

City of Cape Town



ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012



CITY OF CAPE TOWN | ISIXEKO SASEKAPA | STAD KAAPSTAD

THIS CITY WORKS FOR YOU

Auditor-General: 31 August 2012

The City of Cape Town is a local authority established in terms of section 151 of the Constitution of the Republic of South Africa (Act 108 of 1996).

The principal activities of the City are to:

- provide democratic and accountable government to the local communities;
- ensure sustainable service delivery to communities;
- promote social and economic development;
- promote a safe and healthy environment; and
- encourage the involvement of communities and community organisations in the matters of local government.

The City's operations are governed by the Local Government: Municipal Finance Management Act (Act 56 of 2003), the Municipal Structures Act (Act 117 of 1998), the Municipal systems Act (Act 32 of 2000) and various other acts and regulations.

Glossary of abbreviations

AG	Auditor-General
ASB	Accounting Standards Board
CBD	Central Business District
CIDs	City Improvement District
CMTF	Cape Metropolitan Transport Fund
COID	Compensation for Occupational Injuries and Diseases
CPI	Consumer Price Index
CRR	Capital Replacement Reserve
CTICC	Cape Town International Convention Centre (Pty) Ltd
DB	Defined Benefit
DBSA	Development Bank of South Africa
DC	Defined Contributions
DMTN	Domestic Medium Term Note
DoRA	Division of Revenue Act
DWA	Department of Water Affairs
EFF	External Finance Fund
FBE	Free Basic Electricity
GRAP	Generally Recognised Accounting Practice
IDP	Integrated Development Plan
IFRS	International Financial Reporting Standards
IRT	Integrated Rapid Transport
JSE	JSE Limited
MAYCO	Mayoral Committee
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MOA	Memorandum of Agreement
MPAC	Municipal Public Accounts Committee
PAYE	Pay As You Earn
PGWC	Provincial Government Western Cape
PPE	Property, Plant and Equipment
SALGA	South African Local Government Association
SARS	South African Revenue Service
SCM	Supply Chain Management
SCMB	Standard Corporate and Merchant Bank
UIF	Unemployment Insurance Fund
VAT	Value-added Tax

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Approval of financial statements

I am responsible for the preparation of these annual financial statements for the year ended 30 June 2012, as set out on pages 17 to 73 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 (Act 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.

Achmat Ebrahim
City Manager

Date: 31 August 2012

REPORT OF THE AUDITOR-GENERAL TO THE WESTERN CAPE PROVINCIAL PARLIAMENT AND THE COUNCIL ON CITY OF CAPE TOWN

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the City of Cape Town set out on pages 17 to 69, which comprise the statement of financial position as at 30 June 2012, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

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 South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP), the requirements of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2011 (Act No. 6 of 2011) (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.

Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. 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.
4. 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 financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. 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 2012 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the MFMA and DoRA.

Emphasis of matters

7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Significant uncertainties

8. With reference to note 47.2 to the financial statements, the municipality is party to contractual claims by its suppliers and staff that are subject to mediation. The maximum potential liability is estimated at R285,52 million. The ultimate outcome of these claims could not be determined at year-end.

Restatement of corresponding figures

9. As disclosed in note 42.1 to the financial statements, the corresponding figures for 30 June 2011 have been restated as a result of errors discovered during 2012 in the financial statements of the City of Cape Town at, and for the year ended, 30 June 2011.

Material impairments

10. As disclosed in note 9 to the financial statements, receivables have significantly been impaired. The impairment of receivables amounts to R4,18 billion (51%) of which R2,64 billion (32%) relates to service debtors.

Material losses

11. As disclosed in note 41.3 to the financial statements, the City of Cape Town suffered a significant electricity loss of R225,05 million (10,75%). This is as a result of non-technical losses such as theft and vandalism.

Additional matters

12. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Material inconsistencies in other information included in the annual report

13. The draft annual report has not yet been received for review. As a result, it has not been reviewed for any inconsistencies with the financial statements. The draft annual report as well as the final printer's proof of the annual report will be reviewed and any material inconsistencies then identified will be communicated to management. Should the inconsistencies not be corrected, it may result in the matter being included in the audit report.

Unaudited supplementary schedules

14. The supplementary information set out on pages 65 to 72 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

15. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

16. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages 1 to 8 of the annual report.
17. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the *National Treasury Framework for managing programme performance information*.
18. The reliability of the information in respect of the selected programmes is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).
19. There were no material findings on the annual performance report concerning the usefulness and reliability of the information.

Additional matter

20. Although no material findings concerning the usefulness and reliability of the performance information were raised in the annual performance report, I draw attention to the following matter.

Achievement of planned targets

21. Of the total number of planned targets, only 29 were achieved during the year under review. This represents 31% of total planned targets that were not achieved during the year under review. The latter includes six out of 16 (38%) targets that are qualitatively material, in relation to the City's key service delivery objectives. This was mainly due to the fact that indicators and targets were not suitably developed during the strategic planning process.

Compliance with laws and regulations

22. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations, as set out in the *General Notice* issued in terms of the PAA, are as follows:

Annual financial statements, performance and annual report

23. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of disclosure items identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

24. The accounting officer did not take reasonable steps to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA.

Procurement and contract management

25. Awards were made to providers whose directors / principal shareholders are persons in the service of the municipality, in contravention of MFMA supply chain management (SCM) regulation 44. Furthermore, the provider failed to declare that he/she was in the service of the municipality, as required by SCM regulation 13(c).

Human resource management

26. Persons in the service of the municipality who had a private or business interest in contracts awarded by the municipality failed to disclose such interest, as required by SCM regulation 46(2)(e) and the code of conduct for staff members issued in terms of the Municipal Systems Act, Act 32 of 2000 (MSA).
27. Persons in service of the municipality whose close family members had a private or business interest in contracts awarded by the municipality failed to disclose such interest, as required by SCM regulation 46(2)(e) and the code of conduct for staff members issued in terms of the MSA.

Internal control

28. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the findings on compliance with laws and regulations included in this report.

Leadership

29. Although the City has taken steps to address the issues identified in the prior year audit report and there has been some improvement, the commitments made by management to address the audit findings of the prior year, which were included in the 2010-11 annual report, were not specific and detailed enough, leading to action plans that were similarly not clear and specific. The commitments indicated that measures to ensure full compliance with regulations were implemented by May 2011, however, this was not achieved as the supplier declaration forms for all goods were only fully implemented in December 2011 and the revised employee declaration forms were only rolled out to higher levels of staff in April 2012. The action plan arising from these commitments was only revised during the second half of the financial year and, as a result, the findings relating to supply chain management and human resource management have recurred, as effective actions were not implemented timeously.

Financial and performance management

30. The supply chain management unit processes a large volume of transactions, yet some of the key processes are manual processes and, therefore, lends itself to some degree of human/administrative error. The review processes implemented to mitigate this risk and to prevent and detect errors before they result in irregular expenditure or material non-compliance were not effective, resulting in the findings reported under compliance with laws and regulations above.
31. The planning of the compilation of the annual financial statements was not adequate and did not include appropriate processes to ensure that new systems/processes and changes to the financial statements are implemented in a timely manner and are properly reviewed before submission for audit.

OTHER REPORTS

Investigations

Investigations in progress

32. Municipal Public Accounts Committee (MPAC) had requested a number of investigations, which, had not been finalised at the date of this report. These include:
- an investigation into irregular expenditure resulting from contraventions of the municipal SCM regulations, as reported in the 2009-10 financial statements
 - items disclosed as irregular expenditure in note 42 to the 2010-11 annual financial statements
 - awards to family of employees in the service of the state as disclosed in note 43.1.2 to the 2010-11 financial statements.
33. The National Public Protector is investigating the land purchase agreement with Naspers.

Investigations completed during the financial year

34. A number of investigations initiated by MPAC were finalised during the year under review. These include the following:
- Late payment of interest to the South African Revenue Service (SARS) resulting in fruitless and wasteful expenditure disclosed in the 2009-10 financial statements. Council has certified the amount of R7 688 to be irrecoverable.
 - An investigation was conducted into non-compliance with the conditions of the memorandum of agreement relating to certain grants and subsidies. The council resolved that the amount of R140 000 reported as fruitless and wasteful expenditure in the City's 2009-10 consolidated financial statements would not be classified as fruitless and wasteful expenditure as the grant beneficiaries had submitted the required documentation in November 2010.
 - MPAC investigated expenditure relating to FIFA World Cup costs, reported as fruitless and wasteful expenditure in the 2009-10 notes to the financial statements. Council certified an amount of R19 620 to be irrecoverable.
 - Amounts from the 2008 Sicoca Ikapa Special Project deemed to be irrecoverable were under investigation. The amount of R119 399 relating to the Sicoca Ikapa project was condoned by council. It was decided that no further amounts for the Sicoca Ikapa project would be considered for condonement or write-off by MPAC in future as the Directorate: Finance had confirmed in writing that a reconciliation had been performed and that the amount submitted for write-off was the final amount in respect of the Sicoca Ikapa project.
35. During the year a number of investigations were conducted in relation to the contravention of SCM policies and procedures. The investigations were initiated based on allegations made by management, as well as through the fraud hotline. The nature of the cases investigated included possible collusion by service providers and deviations from policies in the extension or granting of contracts and tenders. Instances of valid deviations or fruitless and wasteful expenditure were adequately disclosed in the financial statements.

Agreed-upon procedures engagements

36. The City has accepted an agreed-upon procedures engagement to be performed on the Housing Accreditation: Systems/Controls. The audit report was issued on 21 May 2012.

Auditor-General

Cape Town

29 November 2012



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence



Executive Mayor
Alderman P de Lille

Speaker

Alderman J.D. Smit

Chief Whip

Alderman A.M. Serritslev



Executive Deputy Mayor
Alderman I.D. Neilson

Members of the Mayoral Committee

- | | |
|---------------------------------|--|
| ▪ Alderman I.D. Neilson | - Finance |
| ▪ Alderman J.P. Smith | - Safety and Security Services |
| ▪ Alderman D.L. Qually | - Corporate Services |
| ▪ Alderman V.M. Walker | - Economic, Environment and Spatial planning |
| ▪ Councillor B.A. Cortje-Alcock | - Social and Early Childhood Development |
| ▪ Councillor L.V. James | - Health |
| ▪ Councillor T. Gqada | - Community Services |
| ▪ Councillor B.N. Herron | - Transport, Roads and Stormwater |
| ▪ Councillor G.I. Pascoe | - Tourism, Events and Marketing |
| ▪ Councillor S. Sims | - Utility Services |
| ▪ Councillor E.J. Sonnenberg | - Housing |

Members of the Audit Committee

- | | |
|--------------|-------------------------------------|
| ▪ Z. Manjra | Chairperson |
| ▪ M.Y. Kajee | Member |
| ▪ K. Moloko | Member |
| ▪ M. Roos | Member |
| ▪ M. Burton | Member (term expired 31 March 2012) |

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
8001

PO Box 655
Cape Town
8000



City Manager
Achmat Ebrahim



Chief Financial Officer
Kevin Jacoby

Council members of the City of Cape Town Councillor/Alderman

Abrahams, A.N.	Green, A.M.	Mamkeli, S.	Purchase, F.
Abrahams, A.	Griesel, A.J.	Mangali, T.	Qoba, Z.L.
Abrahams, F.L.	Gwangxu, X.	March, G.W.	Qually, D.L.
Abrahams, M.M.	Gympies, S.C.	Marman, P.I.	Rass, B.
Adams, A.	Hadebe, B.	Matanzima, V.	Rau, R.
Adams, Y.	Hansen, B.	Matha, M.S.	Raymond, F.H.L.
America, D.	Hassiem, W.	Maxheke, J.J.	Rossouw, S.J.
Amira, D.	Haywood, M.	Maxiti, P.	Sakathi, T.
Andrews, E.P.	Hebe, L.A.	Mbandezi, S.	Schäfer, B.A.
Andrews, J.A.	Hendricks, M.G.E.	Mbonde, M.E.	Scheepers, C.J.
Anstey, E.	Herron, B.N.	McCarthy, J.	Serritslev, A.M.
Arendse, M.T.	Heuvel, J.A.	Mfusi, V.N.	Sikhakhane, N.
Arendse, R.	Heynes, P.C.	Mhlanga, C.	Siljeur, G.R.
Arendse, S.W.P.	Hinana, E.N.	Middleton, J.H.	Simons, R.S.
August, S.N.	Honono, T.T.	Mkutswana, M.A.	Sims, S.
Badela, D.E.	Hoosain, J.	Mngxunyeni, P.M.	Sitonga, M.C.
Bazier, R.	Ipser, C.W.	Mofoko, N.M.	Slabbert, J.D.
Beneke, R.	Isaacs, L.I.	Morkel, K.H.	Smit, J.D.
Bent, N.L.	Isaacs, V.R.	Moses, A.C.	Smith, J.
Bew, C.B.	Iversen, I.	Moses, R.M.	Sonnenberg, E.J.
Bloor, G.M.	Jackson, I.R.	Moshani, N.A.	Sono, N.P.
Brady, W.E.	Jacobs, B.M.	Mphila, D.	Sopaqa, M.M.
Bredenhand, J.C.	Jacobs, J.	Msindwana, M.E.	Sotashe, X.
Brenner, H.I.	Jaffer, L.	Mxolose, W.S.	Taylor, M.J.
Britz, M.T.	Jafftha, W.D.	Mzalisi, M.N.	Thomas, C.R.
Brunette, E.N.	James, L.V.	Ndamase, T.	Thomas, G.H.J.
Bryant, D.W.	Janse van Rensburg, C.	Ndongeni, A.X.	Thompson, T.B.
Brynard, C.A.	Jansen van Vuuren, M.I.	Ndzulwana, N.	Thuynsma, J.
Burger, J.H.H.	Jefferies, I.K.	Neilson, I.D.	Timm, G.
Cavanagh, G.V.	Jordaan, C.	Nenzani, S.M.	Toko, M.S.
Chapple, P.H.	Jordaan, L.D.	Ngqame, Y.A.	Twigg, G.G.
Christians, D.J.	Justus, C.R.	Ngqose, N.S.	Uys, T.A.
Christians, F.C.	Kannenbergh, A.C.K.	Ngqu, P.	Van Dalen, B.
Claasen, C.P.V.	Kearns, F.	Nguzo, M.	Van der Merwe, B.
Clayton, C.C.	Kempthorne, M.L.	Nieuwoudt, M.J.	Van der Merwe, C.G.
Cortje-Alcock, B.A.	Khatshwa, D.M.	Nikelo, M.	Van der Merwe, J.F.H.
Cottee, D.G.	Kleinsmith, M.E.	Nkohla, L.	Van der Rheede, A.
Crous, A.C.	Komeni, A.L.	Nkunzana, F.M.	Van der Walt, M.L.
D'Alton, D.J.	Kopman, N.F.	Nonkeyizana, S.	Van Minnen, B.M.
Davids, M.M.	Krynauw, J.	Notana, E.	Van Wyk, C.H.S.
De Lille, P.	Landingwe, N.J.	Nqavashe, M.L.	Velem, M.
Diamond, S.P.	Lategan, K.H.	Nqulwana, M.	Venter, J.D.
Dudley, D.K.	Le Roux, B.	Ntotoviyane, C.	Viljoen, R.
Dyantyi, V.D.	Leputhing, C.N.	Nyakatya, N.C.	Visser, J.
East, P.A.	Liell-Cock, S.P.	O'Connell, R.A.	Vos, J.
Ehrenreich, A.J.	Lili, A.	Oliver, M.J.	Vuba, S.T.
Else, D.	Limberg, X.T.	Pakela-Mapasa, X.B.	Walker, V.M.
Esau, C.J.	Little, S.A.	Pascoe, G.I.	Watkins, B.R.W.
Fourie, A.	Mabandla, M.	Peter, X.G.	Weavers, M.
Fourie, G.D.	Maci, L.	Petersen, M.J.	Williams, A.
Francke, P.	Mack, C.J.	Philander, S.	Yalezo, S.
Gabier, A.	Makanda, M.N.	Pienaar, S.	Yozi, S.K.
Gabriel, P.J.	Makasi, N.	Pietersen, M.P.	Zondani, L.G.
Gabuza, A.	Makeleni, K.	Pretorius, I.J.	
Gqada, T.	Makeleni, L.C.	Pringle, S.B.	
Gqola, T.L.	Mamba, K.C.	Pupa, T.	

