and the consequent fall in demand by developers for the installation of water/electricity connections.
Gains on disposal of property, plant and equipment	183 491	41 794	(141 698)	(339.04%)	Gains on the disposal of property, plant and equipment due to higher proceeds from assets sold.
Total revenue	***17 007 440***	***17 035 737***	**28 297**	**0.17%**	
EXPENDITURE					
Employee-related costs	4 537 568	4 854 663	(317 095)	(6.53%)	
Remuneration of councillors	77 629	79 279	(1 650)	(2.08%)	
Impairment costs	902 900	786 668	116 232	14.78%	Mainly due to the fact that the Provincial Government only paid a portion of the claim regarding the expenses incurred to take care of xenophobia refuges and the unbudgeted balance of R47.00 million had to be written-off and the unbudgeted increase for water bad debt
Collection costs	159 579	167 847	(8 268)	(4.93%)	
Depreciation and amortisation expense	733 726	945 418	(211 692)	(22.39%)	Due to adjustments of useful lives of infrastructure assets and the fact that assets under construction are being depreciated.
Repairs and maintenance	908 297	839 450	68 847	8.20%	
Finance costs	406 570	390 586	15 984	4.09%	
Bulk purchases	2 880 965	2 899 316	(18 351)	(0.63%)	
Contracted services	674 675	646 609	28 066	4.34%	
Grants and subsidies paid	125 142	126 703	(1 561)	(1.23%)	
General expenses - other (including abnormal expenses)	2 460 710	2 612 190	(151 480)	(5.80%)	
Loss on disposal of property, plant and equipment	3 492	31	3 461	11337.41%	Losses on housing land sold.
Total expenditure	***13 871 253***	***14 348 760***	**(477 508)**	**(3.33%)**	
NET SURPLUS FOR THE YEAR	***3 136 187***	**2 686 977**	**(449 210)**	**(16.72%)**	

	ACTUAL EXPENDITURE R'000	BUDGET R'000	VARIANCE R'000	VARIANCE %	EXPLANATION OF SIGNIFICANT VARIANCES GREATER THAN 5% VERSUS BUDGET
Executive and Council	10 562	11 307	745	6.59%	Sub-Council 18 Tender/Contract 191/2008/09 in respect of new offices and parking facilities has resulted in savings identified by the contractor.
Budget and Treasury Office	8 749	9 740	991	10.17%	Building of Warehouse phase 1 was completed, savings arose due to the decrease in the price of steel. Delays in the ERM Software and Asset Verification projects are to due the projects no longer being externally implemented, internally resources will be used to complete these projects. Projects will be completed in 2009\10.
Corporate Services	137 474	143 203	5 729	4.00%	
Planning and Development	74 752	76 359	1 607	2.10%	
Health	17 151	17 526	375	2.14%	
Community and Social Services	60 699	63 211	2 512	3.97%	
Housing	226 936	252 901	25 965	10.27%	New housing development projects are at various stages, approved projects will continue in the new financial year. The Housing Directorate utilised in excess of 99% of its 2008/2009 DORA allocation (State financial year) of housing subsidies.
Public Safety	127 474	128 393	919	0.72%	
Sport and Recreation	2 271 581	2 303 383	31 802	1.38%	
Environmental Protection	14 365	14 983	618	4.12%	
Waste Management	164 889	165 782	893	0.54%	
Road Transport	747 859	782 939	35 080	4.48%	
Water	699 558	734 882	35 324	4.81%	
Electricity	496 871	517 825	20 954	4.05%	
Other (Tourism)	1 421	1 631	210	12.88%	Unforeseen delays, projects will be completed in new financial year, funds to be rolled over.
TOTAL	***5 060 341***	***5 224 065***	**163 724**	**3.13%**	

NATIONAL and PROVINCIAL GRANT FUNDS 2008/2009

DEPARTMENT	DESCRIPTION	FUNDING SOURCE	INCOME R'000	EXPENDITURE R'000
Budget	Restructuring Grant - Seed Funding	STATE	750	114 911
Development Services	Municipal Infrastructure Grants N2 Gateway	MUNICIPAL INFRASTRUCTURE GRANTS	245 447	378 360
Economic And Social Development	Khayelitsha Poverty Reduction Programme	PGWC	-	4
Economic Development And Tourism	Phillipi East Market	PGWC	-	192
Electricity	DME - INEP	DEPT. MINERAL ENERGY	22 982	22 076
Electricity	Khayelitsha Urban Renewal	STATE	-	6 047
Emergency Services	Helicopter Standby	PGWC	425	871
Health	Vaccines	PGWC	55 177	59 352
Health	Health & Hygiene Education: Informal Settlement	STATE - DWAF	1 000	97
Housing	Php Facilitation Grants	PGWC	285 657	320 424
Housing	Accreditation : Development Support	STATE	2 000	305
Libraries	Public Library Fund	PGWC	14 852	14 696
Planning And Environment	Tafelsig Multi - Purpose Centre	PGWC	-	419
Planning And Environment	Department Of Environmental Affairs And Tourism - Danida	STATE	15 000	8 744
Property Management	Sale Of Land State Dept Public Works	STATE	45 514	-
Protection Services	CCTV Cameras Urban Renewal	PGWC	-	194
Service Delivery Integration	2010 Fifa World Cup: Green Point	PGWC	212 000	212 000
Service Delivery Integration	Mitchell'S Plain Urban Renewal	STATE	16 427	9 407
Service Delivery Integration	2010 Fifa World Cup: Green Point	STATE - DEPT. SPORT AND RECREATION	1 070 845	1 601 122
Sport And Recreation	Wesbank Sport Complex	PGWC	-	38 579
Sport And Recreation	Khayelitsha Wall Of Remembrance	STATE	-	153
Transport, Roads And Stormwater	Mtab Projects - State	MTAB - STATE	-	(19)
Transport, Roads And Stormwater	Widen Lotus Canal: Duinefontein NY3	PGWC	-	65 384
Transport, Roads And Stormwater	Public Transport Infrastructure	STATE - TRANSPORT	318 642	330 425
Water	DWAF: Implementation Water Demand	STATE - DWAF	4 455	3 883
		TOTAL	**2 311 173**	**3 187 626**
Grants delayed				
Development Services	Neighbourhood Development Programme	STATE - NDP	26 829	49 292
(Grant claimed but not yet paid)				
Conditions not met				
Water	Department Of Water Affairs: Demand Management	STATE - DWAF	800	291
(Report being finalised)				
		TOTAL	**27 629**	**49 583**
		GRAND TOTAL	**2 338 802**	**3 237 209**