	Note	2012 R'000	2011 R'000 Restated ¹
ASSETS			
Non-current assets		24 772 497	21 882 359
Property, plant and equipment	1	24 217 257	21 474 791
Heritage assets	2	12 742	11 914
Investment property	3	192 478	84 999
Intangible assets	4	100 432	44 884
Investments	6	150 260	150 245
Long-term receivables	7	99 328	115 526
Current assets		10 769 233	9 455 791
Assets classified as held-for-sale	5	43	126
Inventory	8	253 008	235 249
Receivables	9	3 979 256	3 709 111
Receivables from exchange transactions		2 756 953	2 454 401
Receivables from non-exchange transactions		1 222 303	1 254 710
Other receivables	10	305 949	194 259
Other receivables from exchange transactions		148 112	86 804
Other receivables from non-exchange transactions		157 837	107 455
Investments	6	2 883 387	2 146 596
Current portion of long-term receivables	7	19 758	19 193
Cash and cash equivalents	11	3 327 832	3 151 257
TOTAL ASSETS		35 541 730	31 338 150
LIABILITIES			
Non-current liabilities		9 252 622	8 856 173
Borrowings	12	5 176 421	5 343 836
Provisions	13	4 076 201	3 512 337
Current liabilities		7 101 568	5 801 721
Deposits	14	274 944	233 492
Provisions	15	1 025 777	774 911
Payables from exchange transactions	16	3 783 153	3 321 917
Unspent conditional grants and receipts	17	1 665 752	1 108 680
Value added tax	18	57 756	57 368
Current portion of borrowings	12	294 186	305 353
Total liabilities		16 354 190	14 657 894
NET ASSETS			
Total net assets		19 187 540	16 680 256
Housing Development Fund	19	521 463	539 070
Reserves	20	1 770 255	1 771 534
Accumulated surplus	21	16 895 822	14 369 652
TOTAL NET ASSETS AND LIABILITIES		35 541 730	31 338 150

1. See note 45 for more details.

Statement of Financial Performance for the year ended 30 June 2012

Budget		Actual	
2012 R'000	2011 R'000	2012 R'000	2011 R'000
			Restated ¹
REVENUE		REVENUE	
13 196 756	11 888 638	13 282 331	11 471 709
12 081 851	10 599 456	11 986 765	10 359 727
263 608	250 087	289 736	250 316
410 761	421 260	561 761	522 070
30 046	28 764	41 471	37 645
115 993	115 993	123 651	115 991
209 497	179 111	234 803	165 380
85 000	293 967	44 144	20 580
10 691 041	9 366 185	10 404 464	9 004 966
89 508	81 411	89 508	81 409
4 697 744	4 286 860	4 712 098	4 529 932
1 637 276	1 510 960	1 637 276	1 510 960
172 963	174 769	144 394	166 476
4 009 151	3 223 901	3 757 835	2 636 469
84 399	88 284	63 353	79 720
23 887 797	21 254 823	23 686 795	20 476 675
EXPENDITURE		EXPENDITURE	
7 003 138	6 315 573	6 916 012	6 147 892
108 786	92 296	97 772	88 621
1 056 384	1 003 873	845 842	783 092
170 729	188 693	166 380	174 755
1 360 823	1 227 258	1 372 096	1 262 100
766 367	780 723	681 533	717 475
5 697 676	4 656 592	5 705 263	4 620 165
2 289 083	1 922 816	2 193 662	2 010 269
106 248	96 240	103 492	93 382
3 109 268	3 187 502	3 095 735	2 750 930
-	-	1 724	3 529
21 668 502	19 471 566	21 179 511	18 652 210
2 219 295	1 783 257	2 507 284	1 824 465
2 219 295	1 783 257	2 507 284	1 824 465
SURPLUS FOR THE YEAR		SURPLUS FOR THE YEAR	

1. See note 45 for more details.

2. Includes the repair and maintenance amount of R1,89 billion (2011: R1,71 billion).

Statement of Changes in Net Assets for the year ended 30 June 2012

2011**Balance at 30 June 2010****Restated surplus at 1 July 2010 ¹**

Surplus at 30 June 2011 - previously reported

Correction of errors

Transfer to/(from)

Property, plant and equipment purchased

Balance at 30 June 2011**2012**

Surplus for the year

Transfer to/(from)

Property, plant and equipment purchased

Balance at 30 June 2012

Housing development fund	Capital replacement reserve	Self-insurance reserve	Accumulated surplus	Total
R'000	R'000	R'000	R'000	R'000
531 472	1 180 916	658 175	12 485 228	14 855 791
			1 824 465	1 824 465
-	-	-	1 732 182	-
-	-	-	92 283	-
30 453	570 495	(73 012)	(527 936)	-
(22 855)	(565 040)	-	587 895	-
539 070	1 186 371	585 163	14 369 652	16 680 256
-	-	-	2 507 284	2 507 284
(9 088)	818 572	(88 981)	(720 503)	-
(8 519)	(730 870)	-	739 389	-
521 463	1 274 073	496 182	16 895 822	19 187 540

1. See note 45 for more details.

Cash Flow Statement for the year ended 30 June 2012

	Note	2012 R'000	2011 R'000 Restated ¹
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		22 359 438	19 018 393
Cash paid to suppliers and employees		(17 019 721)	(15 160 258)
Cash generated from operations	37	5 339 717	3 858 135
Finance income		563 873	503 857
Finance costs		(661 761)	(709 193)
NET CASH FROM OPERATING ACTIVITIES		5 241 829	3 652 799
CASH FLOW FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment and other		(4 233 245)	(2 857 761)
Proceeds on disposal of assets		45 983	63 278
Decrease/(increase) in assets held-for-sale		83	(60)
Decrease in non-current receivables		15 633	1 819
(Increase) in investments		(736 806)	(1 962 720)
NET CASH FROM INVESTING ACTIVITIES		(4 908 352)	(4 755 444)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans repaid		(198 354)	(261 609)
Increase in deposits		41 452	4 332
NET CASH FROM FINANCING ACTIVITIES		(156 902)	(257 277)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	38	176 575	(1 359 922)
Cash and cash equivalents at the beginning of the year		3 151 257	4 511 179
Cash and cash equivalents at the end of the year		3 327 832	3 151 257

Statement of comparison of budget and actual amounts for the year ended 30 June 2012

Note	Actual R'000	Approved budget R'000	Final budget R'000	Variance: Final budget and actual amounts R'000	Variance %
STATEMENT OF FINANCIAL POSITION 40.2.1					
Total non-current assets	24 772 497	27 199 565	25 328 852	556 355	2,20
Total current assets i	10 769 233	7 664 200	6 916 319	(3 852 914)	(55,71)
Total Assets	35 541 730	34 863 765	32 245 171	(3 296 559)	(10,22)
Total non-current liabilities	9 252 622	10 488 998	9 085 680	(1 66 942)	(1,84)
Total current liabilities ii	7 101 568	5 282 869	4 248 021	(2 853 547)	(67,17)
Total Liabilities	16 354 190	15 771 867	13 333 701	(3 020 489)	(22,65)
Total net assets	19 187 540	19 091 898	18 911 470	(276 070)	(1,46)
Total net assets and liabilities	35 541 730	34 863 765	32 245 171	(3 296 559)	(10,22)
STATEMENT OF FINANCIAL PERFORMANCE 40.2.2					
Service charges	11 986 765	12 390 658	12 081 851	95 086	0,79
Rental of letting stock and facilities i	289 736	264 043	263 608	(26 128)	(9,91)
Finance income ii	561 761	410 761	410 761	(151 000)	(36,76)
Licences and permits iii	41 471	30 046	30 046	(11 425)	(38,03)
Agency services iv	123 651	115 993	115 993	(7 658)	(6,60)
Other income v	324 311	275 006	299 005	(25 306)	(8,46)
Property rates	4 712 098	4 667 744	4 697 744	(14 354)	(0,31)
Fuel levy	1 637 276	1 637 276	1 637 276	-	-
Fines vi	144 394	186 892	172 963	28 569	16,52
Government grants and subsidies vii	3 757 835	4 539 536	4 009 151	251 316	6,27
Public contributions viii	63 353	73 639	84 399	21 046	24,94
Gains on disposal of property, plant and equipment ix	44 144	105 000	85 000	40 856	48,07
Total revenue	23 686 795	24 696 594	23 887 797	201 002	0,84
Employee-related costs	6 916 012	7 091 648	7 003 138	87 126	1,24
Remuneration of councillors i	97 772	108 786	108 786	11 014	10,12
Impairment costs ii	845 842	1 071 970	1 056 384	210 542	19,93
Collection costs	166 380	201 229	170 729	4 349	2,55
Depreciation and amortisation expenses	1 372 096	1 360 823	1 360 823	(11 273)	(0,83)
Finance costs iii	681 533	766 367	766 367	84 834	11,07
Bulk purchases	5 705 263	5 785 576	5 697 676	(7 587)	(0,13)
Contracted services	2 193 662	2 320 168	2 289 083	95 421	4,17
Grants and subsidies paid	103 492	96 419	106 248	2 756	2,59
General expenses	3 095 735	3 338 889	3 109 268	13 533	0,44
Losses on disposal of property, plant and equipment	1 724	-	-	(1 724)	-
Total expenditure	21 179 511	22 141 875	21 668 502	488 991	2,26
Surplus for the year	2 507 284	2 554 719	2 219 295	(287 989)	(12,98)
CASH FLOW STATEMENT 40.2.3					
Net cash from (used) operating i	5 241 829	4 187 458	2 211 783	(3 030 046)	(137,00)
Net cash from (used) investing ii	(4 908 352)	(5 171 557)	(2 646 102)	2 262 250	(85,49)
Net cash from (used) financing iii	(156 902)	1 325 535	(180 184)	(23 282)	12,92
Net (decrease)/increase in cash and cash equivalents	176 575	341 436	(614 503)	(791 078)	128,73
CAPITAL EXPENDITURE 40.2.4					
City Health	22 801	24 848	22 972	171	0,74
City Manager i	122	422	142	20	14,08
Community Services	162 772	136 857	168 893	6 121	3,62
Corporate Services	204 771	205 871	211 269	6 498	3,08
Deputy City Manager ii	13 962	24 419	16 945	2 983	17,60
Economic, Environment and Spatial Planning iii	36 727	52 694	42 841	6 114	14,27
Finance	119 902	155 232	120 821	919	0,76
Safety and Security	67 079	41 101	68 175	1 096	1,61
Social and Early Childhood Development iv	9 446	11 350	12 330	2 884	23,39
Tourism, Events and Marketing v	62 875	54 779	72 695	9 820	13,51
Transport, Roads and Stormwater vi	1 280 796	1 824 558	1 430 884	150 088	10,49
Human Settlements vii	490 725	751 081	553 787	63 062	11,39
Waste Management	229 903	284 271	230 653	750	0,33
Water and wastewater management viii	605 156	691 214	643 257	38 101	5,92
Electricity	926 208	831 170	965 548	39 340	4,07
Total ¹	4 233 245	5 089 867	4 561 212	327 967	7,19

1. The Actual amount does not include the contributed assets amount of R76,13 million. See Appendix B.

ACCOUNTING POLICIES**GENERAL INFORMATION**

The address of the City of Cape Town's registered office and principal place of business is disclosed under "General information" while the Entity's principal activities are described in the introduction to the annual financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Cape Town's principal accounting policies, which are in all material respects consistent with those applied in the previous year, except as stated in note 45 are set out below. 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.

Basis of presentation

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

The ASB has issued a directive that sets out the principles for the application of the GRAP 3 guidelines in determining the GRAP Reporting Framework hierarchy, as set out in the "Standard of GRAP 3 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 judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

■ Operating lease commitments – City as lessor

Leases where risks and rewards of ownership are not transferred to the lessee are classified as operating leases. Payments received under operating leases are recognised in the statement of financial performance on a straight-line basis over the period of the lease.

■ 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 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. This was performed per service-identifiable categories across all debtor classes.

■ Impairment of property, plant and equipment

The calculation in respect of the impairment of property, plant and equipment is based on an assessment of the extent to which the recoverable amount of the asset has declined below the carrying amount. This was performed across all classes of property, plant and equipment.

■ Provisions and contingent liabilities

Management's 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.

■ Useful lives of property, plant and equipment

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

■ Budget information

Deviations between budget and actual amounts are regarded as material differences when a 5% deviation exists.

All material differences are explained in the notes to the annual financial statements.

Adoption of new and revised standards

In the current year, the City has adopted all new and revised standards and interpretations issued by the ASB that are relevant to its operations, and are effective. The adoption of these new and revised standards and interpretations has resulted in changes to the accounting policies.

The City has not adopted any GRAP standard that is not yet effective, but has based its accounting policies on such standards, except for GRAP 18 and 20. Effective dates have been given for some of the standards while for others, no effective dates have yet been determined. At the date of submission of these financial statements for the year ended 30 June 2012, the following standards had been issued but were not yet effective:

- Annual periods commencing on or after 1 April 2012:
 - GRAP 21 - Impairment of non-cash-generating assets
 - GRAP 23 - Revenue from non-exchange transactions (taxes and transfers)
 - GRAP 24 - Presentation of budget information
 - GRAP 26 - Impairment of cash-generating assets
 - GRAP 103 - Heritage assets
 - GRAP 104 - Financial instruments
- Annual periods commencing on or after 1 April 2013:
 - GRAP 25 - Employee benefits
- No effective dates provided yet:
 - GRAP 18 - Segment reporting
 - GRAP 20 - Related party disclosures (revised)
 - GRAP 105 - Transfers of functions between entities under common control
 - GRAP 106 - Transfers of functions between entities not under common control
 - GRAP 107 - Mergers

All the above standards, where applicable, will be complied with in the financial statements once the standards take effect. Preliminary investigations indicated that the impact of the standards on the financial statements will be minimal.

HOUSING FUNDS

The Housing Development Fund was established in terms of the Housing Act (Act 107 of 1997).

Housing Development Fund

Sections 15(5) and 16 of the Housing Act, which came into effect on 1 April 1998, required the City to maintain a separate housing operating account. This legislated separate operating account is known as the Housing Development Fund and is fully cash-backed.

The Housing Act also requires in terms of section 4(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.

Unrealised housing proceeds

In order to comply with section 14(4)(d)(i) and (ii) of the Housing Act, in terms of which all net proceeds need to be paid into the Housing Development Fund, it was necessary to create a holding account that 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.

RESERVES

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

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.

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 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.

Insurance reserve

- **Self-insurance reserve**

A general insurance reserve has been established and, subject to reinsurance 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 reinsurers are regarded as an expense, and are shown as such in the statement of financial performance. The net surplus/deficit on the insurance operating account is transferred to or from the insurance reserve via the statement of changes in net assets.

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

- **Compensation for occupational injuries and diseases (COID) reserve**

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 (Act 130 of 1993).

The certificate of exemption issued by the Commissioner, and as prescribed by the COID, requires the City to 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 from the reserve to the expense account in the statement of financial performance.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Where property, plant and equipment are acquired through non-exchange transactions, its cost is deemed to be its fair value on the date of acquisition.

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 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.

Depreciation rates

Depreciation is calculated at 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, with the effect of any changes in estimate accounted for on a prospective basis. 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	Specialise vehicles	8-20
Water	15-30	Other vehicles	5-10
Sewerage	15-20	Office equipment	4-10
Housing	30	Furniture and fittings	10
		Watercraft	5
Community		Bins and containers	5
Recreational		Plant and	
facilities	20-30	equipment	5
Security	5-10	Landfill sites	30
		Central processing	
		units	4
		Library books	1

Assets under construction are carried at cost. Depreciation of an asset commences when the asset is ready for its use as intended by management. Freehold land is not depreciable as it has an indefinite useful life. 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, and are recognised in the statement of financial performance.

HERITAGE ASSETS

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset that qualifies for recognition as an asset shall be measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

Heritage assets are not depreciated, since their long economic life and high residual value mean that any depreciation would be immaterial.

INVESTMENT PROPERTIES

Investment properties are held to earn rental income, and/or for capital appreciation, and are stated at cost less accumulated depreciation and accumulated impairment losses. 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 50 years.

An investment property is derecognised upon disposal, or when it is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. Any gain or loss arising from the retirement or disposal of investment property is included surplus or deficit in the period of the retirement or disposal.

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.

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 principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to a plan to sell the asset, and the sale should be expected to qualify for recognition as a complete sale within one year from the date of classification.

An entity that is committed to a sales plan involving the loss of control in a controlled entity shall classify all the assets and liabilities of that controlled entity as held for sale when the criteria described above are met.

Non-current assets and disposal groups classified as held for sale will cease to be classified as such when the recognition criteria is no longer met.

Assets classified as held-for-sale are measured at the lower of the asset's carrying amount or fair value less cost to sell.

IMPAIRMENT OF CASH AND NON-CASH-GENERATING ASSETS

The entity classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

At the end of each reporting period, carrying amounts of cash-generating and non-cash-generating assets are reviewed to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount or recoverable service amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where it is not possible to estimate the recoverable amount of an individual cash-generating asset, the Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. Cash-generating units shall be identified consistently from period to period for the same asset or types of assets, unless a change is justified.

Intangible assets with indefinite useful lives as well as intangible assets not yet available for use are tested for impairment annually, at the same time every year as well as whenever there is an indication that the asset may be impaired.

The recoverable amount of a cash-generating asset is the higher of fair value less costs to sell and value in use. The value in use is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

The recoverable service amount of a non-cash-generating asset is the higher of fair value less costs to sell and value in use. The value in use is the present value of the remaining service potential of the asset, and is determined using the most appropriate of the depreciated replacement cost, restoration cost or service units approach.

The discount rate used reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount or recoverable service amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount or recoverable service amount. An impairment loss is recognised immediately in surplus or deficit.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount or recoverable service amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

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.

INVENTORIES

Inventories consist of raw materials, work in progress, consumables and finished goods that 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 they are 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, costs 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, and are recognised as an expense in the period in which the write-down or loss occurs. Consumables are written down according to their age, condition and utility.

VALUE-ADDED TAX

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

GRANTS AND RECEIPTS

Income received from conditional grants, donations and subsidies is recognised in so far as the City has complied with all of the criteria, conditions or obligations embodied in the applicable agreement. In so far as the criteria, conditions or obligations have not been met, a liability is recognised and should the funds committed for future use, that such funds be repaid.

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

Unconditional grants are immediately recognised as revenue.

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.

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.

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 can be reliably estimated 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.

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. In so far as the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any unwinding of discount is charged to the statement of financial performance. The discount rate has not been risk adjusted.

EMPLOYEE BENEFITS

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 in which they become payable.

Defined-benefit plans are post-employment benefit plans other than defined contribution plans. The defined-benefit funds 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 in which they become payable.

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 contributions. Actuarial valuation of the liability is performed on an annual basis. The projected unit credit method has been used to value the obligations.

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 actuarial gains and losses, and past service costs.

Actuarial gains or losses are fully accounted for in the statement of financial performance in the year they occur.

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 on retirement is entitled to remain a continued member of such medical aid fund, and the City will continue to subsidise medical contributions in accordance with the provisions of the employee's employment contract and the City's decision on protected rights. Post-retirement medical contributions paid by the City, and depending on the employee's contract, could be 60%, 70% or a subsidy indicated on a sliding-scale. In each case, the employee is responsible for the balance of post-retirement medical contributions. External appointments after December 2000 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.

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 actuarial gains and losses, and past service costs.

Actuarial gains or losses are fully accounted for in the statement of financial statements in full in the year they occur. The projected unit credit method has been used to value the obligation.

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 obligation. Actuarial gains and losses on the long-term incentives are fully accounted for in the statement of financial performance.

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 reliably measured. 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.

Revenue from exchange transactions

- Service charges relating to solid waste, sanitation and sewerage are levied in terms of the approved tariffs.
 - 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 other month based on 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.
 - Services provided on a prepayment basis are recognised at the point of sale. An adjustment for an unutilised portion is made at year-end, based on the average consumption history.
 - Income in respect of housing rental and instalment sale agreements is accrued monthly.
 - 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.
- Dividends are recognised when the City's right to receive payment is established.

- 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.
- 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 reliably measured.
 - The costs incurred or to be incurred in respect of the transaction can be reliably measured.
 - Prepaid electricity sold is only recognised as income once the related units are consumed.

Revenue from non-exchange transactions

- Revenue from rates is recognised when the legal entitlement to this revenue arises and ratepayers have been duly notified. Collection charges are recognised when such amounts are legally enforceable. Interest on unpaid rates is recognised on a time proportionate basis with reference to the principal amount receivable and effective interest rate applicable.
A composite rating system, charging different rate tariffs, is used. Rebates are granted to certain categories of ratepayers, and are deducted from revenue.
- Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with management's best estimate of the probable inflows from the amounts not yet collected.
- 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.
- 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 56 of 2003), and is recognised when the recovery thereof from the responsible councillors or officials is probable.

LEASES

The City as lessee

- 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.
- 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.

The City as lessor

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

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 in which the events giving rise to the transfer occurred.

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. In the case of a financial instrument not measured at fair value through the statement of financial performance, transaction costs that are directly attributable to the acquisition or issue of the instrument are added or deducted from the fair value as appropriate on initial recognition.

Financial assets

The classification of financial assets depends on their nature and purpose and is determined at the time of initial recognition.

• Investments at fair value

Non-derivative investments held without the positive intent or ability to hold to maturity. Subsequent to initial recognition all changes to fair value are recognised through the statement of financial performance.

• Investments at amortised cost

Non-derivative investments with fixed or determinable payments and fixed maturity dates, which the City has the positive intent and ability to hold to maturity. Subsequent to initial recognition such investments are measured at amortised cost using the effective interest method less any impairment.

• Investments at cost

Residual interests that do not have a quoted market price in an active market and the fair value of which cannot be reliably measured. Subsequent to initial recognition such investments are measured at cost less any impairment.

Financial assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Impairment is considered when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

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

After initial recognition, the City measures all financial liabilities, including payables, at amortised cost, using the effective interest rate method. Financial liabilities include borrowings, other non-current liabilities (excluding provisions) and 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.

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

PAYABLES

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

RECEIVABLES

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 by the appropriate delegated authority. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of 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.

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. Unauthorised expenditure is accounted for as an expense in the statement of financial performance, and where recovered, is subsequently accounted for as revenue in the same statement.

IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act 56 of 2003), the Municipal Systems Act (Act 32 of 2000), and the Public Office Bearers Act, 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, is subsequently accounted for as revenue in the same statement.

SERVICES IN-KIND

The city does not recognise services in-kind as revenue or as an asset, but separately discloses the nature and type of major classes of services in-kind as a note to the financial statements.

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, is subsequently accounted for as revenue in the same statement.

FOREIGN- CURRENCY TRANSACTIONS

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

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.

RELATED PARTIES

The City regards a related party as a person or an entity with the ability to control individually or jointly, or exercise significant influence over the City, or vice versa.

Management is regarded as a related party and comprises of the Councillors, Executive Mayor, Mayoral Committee members, City Manager, Deputy City Manager and Executive Directors.

CONSTRUCTION CONTRACTS

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with that construction contract are recognised as revenue and expenses, respectively, by reference to the stage of completion of the contract activity at the reporting date.

The stage of completion is based on the proportion of contract costs incurred to date relative to the estimated total costs.

When the outcome of a construction contract cannot be reliably measured, revenue is recognised only to the extent that contract costs incurred are likely to be recovered. Contract costs are recognised as expenses in the period in which they are incurred.

In some cases, certain construction activity and technical supervision have been subcontracted to private sector contractors for a fixed "completion of contract" fee. Where this has occurred, the subcontracted costs are recognised as on the percentage of completion method for each subcontract.

Amounts received before the related work is performed are included in the statement of financial position, as a liability, as unspent conditional grants and receipts.

BUDGET INFORMATION

The annual budget figures have been prepared in accordance with the GRAP standards, and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the statement of comparison of budget and actual amounts. Explanatory comments are provided in the notes to the annual financial statements, firstly stating reasons for overall growth or decline in the budget and secondly, motivating overspending or underspending on line items.

The annual budget figures included in the financial statements are for the Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan (IDP).

OFFSETTING

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

COMPARATIVE INFORMATION

Comparative figures are reclassified 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.

1. 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 2012							
Land and buildings	1 898 806	(348 522)	69 758	(25)	(67 202)	(20 327)	1 532 488
Infrastructure	11 578 408	(204 000)	2 645 556	-	(590 791)	(234)	13 428 939
Community	5 072 370	591 269	232 914	-	(220 508)	-	5 676 045
Leased assets	65 592	(65 592)	-	-	-	-	-
Other	2 248 069	(186 682)	1 069 569	(2 797)	(448 717)	(6 831)	2 672 611
Housing rental stock	611 546	171 872	152 690	(727)	(28 207)	-	907 174
TOTAL	21 474 791	(41 655)	4 170 487	(3 549)	(1 355 425)	(27 392)	24 217 257

(See Appendix B for more detail)

As at 30 June 2011

Land and buildings	1 675 651	201 077	110 386	(241)	(78 201)	(9 866)	1 898 806
Infrastructure	10 259 317	(37 920)	1 832 881	(1)	(475 869)	-	11 578 408
Community	5 042 870	45 817	216 014	-	(232 331)	-	5 072 370
Leased assets	113 735	(34 955)	-	-	(13 188)	-	65 592
Other	2 235 219	(197 327)	676 535	(43 314)	(423 044)	-	2 248 069
Housing rental stock	621 457	7 732	11 621	(2 602)	(26 662)	-	611 546
TOTAL	19 948 249	(15 576)	2 847 437	(46 158)	(1 249 295)	(9 866)	21 474 791

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 all items of property, plant and equipment. Management has determined that none of its infrastructural assets have any active market value, and the value of the amount at the end of their lives 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 R1,24 billion (2011: R1,91 billion) are still in use.

2. HERITAGE ASSETS

	Opening balance R'000	Transfers/ adjustments R'000	Additions R'000	Disposals R'000	Carrying value R'000
As at 30 June 2012					
Assets under construction	3 552	(268)	350	-	3 634
Paintings and art galleries	8 362	750	-	(4)	9 108
TOTAL	11 914	482	350	(4)	12 742

(See Appendix B for more detail)

As at 30 June 2011

Assets under construction	1 660	(9)	1 901	-	3 552
Paintings and art galleries	8 342	-	30	(10)	8 362
TOTAL	10 002	(9)	1 931	(10)	11 914

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 2012					
Vacant land	38 366	-	109 132	-	147 498
Land and buildings	46 633	-	-	(1 653)	44 980
TOTAL	84 999	-	109 132	(1 653)	192 478

(See Appendix B for more detail)

As at 30 June 2011

Vacant land	38 366	-	-	-	38 366
Land and buildings	48 694	537	-	(2 598)	46 633
TOTAL	87 060	537	-	(2 598)	84 999

Rental income has been received on various properties during the year.

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 2012					
Computer software (acquired separately)	44 884	41 163	29 403	(15 018)	100 432

(See Appendix B for more detail)

As at 30 June 2011

Computer software (acquired separately)	31 709	14 989	8 393	(10 207)	44 884
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The capitalised computer software was estimated to have a finite life of five years at acquisition. The software is therefore amortised using the straight-line method over a period of five years.

5. ASSETS CLASSIFIED AS HELD-FOR-SALE

	Opening balance R'000	Transfers/ adjustments R'000	Disposals R'000	Carrying value R'000
As at 30 June 2012				
Land held for sale	126	10	(93)	43

(See Appendix B for more detail)

As at 30 June 2011

Land held for sale	66	61	(1)	126
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Various properties have been presented as held-for-sale following a Council decision to dispose of properties that are no longer required for municipal purposes. These properties are identified for sale as and when the need arises.

6. INVESTMENTS

As at 30 June 2012

RSA Government stock	
Sinking fund deposits – see note 39	
Other fixed deposits	
Deposits held with fund managers	
Shares in CTICC	

Provision for impairment

Net investments

Current portion transferred to short-term investments	
Current portion transferred to cash and cash equivalents – see note 11	

TOTAL

Amortised cost R'000	Fair value R'000	Cost R'000	Total R'000
50 013	-	-	50 013
71 064	570 587	-	641 651
1 482 345	-	-	1 482 345
-	4 024 813	-	4 024 813
-	-	284 000	284 000
1 603 422	4 595 400	284 000	6 482 822
(9 616)	-	(245 232)	(254 848)
1 593 806	4 595 400	38 768	6 227 974
(37)	(2 883 350)	-	(2 883 387)
(1 482 277)	(1 712 050)	-	(3 194 327)
111 492	-	38 768	150 260

Investments detailed as follows:

Balance at the beginning of the year	
Capital invested	
Investments matured	
Recognised in the statement of financial performance	
Finance income	
Gains on valuation of investments	
Transaction cost	

Balance at the end of the year

Amortised cost R'000	Fair value R'000	Cost R'000	Total R'000
1 625 197	3 638 038	38 768	5 302 003
17 170 387	700 000	-	17 870 387
(17 231 846)	-	-	(17 231 846)
30 068	257 362	-	287 430
30 068	260 933	-	291 001
-	1 543	-	1 543
-	(5 114)	-	(5 114)
1 593 806	4 595 400	38 768	6 227 974

As at 30 June 2011

RSA Government stock	
Sinking fund deposits – see note 39	
Other fixed deposits	
Deposits held with fund managers	
Shares in CTICC	

Provision for impairment

Net investments

Current portion transferred to short-term investments	
Current portion transferred to cash and cash equivalents – see note 11	

TOTAL

Amortised cost R'000	Fair value R'000	Cost R'000	Total R'000
48 472	-	-	48 472
113 233	363 765	-	476 998
1 473 108	-	-	1 473 108
-	3 274 273	-	3 274 273
-	-	284 000	284 000
1 634 813	3 638 038	284 000	5 556 851
(9 616)	-	(245 232)	(254 848)
1 625 197	3 638 038	38 768	5 302 003
(50 294)	(2 096 302)	-	(2 146 596)
(1 463 426)	(1 541 736)	-	(3 005 162)
111 477	-	38 768	150 245

Investments detailed as follows:

Balance at the beginning of the year	
Capital invested	
Investments matured	
Recognised in the statement of financial performance	
Finance income	
Gains on valuation of investments	
Transaction cost	

Balance at the end of the year

Amortised cost R'000	Fair value R'000	Cost R'000	Total R'000
3 145 737	1 522 542	38 768	4 707 047
10 770 000	3 000 000	-	13 770 000
(12 305 556)	(1 038 110)	-	(13 343 666)
15 016	153 606	-	168 622
15 016	146 740	-	161 756
-	11 100	-	11 100
-	(4 234)	-	(4 234)
1 625 197	3 638 038	38 768	5 302 003

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 (2011: R0,47 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 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.

Cape Town International Convention Centre (Pty) Ltd

The carrying amount of the City's investment in Convenco, R284 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 2012, the value of the previous financial year end was maintained as the change in value was considered insignificant. The impairment loss provision at 30 June 2011 is therefore maintained at R245,23 million.

7. LONG-TERM RECEIVABLES

Sporting bodies
Housing land sales

Public organisations
Provision for impairment

Housing selling development loans
Provision for impairment

Current portion transferred to current receivables

TOTAL**Reconciliation of impairment provision**

Balance at beginning of the year
Contributions (from) provisions
Transfers to provisions

Balance as at 30 June**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 land sale

Long term loan to the Khayelitsha community trust (sale of portion 1-3, Erf 58856) repayable over 18 years. Annual payments made with the final payment due in 2024.

Public organisations

Loans to public organisations are granted in terms of National Housing Policy. At present, these loans attract interest at 1% and 11,25% for buildings and infrastructure respectively and are repayable over 30 years. With the implementation of new legislation (MFMA and Housing Act 107 of 1997) no further loans have been awarded and the final loan repayments are scheduled for 2032. Examples of public organisations are: National War Memorial and Alta du Toit.

Housing selling development loans

Housing loans were historically granted to qualifying individuals in terms of the National Housing Policy. These loans currently attract interest at 9,0% per annum, and are repayable over 20 years. The interest rate is determined as per Council policy.

2012	2011
R'000	R'000
1 194	1 363
1 026	1 104
16 569	23 798
20 756	28 657
(4 187)	(4 859)
100 297	108 454
178 591	200 655
(78 294)	(92 201)
119 086	134 719
(19 758)	(19 193)
99 328	115 526

97 060	118 401
(14 579)	(21 510)
-	169
82 481	97 060

8. INVENTORY

Consumable stores
Medical supplies
Spare parts and meters
Water
Other goods held for resale
Green electricity rights

TOTAL

2012	2011
R'000	R'000
206 251	196 099
310	492
22 634	14 351
15 070	18 293
8 743	3 549
-	2 465
253 008	235 249

Inventory to the value of R5,40 million (2011: R1,24 million) was scrapped during the year. Inventories (excluding bulk water) that were recognised as issues during the year amounted to R823,11 million (2011: R639,45 million), of which a portion was capitalised. Green- electricity rights are rights to sell 'green' units at 'green' tariffs to consumers who 'green' electricity.

9. RECEIVABLES

As at 30 June 2012**From exchange transactions**

Service debtors
Housing rental stock
Housing selling stock
Other exchange debtors

From non-exchange transactions

Rates debtors
Other non-exchange debtors

TOTAL

Gross balance R'000	Provision for impairment R'000	Net balance R'000
6 171 246	(3 414 293)	2 756 953
5 156 925	(2 640 642)	2 516 283
470 135	(419 818)	50 317
389 288	(343 309)	45 979
154 898	(10 524)	144 374
1 989 266	(766 963)	1 222 303
1 929 496	(734 060)	1 195 436
59 770	(32 903)	26 867
8 160 512	(4 181 256)	3 979 256

As at 30 June 2011**From exchange transactions**

Service debtors
Housing rental stock
Housing selling stock
Other exchange debtors

From non-exchange transactions

Rates debtors
Other non-exchange debtors

TOTAL

5 522 855	(3 068 454)	2 454 401
4 592 489	(2 334 751)	2 257 738
421 713	(377 366)	44 347
389 461	(347 178)	42 283
119 192	(9 159)	110 033
2 001 789	(747 079)	1 254 710
1 941 869	(712 937)	1 228 932
59 920	(34 142)	25 778
7 524 644	(3 815 533)	3 709 111

Consumer debtors to the amount of R2,56 billion (2011: R1,47 billion) are only due after 30 days. Included in the outstanding balances are consumer debtors to the value of R634,76 million (2011: R497,97 million), who have made arrangements to repay their outstanding debt over a renegotiated period. As at 30 June 2012, the City's receivables balance included an amount of approximately R120,36 million (2011: R173 million) owed by National Government and the Provincial Government.

Reconciliation of impairment provision

Balance at beginning of the year
Contributions to provisions
Transfers (from)/to provisions
Bad debts written off

Balance as at 30 June

2012 R'000	2011 R'000
3 815 533	3 299 430
803 015	785 503
(40)	3 292
(437 252)	(272 692)
4 181 256	3 815 533

Reconciliation of impairment provision

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

Analysis of receivables' age in days

As at 30 June 2012	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
From exchange transactions							
Electricity	1 173 436	801 427	103 708	39 641	(5 071)	107 584	126 147
Provision for impairment	(148 768)	(17 311)	(2 240)	(856)	110	(2 324)	(126 147)
	1 024 668	784 116	101 468	38 785	(4 961)	105 260	-
Water	2 470 316	371 358	11 459	75 677	89 868	484 636	1 437 318
Provision for impairment	(1 613 858)	(63 465)	(1 959)	(12 933)	(15 359)	(82 824)	(1 437 318)
	856 458	307 893	9 500	62 744	74 509	401 812	-
Waste management	426 645	93 148	4 168	14 187	15 853	84 303	214 986
Provision for impairment	(230 606)	(6 874)	(308)	(1 047)	(1 170)	(6 221)	(214 986)
	196 039	86 274	3 860	13 140	14 683	78 082	-
Wastewater management	1 086 528	224 820	(38 637)	41 093	48 588	230 265	580 399
Provision for impairment	(647 410)	(29 766)	5 116	(5 441)	(6 433)	(30 487)	(580 399)
	439 118	195 054	(33 521)	35 652	42 155	199 778	-
Housing rental stock	470 135	34 033	13 521	9 116	9 030	82 991	321 444
Provision for impairment	(419 818)	(22 516)	(8 946)	(6 031)	(5 974)	(54 907)	(321 444)
	50 317	11 517	4 575	3 085	3 056	28 084	-
Housing selling stock	389 288	35 447	7 026	2 659	2 526	36 518	305 112
Provision for impairment	(343 309)	(16 150)	(3 038)	(1 222)	(1 160)	(16 627)	(305 112)
	45 979	19 297	3 988	1 437	1 366	19 891	-
Other exchange debtors	154 898	260 869	(25 755)	(28 807)	(22 447)	(25 711)	(3 251)
Provision for impairment	(10 524)	(22 722)	2 243	2 509	1 955	2 240	3 251
	144 374	238 147	(23 512)	(26 298)	(20 492)	(23 471)	-
Gross exchange debtors	6 171 246	1 821 102	75 490	153 566	138 347	1 000 586	2 982 155
Provision for impairment	(3 414 293)	(178 804)	(9 132)	(25 021)	(28 031)	(191 150)	(2 982 155)
From non-exchange transactions							
Rates debtors	1 929 496	690 199	(6 195)	66 451	113 065	350 984	714 992
Provision for impairment	(734 060)	(10 836)	97	(1 043)	(1 775)	(5 511)	(714 992)
	1 195 436	679 363	(6 098)	65 408	111 290	345 473	-
Other non-exchange debtors	59 770	49 432	(29 541)	1 508	1 685	6 347	30 339
Provision for impairment	(32 903)	(4 306)	2 573	(131)	(147)	(553)	(30 339)
	26 867	45 126	(26 968)	1 377	1 538	5 794	-
Gross non-exchange debtors	1 989 266	739 631	(35 736)	67 959	114 750	357 331	745 331
Provision for impairment	(766 963)	(15 142)	2 670	(1 174)	(1 922)	(6 064)	(745 331)
Gross debtors	8 160 512	2 560 733	39 754	221 525	253 097	1 357 917	3 727 486
Total provision for impairment	(4 181 256)	(193 946)	(6 462)	(26 195)	(29 953)	(197 214)	(3 727 486)
TOTAL	3 979 256	2 366 787	33 292	195 330	223 144	1 160 703	-

Analysis of receivables' age in days

As at 30 June 2011	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
From exchange transactions							
Electricity	1 035 999	612 027	131 884	40 547	19 886	109 009	122 646
Provision for impairment	(144 384)	(14 566)	(3 139)	(965)	(473)	(2 595)	(122 646)
	891 615	597 461	128 745	39 582	19 413	106 414	-
Water	2 233 811	191 120	157 288	75 002	58 744	449 114	1 302 543
Provision for impairment	(1 438 228)	(27 846)	(22 917)	(10 927)	(8 559)	(65 436)	(1 302 543)
	795 583	163 274	134 371	64 075	50 185	383 678	-
Waste management	367 479	43 328	28 845	17 284	12 899	83 099	182 024
Provision for impairment	(194 023)	(2 803)	(1 866)	(1 118)	(835)	(5 377)	(182 024)
	173 456	40 525	26 979	16 166	12 064	77 722	-
Wastewater management	955 200	100 707	69 942	37 535	34 103	217 407	495 506
Provision for impairment	(558 116)	(13 716)	(9 526)	(5 112)	(4 645)	(29 611)	(495 506)
	397 084	86 991	60 416	32 423	29 458	187 796	-
Housing rental stock	421 713	23 432	12 033	9 295	9 204	80 422	287 327
Provision for impairment	(377 366)	(15 699)	(8 062)	(6 228)	(6 167)	(53 883)	(287 327)
	44 347	7 733	3 971	3 067	3 037	26 539	-
Housing selling stock	389 461	30 076	5 845	2 667	2 560	36 352	311 961
Provision for impairment	(347 178)	(13 254)	(3 061)	(1 225)	(1 175)	(16 502)	(311 961)
	42 283	16 822	2 784	1 442	1 385	19 850	-
Other exchange debtors	119 192	(26 927)	210 123	(16 594)	(10 479)	(37 514)	583
Provision for impairment	(9 159)	1 947	(15 192)	1 199	758	2 712	(583)
	110 033	(24 980)	194 931	(15 395)	(9 721)	(34 802)	-
Gross exchange debtors	5 522 855	973 763	615 960	165 736	126 917	937 889	2 702 590
Provision for impairment	(3 068 454)	(85 937)	(63 763)	(24 376)	(21 096)	(170 692)	(2 702 590)
Rates debtors	1 941 869	483 699	270 028	108 203	45 160	392 267	642 512
Provision for impairment	(712 937)	(26 216)	(14 636)	(5 864)	(2 448)	(21 261)	(642 512)
	1 228 932	457 483	255 392	102 339	42 712	371 006	-
Other non-exchange debtors	59 920	13 566	3 448	3 505	867	6 401	32 133
Provision for impairment	(34 142)	(981)	(249)	(253)	(63)	(463)	(32 133)
	25 778	12 585	3 199	3 252	804	5 938	-
Gross non-exchange debtors	2 001 789	497 265	273 476	111 708	46 027	398 668	674 645
Provision for impairment	(747 079)	(27 197)	(14 885)	(6 117)	(2 511)	(21 724)	(674 645)
Gross debtors	7 524 644	1 471 028	889 436	277 444	172 944	1 336 557	3 377 235
Total provision for impairment	(3 815 533)	(113 134)	(78 648)	(30 493)	(23 607)	(192 416)	(3 377 235)
TOTAL	3 709 111	1 357 894	810 788	246 951	149 337	1 144 141	-

10. OTHER RECEIVABLES

	Gross balance R'000	Provision for impairment R'000	Net balance R'000
As at 30 June 2012			
From exchange transactions	193 911	(45 799)	148 112
Payments made in advance	497	-	497
Property rentals	71 678	(38 354)	33 324
Other exchange debtors	121 736	(7 445)	114 291
From non-exchange transactions	157 837	-	157 837
Government subsidies	106 883	-	106 883
Other non-exchange debtors	50 954	-	50 954
TOTAL	351 748	(45 799)	305 949
As at 30 June 2011			
From exchange transactions	147 453	(60 649)	86 804
Payments made in advance	130	-	130
Property rentals	55 808	(54 527)	1 281
Other exchange debtors	91 515	(6 122)	85 393
From non-exchange transactions	107 455	-	107 455
Government subsidies	35 723	-	35 723
Other non-exchange debtors	71 732	-	71 732
TOTAL	254 908	(60 649)	194 259

Included in other exchange debtors is an amount of R24,93 million (2011: R3,22 million) for VAT owed by the SARS.

	2012 R'000	2011 R'000
Reconciliation of impairment provision		
Balance at beginning of the year	60 649	50 749
Contributions (from)/to provisions	(14 730)	9 900
Bad debt written off	(120)	-
Balance as at 30 June	45 799	60 649

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

Analysis of other receivables' age in days

As at 30 June 2012

From exchange transactions

Payments made in advance

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
497	497	-	-	-	-	-
497	497	-	-	-	-	-
71 678 (38 354)	5 397 (987)	15 449 (729)	2 446 (444)	2 455 (446)	12 443 (2 260)	33 488 (33 488)
33 324	4 410	14 720	2 002	2 009	10 183	-
121 736 (7 445)	107 438 (52)	4 229 15	92 (1)	123 (9)	2 622 (166)	7 232 (7 232)
114 291	107 386	4 244	91	114	2 456	-
193 911 (45 799)	113 332 (1 039)	19 678 (714)	2 538 (445)	2 578 (455)	15 065 (2 426)	40 720 (40 720)

From non-exchange transactions

Government subsidies

Other non-exchange debtors

Gross non-exchange debtors

Gross debtors

Total provision for impairment

TOTAL

Analysis of other receivables' age in days

As at 30 June 2011

From exchange transactions

Payments made in advance

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
130	130	-	-	-	-	-
130	130	-	-	-	-	-
55 808 (54 527)	3 744 (2 463)	7 824 (7 824)	1 881 (1 881)	1 348 (1 348)	(13 438) 13 438	54 449 (54 449)
1 281	1 281	-	-	-	-	-
91 515 (6 122)	79 747 (1)	3 758 (45)	167 (12)	221 (13)	1 814 (243)	5 808 (5 808)
85 393	79 746	3 713	155	208	1 571	-
147 453 (60 649)	83 621 (2 464)	11 582 (7 869)	2 048 (1 893)	1 569 (1 361)	(11 624) 13 195	60 257 (60 257)

From non-exchange transactions

Government subsidies

Other non-exchange debtors

Gross non-exchange debtors

Gross debtors

Total provision for impairment

TOTAL

11. CASH AND CASH EQUIVALENTS (BANK AND CASH)

Bank balance	
ABSA - Primary bank account	40-5658-4470
Salary bank account	40-5658-4496
Cashiers bank account	40-5658-4527
General income account (primary)	40-5658-4569
Traffic fines bank account	40-7261-8663
IRT funding account	5435522023983015
IRT funding account	5435522024946011
IRT funding account	5435522024948017

Year-end accruals

Interest accrual	
Bank charges accrual	

Net cash in bank

Cash on hand and in transit

Call and term deposits - see note 6

Amortised cost

Call and term deposits - see note 6

Fair value**TOTAL**

Cash and cash equivalents comprise cash held and short-term deposits.

12. BORROWINGS

Local registered stock loans	
Concessionary loans	
Other loans	
Finance leases	
Subtotal - see Appendix A for more details	
Current portion transferred to current liabilities	
TOTAL	

A total of R641,65 million (2011: R477,00 million) has been ring-fenced for the repayment of long-term liabilities - see note 6 and 39 for more details.

LOCAL REGISTERED STOCK**ABSA Nominees (Pty) Ltd**

Secured bond paying fixed interest semi-annually. As security, a sinking fund was established, which, together with interest capitalised, will be used to settle the original loan liability on 31 March 2014.

Listed Bonds

In terms of the City's domestic medium term note (DMTN) programme registered on the JSE unsecured bonds totalling R4,20 billion are listed on the JSE Limited (JSE) of South Africa. Interest is payable semi-annually, while capital will be redeemed by way of a bullet repayment on the final redemption date. Certain bond raising costs have been capitalised and off-set against the proceeds thereof, and are being written off over the periods of the respective bonds. Sinking funds have been established for the repayment of the bonds.

CONCESSIONARY LOANS**Development Bank of Southern Africa (DBSA)**

An unsecured fixed-term concessionary loan repayable semi-annually in equal instalments of capital, with interest payable on the reducing balance. This loan will be fully paid on 30 June 2020.

Nedcor Bank

An unsecured fixed-rate loan, interest payable annually, and loan capital repayable on 31 August 2019.

2012	2011
R'000	R'000
98 651	116 877
97 705	116 867
-	-
-	-
-	-
-	-
301	10
325	-
320	-
(246)	(194)
275	291
(521)	(485)
98 405	116 683
35 100	29 412
1 482 277	1 463 426
1 615 782	1 609 521
1 712 050	1 541 736
1 712 050	1 541 736
3 327 832	3 151 257

4 279 186	4 278 903
27 392	30 357
1 164 029	1 273 648
-	66 281
5 470 607	5 649 189
(294 186)	(305 353)
5 176 421	5 343 836

4 279 186	4 278 903
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7 047	7 047
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4 272 139	4 271 856
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27 392	30 357
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27 376	30 343
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16	14
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OTHER LOANS**Development Bank of Southern Africa (DBSA)**

Unsecured fixed-interest loans, repayable semi-annually in equal instalments of capital, with interest payable on the reducing balance. These loans have various final redemptions, ranging from 30 June 2015 to 31 December 2022.

FirstRand Bank

A structured 15-year loan to the value of R220 million of which, R200 million is repayable semi-annually in equal instalments of capital and fixed-rate interest over 15 years, and the balance of R20 million payable in one instalment, together with fixed-rate interest, on 30 June 2017. The bullet repayment of the R20 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 million. R20 million of the premium was invested in the guaranteed investment portfolio referred to above. The balance of the premium, i.e. R200 million, was invested in a linked investment (unguaranteed) portfolio. The maturity proceeds of this unguaranteed portfolio were sold in advance to FirstRand Bank for R200 million on the acceptance 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.

FirstRand Bank

A structured 15-year loan to the value of R150 million, repayable semi-annually in equal instalments of capital and fixed interest.

As part of the loan structure, the City entered into a loan-and-leaseback agreement. The City leased moveable electricity assets with a market value of R150 million to FirstRand Bank for 20 years. Rental was payable in three instalments from 1998 to 2000, with a nominal annual rental thereafter. The rentals have been 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 out of the deposit account from 2003 to 2013, 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.

The loan is secured by items of plant, to the carrying value of R15,83 million (2011: R20,89 million).

ABSA Bank

An 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.

FirstRand Bank

A structured 15-year loan to the value of R300 million, of which, R74,30 million 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 capitalised 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 Future Growth. In terms of a put-option agreement, the maturity proceeds of this unguaranteed portfolio were 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.

2012	2011
R'000	R'000
1 164 029	1 273 648
683 284	731 991
176 329	183 268
20 625	41 643
120 000	140 000
163 791	176 746

FINANCE LEASES**Nedbank**

A sale-and-leaseback, structured 15-year loan to the value of R55,30 million was funded by Nedbank through an infrastructure trust. Lease rentals equated to fixed-rate interest were payable semi-annually over 15 years; a bullet rental amount of R55,30 million was paid on 3 January 2012 out of the proceeds of a sinking fund in settlement of the loan. The City deposited equal amounts with Nedbank semi-annually, which, together with compounded interest over 15 years, equated to the original loan capital. The City ceded its rights under the deposit agreement to Nedbank as security for repayment of the loan capital.

Investec

A sale-and-leaseback, structured 15-year loan to the value of R54,80 million was funded by Investec Bank. Lease rentals equated to loan fixed-rate interest plus capital was payable semi-annually over 15 years. Investec 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 deposited with Investec an amount, which, together with compound interest, equated to the option price paid on 31 December 2011. The City ceded its rights under the deposit agreement to Investec as security for repayment of the lease and the option price.

TOTAL - see Appendix A for more details

2012	2011
R'000	R'000
-	66 281
-	61 997
-	4 284
5 470 607	5 649 189

The rates of interest payable on the abovementioned 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 (Act 58 of 1962) or any other relevant legislation that has an 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.

SHORT-TERM DEBT FACILITIES

The Municipality had the following short-term debt facilities with the City's main banker:

	2012	2011
	R'000	R'000
Performance guarantee and/or letter of credit	15 000	15 000
Business travel card	2 000	2 000
Daylight limit	1 000 000	1 000 000
Business credit card	50	50

The short-term debt facilities are reviewed annually and can be explained as follows:

Performance guarantee and/or letters of credit

A guarantee issued by the bank is an undertaking, that should the City fail to fulfil its obligations in terms of a contract or an agreement, the bank will pay specific amounts as stated on the guarantee. The monies are due and payable on the written demand from the beneficiary.

Business Credit Card/Travel Card

A card issued by the bank enables the City to obtain goods and services on credit. It entails moneys lent and advanced.

Daylight limit

A daylight limit is a facility that enables the City to transact even if there are insufficient funds during that particular day. It entails moneys lent and advanced during that day, provided it is settled by the end of that business day.

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 2012					
Balance at the beginning of the year	312 294	342 871	2 841 340	15 832	3 512 337
Interest cost	26 905	35 350	254 270	1 536	318 061
Service cost	39 775	(74 882)	79 194	651	44 738
Benefit payments	(40 927)	-	(126 316)	(1 505)	(168 748)
Actuarial losses/(gains)	37 535	-	376 394	(1 475)	412 454
Transferred from current provisions (prior year)	37 489	32 000	141 553	1 965	213 007
	413 071	335 339	3 566 435	17 004	4 331 849
Transfer to current provision	(36 256)	(6 500)	(211 176)	(1 716)	(255 648)
TOTAL	376 815	328 839	3 355 259	15 288	4 076 201

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.

Discount rate

The fund benefit liability as at 30 June 2012 has been discounted at the market yields on government bonds consistent with the estimated term of the liability. A discount rate of 6,28% (2011: 8,16%) per annum has been used.

Key financial assumptions

Discount rate
General salary inflation rate
Salary increase

2012	2011
%	%
6,3	8,2
5,9	6,3
5,0	6,5

Environmental rehabilitation

Provision is made in terms of the City's licensing stipulations on the waste landfill 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 5,2% (2011: 5,6%) and discounted to present value at the average borrowing cost of 10,59% (2011: 10,97%) - hence the difference. The payment dates of total closure and rehabilitation are uncertain, but are currently expected to be between 2013 and 2025.

Post-retirement medical aid and pension benefits

An actuarial valuation has been performed of the City's liability in respect of benefits to its eligible retirees and retrenched employees. The provision is utilised when eligible employees receive the value of the vested benefits - see note 46 for more details.

14. DEPOSITS

Electricity and water	272 795	233 248
Other deposits	2 149	244
	274 944	233 492

Guarantees held in lieu of electricity and water deposits were R38,60 million (2011: R29,26 million). Deposits are released when the owner/occupant of a property terminates the contract with the City to supply water and electricity to the property, or when certain contractual services are delivered.

15. PROVISIONS

	Opening balance 2012 R'000	Raised from statement of financial performance R'000	Reversed to statement of financial performance R'000	Transfers from non-current R'000	Closing balance 2012 R'000
Other provisions	149 212	223 132	(45 802)	-	326 542
Insurance claims	4 986	8 976	(4 986)	-	8 976
Post-retirement benefits	143 518	-	(143 518)	212 892	212 892
Legal fees	2 003	-	(2 003)	-	-
Environmental rehabilitation	32 000	-	(32 000)	6 500	6 500
Leave benefits	443 192	28 908	(37 489)	36 256	470 867
TOTAL	774 911	261 016	(265 798)	255 648	1 025 777

Insurance and COID claims

Provision has been made for outstanding insurance claims as at 30 June 2012, funded out of the insurance reserve. 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 FROM EXCHANGE TRANSACTIONS

	2012 R'000	2011 R'000
Trade creditors	2 589 119	2 152 151
Payments received in advance	800 480	785 846
Inter-company advances	69 746	76 489
Third-party payments	238 908	215 034
Other creditors	84 900	92 397
TOTAL	3 783 153	3 321 917

Guarantees held in lieu of retentions were R219,74 million (2011: R662,24 million).

Payables are non-interest-bearing and are normally settled on 30-day terms, except for retentions which are settled in terms of the contract agreement.

Payments received in advance are non-interest-bearing and normally settled on 30-day terms.

Management policies are in place to ensure that all payables are paid within a reasonable timeframe.

17. UNSPENT CONDITIONAL GRANTS AND RECEIPTS**Conditional grants from other spheres of government**

	1 603 821	1 040 996
Municipal infrastructure grant (MIG)	-	63 547
National Government	1 378 915	586 486
Provincial Government Western Cape (PGWC) - other	224 906	390 963

Other conditional receipts

	61 931	67 684
Public contributions	61 931	67 684

TOTAL

	1 665 752	1 108 680
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These amounts are separately invested in terms of Section 12 of the MFMA. See note 27 and 28 for more details 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 IRT system.

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

18. VAT

VAT payable
 Impairment
 VAT receivable
TOTAL NET VAT PAYABLE

The City is registered for VAT on the payment basis. The VAT liability was impaired as a result of an impairment against debtors.

2012	2011
R'000	R'000
303 077	273 431
420 687	435 785
(117 610)	(162 354)
(245 321)	(216 063)
57 756	57 368

19. HOUSING DEVELOPMENT FUND**Realised housing proceeds**

Opening balance
 Income
 Land sales
 Repayments long-term debtors
 Repayments public organisations
 Service contributions
 Subsidy refunds
 Interest
 Expenditure
 Funding capital projects
 Funding operating projects

Non-cash transfer to provision for impairment

Closing balance - realised proceeds**Unrealised housing proceeds**

Opening balance
 Loans realised
 Long-term housing loans
 Long-term loans public organisations

Transfer to provision for impairment - long-term debtors selling schemes
 Transfer to provision for impairment - long-term public organisations

Closing balance - unrealised proceeds**TOTAL**

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

406 818	397 648
47 781	54 437
6 513	2 917
29 775	31 342
2 031	3 024
5 321	5 591
4 141	11 563
19 912	21 761
(55 333)	(51 055)
(8 519)	(22 855)
(46 814)	(28 200)
(14 581)	(15 973)
404 597	406 818
132 252	133 824
(29 963)	(22 914)
(22 063)	(21 395)
(7 900)	(1 519)
13 906	21 510
671	(168)
116 866	132 252
521 463	539 070

20. RESERVES

Capital replacement reserve (CRR)
 Insurance reserve
 Self-insurance reserve
 Compensation for occupational injuries and diseases

TOTAL

The CRR and the self-insurance reserve are fully funded and invested in ring-fenced financial instruments.

1 274 073	1 186 371
496 182	585 163
438 556	534 055
57 626	51 108
1 770 255	1 771 534

21. ACCUMULATED SURPLUS

Accumulated surplus

Receipts from acquired grant-funded assets to the value of R12,23 billion (2011: R10,57 billion) are included and earmarked to fund the depreciation charges over the assets' useful lives.

16 895 822	14 369 652
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22. SERVICE CHARGES

Sale of electricity
 Sale of water
 Waste management
 Wastewater management
 Other

TOTAL

8 061 911	6 815 178
1 817 183	1 649 307
710 609	651 966
1 002 897	903 205
394 165	340 071
11 986 765	10 359 727

23. RENTAL OF LETTING STOCK AND FACILITIES

Rental agreements
Hire/rentals

Income forgone*

TOTAL

2012	2011
R'000	R'000
288 019	246 658
36 037	37 006
324 056	283 664
(34 320)	(33 348)
289 736	250 316

24. FINANCE INCOME

Interest receivable – external investments
Interest transferred to external funds (conditional grants)

Interest receivable – outstanding debtors

Net finance income

Gains on Forex transactions
Gains on valuation of investments

TOTAL

434 195	335 217
(102 446)	(50 404)
331 749	284 813
228 425	230 391
560 174	515 204
44	-
1 543	6 866
561 761	522 070

25. OTHER INCOME**Exchange transactions**

Insurance recoveries
Bulk infrastructure levies
Skills development levy
Other income

Non-exchange transactions

City Improvement Districts (CIDs)

TOTAL

234 803	165 380
2 322	1 093
56 426	54 926
23 272	22 195
152 783	87 166
89 508	81 409
324 311	246 789

26. PROPERTY RATES**Actual**

Residential
Commercial
State

Penalties

Income forgone*

TOTAL PROPERTY RATES

5 519 703	5 277 706
89 657	94 168
5 609 360	5 371 874
(897 262)	(841 942)
4 712 098	4 529 932

Valuations

Rateable properties
Non-rateable properties

TOTAL PROPERTY RATES AT COMMENCEMENT OF FINANCIAL YEAR

764 031 600	772 100 106
25 790 827	25 648 841
789 822 427	797 748 947

Exempt properties are excluded from the property rates valuations.

Valuations per category

Residential
Commercial
Agriculture
State
Municipal

TOTAL PROPERTY VALUATIONS AT COMMENCEMENT OF FINANCIAL YEAR

534 173 358	549 409 889
180 500 237	172 957 965
8 777 516	8 784 443
42 076 739	42 907 205
24 294 577	23 689 445
789 822 427	797 748 947

The last general valuation came into effect on 1 July 2010, and is based on market-related values. Supplementary valuations are processed when completed by the Valuations Department, annually to take into account changes to individual property values due to alterations and subdivisions. Rates are levied on a daily basis and are payable monthly. Interest is raised monthly on accounts in arrears at prime plus 1% per annum.

*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.

27. GOVERNMENT GRANTS AND SUBSIDIES**Unconditional grants**

Equitable share

Other

Conditional grants

Municipal infrastructure grant (MIG)

Provincial health subsidies

Provincial: Other

Cape Metropolitan Transport Fund (CMTF)

National projects

Provincial projects – other

Other

TOTAL

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

Unconditional grants

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

Analysis of government grants and subsidies

Operating

Capital

2012	2011
R'000	R'000
970 474	910 437
970 474	836 662
-	73 775
2 787 361	1 726 032
-	249 772
136 113	129 925
-	3 843
30 049	32 824
1 919 890	705 761
700 901	592 282
408	11 625
3 757 835	2 636 469

1 626 991	1 385 536
2 130 844	1 250 933
3 757 835	2 636 469

Municipal infrastructure grant projects

Balance unspent at beginning of the year

Regrouping adjustment

Current-year receipts

Adjustments

Conditions met – transferred to revenue

Conditions still to be met – transferred to liabilities – see note 17

(63 547)	-
-	70 407
-	(383 726)
63 547	-
-	249 772
-	(63 547)

This grant was used to fund the construction of infrastructural assets for the City. The conditions of the grant have been met. No funds have been withheld.

Provincial health subsidies

Balance unspent at beginning of year

Current-year receipts – included in public health vote

Conditions met – transferred to revenue

Conditions still to be met – transferred to liabilities

-	-
(136 113)	(129 925)
136 113	129 925
-	-

Provincial projects and CMTF

Balance unspent at beginning of the year
Regrouping adjustment
Reclassification
Current-year receipts
Interest earned
Adjustments
Conditions met – transferred to revenue
Amounts still to be claimed

Conditions still to be met – transferred to liabilities – see note 17

2012	2011
R'000	R'000
(390 963)	(246 903)
68 302	1 545
-	3 843
(523 637)	(719 762)
(7 384)	(6 597)
1 646	(18 241)
730 950	625 106
(103 820)	(29 954)
(224 906)	(390 963)

National Government projects

Balance unspent at beginning of year
Regrouping adjustment
Reclassification
Current-year receipts
Interest earned
Adjustments
Conditions met – transferred to revenue
Amounts still to be claimed

Conditions still to be met – transferred to liabilities – see note 17

(586 486)	(702 923)
11 381	2 848
-	73 775
(2 625 891)	(640 032)
(90 070)	(37 312)
(7 531)	11 397
1 919 890	705 761
(208)	-
(1 378 915)	(586 486)

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

28. PUBLIC CONTRIBUTIONS

Public contributions: Consumer connections
Other

36 984	40 383
26 369	39 337
63 353	79 720

Public contributions and other third-party funds

Balance unspent at beginning of the year
Regrouping adjustment
Reclassification
Current-year receipts
Interest earned
Adjustments
Conditions met – transferred to revenue
Amounts still to be claimed

Conditions still to be met – transferred to liabilities – see note 17

(67 684)	(98 614)
(613)	6 390
-	17 900
(58 587)	(44 529)
(802)	(1 372)
6 259	(3 509)
62 353	61 820
(2 857)	(5 770)
(61 931)	(67 684)

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

Salaries and wages
Social contributions – UIF, pensions and medical aid
Travel, car, accommodation, subsistence and other allowances
Housing benefits and allowances
Overtime payments
Contribution: Post-retirement and long-service

Expenditure recharged to capital projects

TOTAL

4 305 903	3 959 861
1 125 294	1 031 092
287 457	273 051
31 061	31 315
310 205	277 174
878 229	600 062
6 938 149	6 172 555
(22 137)	(24 663)
6 916 012	6 147 892

30. REMUNERATION OF COUNCILLORS

	2012 R'000	2011 R'000
Executive Mayor	1 050	971
Deputy Executive Mayor	740	766
Speaker	740	766
Chief Whip	695	719
Mayoral Committee Members	7 350	6 497
Subcouncil Chairpersons	15 206	15 117
Councillors	67 924	54 274
Councillors' pension contributions	4 067	9 511
TOTAL	97 772	88 621

31. IMPAIRMENT COSTS

Allowances for impairment losses	818 450	773 226
Impairment of property, plant and equipment	27 392	9 866
TOTAL	845 842	783 092

32. DEPRECIATION AND AMORTISATION EXPENSES

Depreciation of property, plant and equipment	1 355 425	1 249 295
Depreciation of investment property	1 653	2 598
Amortisation of intangible assets	15 018	10 207
TOTAL – see to notes 1, 3, 4 and Appendix B	1 372 096	1 262 100

33. FINANCE COSTS

Interest expenses	645 900	683 588
Borrowings (amortised cost)	641 038	661 870
Finance leases (amortised cost)	4 862	21 718
Unwinding of discount	35 350	33 604
Amortisation of bond issue expenses	283	283
TOTAL	681 533	717 475

34. BULK PURCHASES

Electricity	5 385 001	4 326 842
Water	320 262	293 323
TOTAL	5 705 263	4 620 165

35. GRANTS AND SUBSIDIES PAID

Community development and upliftment	9 384	9 315
Economic development and promotion of tourism	71 238	71 307
Education institutions	1 239	1 204
Health forum/health, HIV Aids and programmes	3 675	4 909
Senior citizens – facilities for the aged	289	456
Social development and arts and culture	5 438	5 647
Sporting bodies	2 229	544
Wesgro	10 000	-
TOTAL	103 492	93 382

36. GENERAL EXPENSES

	2012 R'000	2011 R'000
Chemicals	99 450	91 898
Communication and publication	28 743	26 255
Computer services and software	25 508	19 174
Consultants	147 364	141 440
ESKOM – Free basic electricity subsidy (FBE)*	93 563	70 981
Fuel	190 792	143 758
Furniture and fittings	36	15
Hire charges	147 134	118 739
Legal fees	34 698	35 941
Levy: Skills development	48 398	43 499
Licences and permits	70 303	70 869
Materials and consumables	273 402	279 307
City improvement districts (CIDs)	86 823	78 967
Minor tools and equipment	51 172	50 283
Pharmaceutical supplies	71 874	75 441
Postage and courier	26 572	25 973
Printing and stationery	61 545	56 958
Rental	56 561	62 849
Inventory: Scrapped	5 402	1 243
Security services	311 703	272 550
Sewerage services – disposals external	47 450	35 209
Telecommunications	113 985	114 246
Training	69 676	52 179
Insurance: Claims	26 659	26 611
Insurance: Underwriting	25 557	26 217
Indigent relief	369 226	338 696
Contributions, transfers and other	614 536	494 885
	3 098 132	2 754 183
Expenditure recharged to capital projects	(2 397)	(3 253)
TOTAL	3 095 735	2 750 930

37. CASH GENERATED FROM OPERATIONS

Surplus for the year	2 507 284	1 824 465
Adjustment for :	2 566 316	2 475 011
Depreciation	1 372 096	1 262 100
Impairment	27 392	9 866
Contributed assets	(76 127)	-
Gains and losses on disposal of property, plant and equipment	(42 420)	(17 051)
Contribution to provisions	814 730	498 688
Contribution to impairment provision	350 873	526 003
Finance income	(561 761)	(522 070)
	(563 873)	(503 857)
	2 112	(18 213)
Finance costs	681 533	717 475
Operating surplus before working capital changes	5 073 600	4 299 476
(Increase) in inventories	(17 759)	(38 169)
(Increase) in receivables	(637 980)	(845 591)
(Increase)/decrease in other receivables	(96 840)	116 942
Increase in unspent conditional grants and receipts	557 072	60 240
Increase in payables	461 236	259 030
Increase in net VAT	388	6 207
Cash generated from operations	5 339 717	3 858 135

38. CASH AND CASH EQUIVALENTS

Balance at the end of the year	3 327 832	3 151 257
Balance at the beginning of the year	3 151 257	4 511 179
Net increase/(decrease) in cash and cash equivalents – see note 11	176 575	(1 359 922)

*Payment to ESKOM to subsidise the FBE portion supplied by ESKOM to residence in the City.

39. RECONCILIATION OF UTILISATION OF LONG-TERM LIABILITIES

External finance fund (EFF) earmarked capital expenditure

2010/11 and prior years

Current year

Total External finance fund (overdrawn)

Cash set aside for the repayment of long-term liabilities – see note 6 and 12

Cash overdrawn

2012	2011
R'000	R'000
(3 801 138)	(2 700 480)
(2 700 480)	(1 720 913)
(1 100 658)	(979 567)
(3 801 138)	(2 700 480)
641 651	476 998
(3 159 487)	(2 223 482)

40. BUDGET INFORMATION**40.1 Explanation of variances between approved and final budget amounts**

The reasons for the variances between the approved and final budgets are mainly due to virements, and the negative effect of the abnormal high electricity and solid waste tariff increases on consumer debtors. The decrease in the expected capital expenditure, and the reprioritising of capital projects, with the corresponding changes to funding sources.

40.2 Explanation of variances greater than 5%: final budget and actual amounts**40.2.1 Statement of financial position**

i) Current assets

The cash available were much higher than anticipated due to underspending of capital and operating expenditure as well as higher than expected payables.

ii) Current liabilities

The actual payables were higher than the budget due to much higher capital spend in June 2012 than what was budgeted for.

40.2.2 Statement of financial performance

Revenue

i) Rental of letting stock and facilities

The variance is as the result of improved processes relating to rental of property and facilities.

ii) Finance income

Interest earned on the continuous favorable cash/investment balance during the year.

iii) Licences and permits

The variance is the result of an increased number of licenses and permits issued and an improvement in administrative processes relating to the issue of licenses and permits.

iv) Agency services

The variance is the result of an increase in the number of transactions processed on behalf of Provincial Government.

v) Other income

The variance is the result of a refund on Water Levies paid in the previous financial year and a VAT refund on IRT related transactions as agreed with SARS.

vi) Fines

The variance is as result of fines reviewed by traffic courts and the number of fines issued by the respective departments.

vii) Government grants and subsidies

The spending on these projects were influenced by a number of factors, such as delays in the implementation of various projects, community dynamics, change in contract scope, contract award objection processes, environmental issues, delays in delivery of materials/goods and contractor performance, thus resulting in underspending for the year. Various projects will be completed in the 2012/13 financial year and the funding will be rolled over in the August 2012 adjustments budget.

viii) Public contributions

The variance is mainly due to slower than expected property development due to economic downturn resulting in less Development Levies collected..

ix) Gains on disposal of property, plant and equipment

The variance is due to difficulties in planning the finalisation date of various property sales and transactions that are still in progress.

Expenditure

- i) Remuneration of councillors
Variance due to less than anticipated transport claims submitted by councillors and the impact of the revised implementation date by the MEC for the conversion of the Section 79 committee chairpersons to full time councillors.
- ii) Impairment costs
The variance is due to lower than anticipated debt impairment mainly on Rates and Electricity services resulting from an improved actual collection ratio achieved and maintained during the year and the impact of the energy savings campaign.
- iii) Finance costs
The variance is mainly due to the provision made for a long term external loan which has not been taken up as the City had maintain a favorable cash position throughout the financial year.

40.2.3 Cash flow statement

- i) Net cash from operating activities
Mainly due to the cash paid to suppliers and employees being lower than expected due to an underspending of operating expenditure and higher than expected payables at year end.
- ii) Net cash from investing activities
Investments increased rather than decreased as expected due to underspending of capital and operating expenditure. Another contributing factor is the higher than expected payables at year end as more than anticipated expenditure had been deferred to the 2012/13 financial year.
- iii) Net cash from financing activities
Mainly due to a higher than expected increase in the consumer deposits.

40.2.4 Capital expenditure

- i) City Manager
Under-expenditure as a result of the contingency provisions which are only utilised for the replacement of assets as and when insurance claims are settled.
- ii) Deputy City Manager
Due to project delays caused by poor performance from contractors not meeting project deadlines. Due to the adjustment made to the specifications of the contract, further approval from Treasury and SCM was required which resulted in a temporary suspension in operations and contingency provisions which are only utilised for the replacement of assets as and when insurance claims are settled.
- iii) Economic, Environment and Spatial Planning
Under expenditure as result of the delay of signing of the contracts with relevant stakeholders on certain projects and appeals against tenders awarded on certain projects.
- iv) Social and Early Childhood Development
Under-expenditure on capital projects were caused by cash flows problems experienced by contractors, delays experienced in land transfers and community interference in the implementation of certain projects.
- v) Tourism, Events and Marketing
The variance in expenditure was primarily caused by delays in the commencement of projects due to: environmental and legal requirements, factors beyond the control of the department such as bad weather conditions and the prolonged adjudication of tenders and extension in contract periods.
- vi) Transport, Roads and Stormwater
Under-expenditure is mainly as a result of: slower implementation of the IRT Inner City bus stop infrastructure and other IRT contracts due to frequent design changes being required as a result of the presence of existing services where these had not been indicated on service plans; community disruptions and delays on some housing related projects; delivery of fewer IRT buses than had been programmed by end June 2012; delays in resolution by the Appeal Authority of Section 62 appeals against the awards of some major road contracts.
- vii) Human Settlements
Expenditure variations on the variety of integrated human settlements developments undertaken by the City of Cape Town include matters associated with comprehensive community engagements which take longer than anticipated, unseasonal weather, project planning approvals et al. Beneficial savings on land acquisitions also resulted in a level of underspend against this budget item.
- viii) Water and wastewater management
As a result of departmental constraints such as lack of adequate staff to supervise projects, delays were experienced in completing certain projects. Inefficiencies from other departments within the City that led to the delay in the commencement of projects such as approval of Tenders by SCM and the time taken by Legal department to resolve appeals against tenders awarded. Under-performance of contractors and supply constraints. Environmental Impact Analyses and obtaining of way leaves. Bad weather conditions experienced during the year which led to project backlogs. Better cost management techniques which resulted in cost savings on projects completed.

2012	2011
R'000	R'000

41. IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE, MATERIAL LOSSES**41.1 Irregular expenditure**

Opening balance	187 164	101 106
Irregular expenditure – supply chain management regulation (see incidents below)	14 915	86 058
Ratiofied by accounting officer and noted by Council	(79 511)	-
Closing balance	122 568	187 164

Incidents
Proper tender procedures not followed due to oversight
Supply chain management policy on declarations of interest for quotations under R200 000 not fully adhered to in respect of suppliers found to be in the employ of the state
Supply chain management policy on declarations of interest for quotations under R200 000 not fully adhered to in respect of goods only
Declaration of interest of suppliers in the employ of the state overlooked
Business conducted with 2 staff members (2011 represents with a Councillor due to a delay in remedial action as a result of an overlap of election processes, and with 11 staff due to omission of detail in their declarations)
Business conducted with a supplier of whom a City staff member is a non-executive director
One instance of a supplier prohibition and another of a legitimate company with a prohibited shareholder not detected
Contracts not advertised for the full 30-day period as required due mainly to not having given account of the weekend at the end of the 30 days

Incidents for the year

214	-
325	9 166
1 786	36 772
12 446	210
90	1 275
54	-
-	5 272
-	33 363
14 915	86 058

41.2 Fruitless and wasteful expenditure

Opening balance	431	431
Fruitless expenditure current year	-	-
Certified as irrecoverable by Council	(431)	-
Closing balance	-	431

41.3 Material losses**Water losses****Water losses**

In the current year, the reticulation losses were 8,6% (2011: 10,7%). These losses are predominantly due to metering inefficiencies, which constitutes an apparent loss. A major reduction has been made since the previous financial year by addressing metering inconsistencies. The material losses disclosed in 2011 have been restated due to the City having not correctly interpreted Section 125 of the MFMA regarding the losses to be disclosed. Only losses of a non-technical nature should be disclosed and not losses which are by nature regarded as normal production losses. Such production losses amounting to R93,97 million (2011: R109,73 million) are quantified and factored into the tariffs. The comparative amount of R90,05 million has been restated from R506,54 million.

Electricity losses**Electricity losses**

In the current year, the energy losses were 10,75% (2011: 8,85%). These losses are the result of theft and vandalism. The material losses disclosed in 2011 have been restated due to the City having not correctly interpreted Section 125 of the MFMA regarding the losses to be disclosed. Only losses of a non-technical nature should be disclosed and not losses which are by nature regarded as normal production losses. Such production losses amounting to R352,74 million (2011: R280,36 million) are quantified and factored into the tariffs. The comparative amount of R101,53 million has been restated from R689,27 million.

76 965	90 050
225 049	101 529

2012	2011
R'000	R'000

42. COMMITMENTS**42.1 CAPITAL COMMITMENTS**

Commitments in respect of capital expenditure
Approved and contracted for:

Infrastructure	1 418 983	1 203 958
Community	21 302	166 267
Other	587 050	8 990
TOTAL	2 027 335	1 379 215

The 2011 comparative amount of R1,380 billion has been restated from R898,53 million due to the basis of determination being changed from one year in value after year end to the full commitment in value.

42.2 OPERATING LEASE COMMITMENTS**The City as lessee**

Future minimum lease payments under non-cancellable operating leases.

Buildings

Payable within one year
Payable within two to five years

68 279	56 420
25 622	44 559
42 657	11 861

Vehicles and other equipment

Payable within one year
Payable within two to five years
Payable after five years

56	439
56	116
-	254
-	69

68 335	56 859
---------------	---------------

Minimum lease payments recognised as an expense during the period amount to R44,68 million (2011: R62,63 million). Leased premises are contracted for remaining periods of between one and four years, with renewal options available in certain instances.

The City has minimal current lease arrangements for photocopy and fax machines over a period of one year, without being subject to escalation. In terms of a recent Council policy decision, such leased equipment shall be purchased upon 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.

The City as lessor

Future minimum lease income under non-cancellable operating leases.

Receivable within one year	18 898	19 495
Receivable within two to five years	68 912	66 101
Receivable after five years	299 877	309 101
Buildings	387 687	395 205

The City has properties under operating leases. Property rental income earned during the year was R19,87 million (2011: R25,84 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 a decrease in current year income of R1,13 million.

The 2011 comparative amount of R395,21 million has been restated from R477,38 million due to leases being incorrectly scheduled as monthly instead of annually.

43. ADDITIONAL DISCLOSURES**43.1 MUNICIPAL FINANCE MANAGEMENT ACT****43.1.1 Section 124****Disclosures concerning councillors, directors and officials**

As at **30 June 2012** no councillors were in arrears for rates and services

During the reporting period the following councillors, as listed below, were in arrears for more than 90 days.

F.L. Abrahams	V.R. Isaacs	A.X. Ndongeni
Y. Adams	L.V. James	N. Ndzulwana
A. Gabuza	L. Maci	M. Nikelo
T. Gqada	C.J. Mack	T.A. Uys – Bloemhof Guesthouse
E.N. Hinana	J.J. Maxheke	M. Weavers
T.T. Honono	H.K. Morkel – Carthen Investment (Pty) Ltd	G.L. Zondani

As at 30 June 2011

	Total R	Outstanding <90 days R	Outstanding >90 days R
F.C. Christians	6 526	580	5 946
E.N. Hinana	15 357	11 239	4 118
C.W. Ipser	10 749	6 502	4 247
L.D. Jordaan	5 721	-	5 721
L. Maci	1 859	95	1 764
H.K. Morkel – Carthen Investment (Pty) Ltd	47 040	-	47 040
N. Ndzulwana	4 020	333	3 687
N.C. Nyakatyia	1 614	975	639
T. Sakathi	1 964	782	1 182
M. Weavers	4 379	1 102	3 277
G.L. Zondani	2 808	2 335	473

These balances have been paid in full at 31 August 2011

	102 037	23 943	78 094
F.L. Abrahams	9 841	700	9 141
A. Gabuza	7 239	811	6 428
T. Gqada	20 612	-	20 612
V.R. Isaacs	43 678	17 226	26 452
L.V. James	17 807	1 495	16 312
C.J. Mack	11 021	8 438	2 583
J.J. Maxheke	14 880	944	13 936
A.X. Ndongeni	65 300	2 018	63 282

Arrangements are in place for the payment of these balances

Total	190 378	31 632	158 746
	292 415	55 575	236 840

43.1.2 Section 125**Late submission of prescribed report**

The report on the state of the City's budget to the mayor was not submitted within 10 working days after the end of each month as required in terms of section 71 of the MFMA (Act 56 of 2003).

Other compulsory disclosures**As at 30 June 2012**

	SALGA contributions R'000	Audit fees R'000	PAYE UIF R'000	Pension and medical aid R'000
Opening balance	7 170	481	60 419	141 774
Subscriptions/fees	9 500	16 547	804 472	1 813 266
Amount paid – current year	(9 500)	(16 284)	(741 929)	(1 657 961)
Amount paid – previous years	(7 170)	(481)	(60 419)	(141 774)

Balance unpaid (included in payables)

	-	263	62 543	155 305
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As at 30 June 2011

	-	1 296	53 222	122 658
Opening balance	-	1 296	53 222	122 658
Subscriptions/fees	13 862	18 491	757 366	1 623 657
Amount paid – current year	-	(18 010)	(696 947)	(1 481 883)
Amount paid – previous years	(6 692)	(1 296)	(53 222)	(122 658)

Balance unpaid (included in payables)

	7 170	481	60 419	141 774
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2012	2011
R'000	R'000

43.2 SUPPLY CHAIN MANAGEMENT REGULATIONS

43.2.1 Deviations

In terms of section 36 of the Municipal Supply Chain Management Regulations, any deviation from 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. Deviations have been approved in principle subject to controls such as unit cost and costs and budget availability.

Incident

Appointment of consultants	72 543	41 068
Information technology upgrade	18 131	7 402
Upgrading of electricity services	-	3 344
Extension of contracts	289 845	518 289
Upgrading of road infrastructure	10 588	32 402
Supply and delivery of plant and equipment	11 092	59 430
Others	39 660	155 078
Deviations less than R200 000	333 615	290 999
Total amount condoned by Council	775 474	1 108 012

All deviations considered by the City Manager are processed in terms of the Supply Chain Management Regulation and the Supply Chain Management Policy. This process entails being assessed by the Supply Chain Management Bid Adjudication Committee in terms of the stipulated criteria of procurements of an emergency nature, availability from only one provider, art historic objects, circumstances where it is impractical or impossible to follow the official procedure or correction of minor breaches of a technical nature.

43.2.2 Ratification of SCM breaches

2012
R'000

The calling for declaration of interest for quotation under R200 000 only fully implemented by December 2011. In addition the non-calling could have given rise to the possibility that the City may have traded with "employees in service of the State".	41 593
Contracts not advertised for the full 30-day period as required due mainly to not having given account of the weekend at the end of the 30 days	182 167
Total	223 760

43.2.3 Bids awarded to family of employees in service of the State

In terms of the SCM regulations, any award above R2 000 to family of employee in the service of the State must be disclosed in the annual financial statements. Herewith a list as recorded in the declaration of interest form.

		2012	2011
		R'000	R'000
Connected person	Position held in State		
J. Adams	Secretary	130	152
T. Appolis	Operator: Mechanical Plant Gr 2	49	-
J. Arendse	Handyman	363	167
M.F. Baloyi	Worker	-	8
P. Booysen	Clerk	1 115	1 115
B. Brooks	Area Manager	44	-
G. Buitendag	Principal Professional Officer	3 160	-
A. Cedras	Senior Superintendent	1 058	1 317
A. Charles	Functional Operational Manager	-	31
C. Connor	Head: COID	238	-
H. Da Costa	Professional Officer	23	-
L. Daniels	Senior Foreman	979	-
S.S. Daries	Senior Superintendent	4	51
C.B. Davids	Administrative Officer	44	-
R. Davids	COCT SCM Assistant buyer	459	250
J. du Toit	COCT SCM Assistant buyer	251	222
B. Francis	Administrative Officer	1	7
N. Goniwe	Water Pollution Control Inspector	279	417
T. Hartogh	Superintendent	-	12
P.M. Hattingh	Administrative Officer	924	-
G. Hector	Superintendent	-	4
J. Hintenaus	Environmental Health Officer	-	4
N. Hoosain	Clerk	823	566
A. Hoppie	Clerk	-	3
D. Isaacs	Clerk	8	42
E. Ishmail	Manager : Valuations Data and systems	5 364	-
L. January	Head : Area	116	27
M.S. Jacobs	Clerk	1 163	-
K.M. Johns	Clerk	55	-
B. Jones	Clerk	272	-
A. Jonkers	Senior Foreman	-	40
M.F. Khan	Clerk	232	180
W. Kloppers	Senior Health Practitioner	-	3
G. Koning	Enrolled Nurse	18	52
X. Mama	Head : Area Manager	449	-
J. Manuel	Traffic Officer	13	7
J. Maputsi	Learner Fire Fighter/Fire Fighter/Senior	753	1 587
S.S. Merile	Operator: Small Plant	663	1 071
D. Michaels	Administrative Officer	-	15
K. Modack	Specialist Clerk	83	-
M.C. Mshweshwe	Statutory Compliance Specialist	344	53
V. Mwahla	Head: Area	-	6
M. Pardenwachter	Professional Officer	45	-
J. Pienaar	Senior Professional Officer	-	2
R. Platen	Special Workman	4	5
C. Rhoda	Clerk	10 607	7 222
M.F. Sammy	Administrative Officer	104	68
L.M. Scholtz	Secretary	1 177	-
P.A. Singama	Administrative Officer	-	15
Q.G. Sipoyo	Risk and Safety Advisor	858	350
P. Smith	Administrative Officer	66	-
P. Sonyabashe	Worker	538	172
R. Swanson	Courier	63	117
L. Swartz	Clerk	-	58
I. Taliep	Clerk	-	236
M. Thorpe	COCT SCM Assistant buyer	376	366
W. Timotheus	Operational Supervisor/ Driver	4	13
F. Trom	Worker	11	5
M. Valentine	Senior Operational Supervisor/ Driver	-	65
C. van der Vendt	Senior Worker	343	379
E. Vermeulen	Assistant Librarian (Part Time)	-	64
M.F. Votersen	Head: Finance Parks	1 248	1 148
J. Williams	Clerk	2	127
Total		34 923	17 821

44. FINANCIAL RISK MANAGEMENT

Exposure to currency, interest rate, liquidity and credit risk arises in the normal course of the City's operations. This 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. Every quarter, the risk management committee's reports are presented to the Audit Committee. The Risk Management Committee's 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 statement of financial position items:

	Amortised cost R'000	Fair value R'000	Cost R'000	Total carrying amount R'000	Carrying amount fair value R'000
Financial assets					
2012					
Investments	111 529	2 883 350	38 768	3 033 647	3 074 886
Long-term receivables	119 086	-	-	119 086	119 086
Receivables	3 979 256	-	-	3 979 256	3 979 256
Other receivables	305 452	-	-	305 452	305 452
Cash and cash equivalents	1 615 782	1 712 050	-	3 327 832	3 327 832
	6 131 105	4 595 400	38 768	10 765 273	10 806 512
2011					
Investments	161 771	2 096 302	38 768	2 296 841	2 318 089
Long-term receivables	134 719	-	-	134 719	134 719
Receivables	3 709 111	-	-	3 709 111	3 709 111
Other receivables	194 129	-	-	194 129	194 129
Cash and cash equivalents	1 609 521	1 541 736	-	3 151 257	3 151 257
	5 809 251	3 638 038	38 768	9 486 057	9 506 834

	Amortised cost R'000	Total carrying amount R'000	Carrying amount fair value R'000
Financial liabilities			
2012			
Borrowings	5 470 607	5 470 607	6 276 226
Payables	2 982 673	2 982 673	2 982 673
	8 453 280	8 453 280	9 258 899
2011			
Borrowings	5 649 189	5 649 189	6 241 866
Payables	2 536 071	2 536 071	2 536 071
	8 185 260	8 185 260	8 777 937

44.1 Fair values

The table below analyses financial instruments carried at fair value at the end of the reporting period, by level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the fair value of the financial instruments, and the levels have been defined as follows:

- Level 1: Fair values are based on quoted market prices (unadjusted) in active markets for an identical instrument.
- Level 2: Fair values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Fair values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data, and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments, where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Financial assets				
2012				
Investments	1 844 250	1 039 100	-	2 883 350
Cash and cash equivalents	-	1 712 050	-	1 712 050
	1 844 250	2 751 150	-	4 595 400
2011				
Investments	1 832 242	264 060	-	2 096 302
Cash and cash equivalents	-	1 541 736	-	1 541 736
	1 832 242	1 805 796	-	3 638 038

44.2 Credit risk

Credit risk is the risk of financial loss to the City if customers or counterparties to financial instruments fail to meet their contractual obligations, and arises principally from the City's investments, loans, receivables, and cash and cash equivalents.

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

	2012 R'000	2011 R'000
Investments – see note 6	2 994 879	2 258 073
Loans receivable – see note 7	119 086	134 719
Receivables and other receivables – see note 9 and 10	4 284 708	3 903 240
Cash and cash equivalents – see note 11	3 327 832	3 151 257
Total	10 726 505	9 447 289

Investments

The City limits its exposure to credit risk by investing with only reputable financial institutions that have a sound credit rating, and within specific guidelines set 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.

Receivables

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 for managing its risk includes encouraging residents to install water management devices that control water flow to households, as well as prepaid 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 receivables. The outstanding amounts of the ten largest debtors represent 0,87% (2011: 1,2%) 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 has provided fully for all receivables outstanding over 365 days. 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 receivables is given in note 9 and 10.

Payment of accounts of consumer debtors who are unable to pay, are renegotiated 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 investing with only reputable financial institutions that have a sound credit rating, and within specific guidelines set in accordance with Council's approved investment policy. Consequently, the City does not consider there to be any significant exposure to credit risk.

44.3 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 meet 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 to meet expected operating expenses through the use of cash flow forecasts.

On average, 94,93% (2011: 93,88%) of receivables (own billed) income is realised within 30 days after due date, and 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
2012				
Liabilities				
Borrowings	912 619	3 032 677	8 068 994	12 014 290
Capital repayments	294 186	708 556	4 467 865	5 470 607
Interest	618 433	2 324 121	3 601 129	6 543 683
Payables	2 982 673	-	-	2 982 673
Payables	2 589 119	-	-	2 589 119
Sundry creditors	393 554	-	-	393 554
	3 895 292	3 032 677	8 068 994	14 996 963

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 City's funding requirement, including capital expenditure, to ensure 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 in net debt is interest-bearing loans and borrowings, payables, less investments.

44.5 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 predetermine the rand value of the contracted goods or services. The City was not a direct party to any outstanding forward exchange contracts at the reporting date.

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

Market risk

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

The effective rates on financial instruments as at 30 June 2012 are as follows:

	Weighted interest rate %	Maturity of interest-bearing assets/liabilities			
		1 years or less R'000	1-5 years R'000	>5 years R'000	Total R'000
Financial assets					
Investments	6,70	2 883 387	121 108	-	3 004 495
Cash and cash equivalents	6,06	3 194 327	-	-	3 194 327
Total financial assets		6 077 714	121 108	-	6 198 822
Financial liabilities					
Borrowings	11,528	294 186	708 556	4 467 865	5 470 607
Total financial liabilities		294 186	708 556	4 467 865	5 470 607

Interest rate sensitivity analysis**Financial assets**

As at 30 June 2012, if the weighted interest rate at that date had been 100 basis points higher, with all other variables held constant, the fair-value impact on the statement of financial performance would have been R65,14 million with the opposite effect if the interest rate had been 100 basis points lower.

Financial liabilities

As at 30 June 2012, if the interest rate at that date had been 100 basis points higher, with all the other variables held constant, the fair-value liability would have no significant impact (R5 579), with the opposite effect if the interest rate had been 100 basis points lower.

45. PRIOR-YEAR ADJUSTMENTS**45.1 Change in accounting policy**

In anticipation of the implementation of GRAP 23, the City amended its accounting policies to bring them in line with the Accounting Standards which had not yet become effective. This resulted in the unspent conditional grant being recognised due to the grants being conditional with no repayment terms.

45.2 Correction of errors

Funds received in 2012 that related to 2011 financial year.

The omission of a reversal in 2011 of a bank adjustment.

Correction of the staff leave provision calculation.

Adjustment of asset values for inter-company transfer of assets. Presented below are only those items contained in the statement of financial position and the statement of performance that have been affected by the prior-year adjustments and the cash flow statement was adjusted accordingly.

		As previously reported R'000	Change in accounting policy R'000	Correction of errors R'000	Restated R'000
2011	Note				
Statement of financial position					
Other receivables	10	193 788	-	471	194 259
Provisions	15	767 671	-	7 240	774 911
Unspent conditional grants and receipts	17	1 207 732	(95 518)	(3 534)	1 108 680
Accumulated surplus	21	14 277 369	95 518	(3 235)	14 369 652
Statement of financial performance					
Exchange revenue					
Other income	25	164 909	-	471	165 380
Non-exchange revenue					
Government grants and subsidies	27	2 558 851	77 618	-	2 636 469
Public contributions	28	61 820	17 900	-	79 720
Total revenue		20 380 686	95 518	471	20 476 675
Employee-related costs	29	6 123 767	-	24 125	6 147 892
General expenses	36	2 771 349	-	(20 419)	2 750 930
Total expenditure		18 648 504	-	3 706	18 652 210
Surplus for the year		1 732 182	95 518	(3 235)	1 824 465

45.3 Changes in accounting estimates

The estimate for prepaid electricity payments received in advance has been revised due to new information being available and experienced gained by management. Due to the revised estimate the accrual decreased with R67,23 million.

The annual review of the useful lives of assets resulted in a decrease in the depreciation charge to the statement of financial performance of R4,04 million (2011: R17,20 million).

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 (Act 24 of 1956) and include both defined-benefit (DB) and defined-contribution (DC) schemes. Contributions of R652,23 million (2011: R594,15 million) to the DB and DC structures are expensed as incurred during the year under review. These schemes are subject to a triannual, biannual 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%, i.e. 9% by the members and 18% by their councils. The fund was certified by the actuary as being in a sound financial condition as at 30 June 2011. The valuation indicates a break-even actuarial result, and is 98% funded at the financial year-end. The City is included among the local authorities that contribute to the Cape Joint Pension Fund. Included in the rules of the Fund is a proviso that the assets provide a minimum return of 5,5% per annum failing which the local authorities associated with the Fund are required to fund the shortfall in direct proportion to the level of contributions made. As at the date of the financial statements, an assessment of the performance of the Fund's assets for the 2011 year had not been completed. Should the return of the assets be less than 5,5%, the City could be liable for its portion of the shortfall in terms of the rules of the Fund. The City is currently engaged in a dispute that relates to a shortfall in the return of the fund assets as contemplated above, during the 2008 and 2009 financial years, for an amount of R96 million and interest of R35,58 million. A provision of R96 million has been included in "Other provisions" in note 15.

SALA Pension Fund (multi-employer fund)

The fund is a DB plan and is financially sound. It was 98% funded as at 1 July 2011, and had remained stable since the previous valuation date.

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 DC 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 fund was certified by the actuary as being in a sound financial condition as at 30 June 2011. The valuation disclosed funding of 104%.

Cape Retirement Fund for Local Authorities (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 DC plan, as being in a sound financial position as at 30 June 2011.

Municipal Councillors' Pension Fund (multi-employer fund)

The Municipal Councillors' Pension Fund operates as a DC 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 fund was certified by the actuary as being in a sound financial condition as at 30 June 2010.

National Fund for Municipal Workers (multi-employer fund)

The retirement and pension funds are both DC schemes. The last voluntary actuarial valuation of the fund was performed on 30 June 2008. As at 30 June 2008, the valuation disclosed funding of 100%.

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

The SAMWU National Provident Fund is a DC scheme. The last actuarial valuation of the fund was performed at 30 June 2005, when the fund was certified as being in a financially sound position. A statutory valuation will be performed based on the 30 June 2008 audited financial statements, once it becomes available.

46.3 DEFINED-BENEFIT AND DEFINED-CONTRIBUTION SCHEME**Cape Municipal Pension Fund**

The Cape Municipal Pension Fund operates both as a DB and DC scheme. The actuarial valuation of the fund was performed at 30 June 2011, which certified it as being in a financially sound position. The next statutory valuation is due by 30 June 2012.

	Total	DB section	DC section
In-service members	9 474	322	9 152
Pensioners	5 196	4 014	1 182
Membership as at 30 June 2011	14 670	4 336	10 334

	2012 R'million	2011 R'million
Past-service position – DB section	3 574	3 420
Past-service position – DC section	5 822	5 001
Total liabilities	9 396	8 421
Assets valued at market value	9 408	8 550
Actuarial surplus	12	-

	2012 %	2011 %
Key financial assumptions		
Actual employer contribution – DB section	20,25	20,25
Actual employer contribution – DC section	18,00	18,00
Net discount rate: Pre-retirement	0,50	0,50
Post-retirement	2,50	2,50
Normal retirement age	60 years	60 years

46.4 POST-EMPLOYMENT DEFINED BENEFITS**46.4.1 Health care 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 as at 30 June 2012, were constituted 10 966 (2011: 10 884) in-service members and 6 480 (2011: 6 469) pensioners.

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 the exception of inflationary adjustments. Implicit in this approach is the assumption that current levels of cross-subsidisation 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

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

Discount rate

The fund benefit liability to the City as at 30 June 2012 has been discounted at a rate determined on the basis of the yield of 7,99% per annum on government bonds.

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 2012 was 30 (2011: 44) in-service employees and 125 (2011: 135) pensioners.

Plan assets

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

Discount rate

The fund benefit liability to the City as at 30 June 2012 has been discounted at a 7,34% per annum rate determined on the basis of the market yields on government bonds.

Post-retirement scheme defined-benefit obligations

	2012			2011		
	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	3 566 435	17 004	3 583 439	2 905 696	14 921	2 920 617
Unrecognised actuarial gains	-	-	-	77 197	2 876	80 073
Net liability in statement of financial position	3 566 435	17 004	3 583 439	2 982 893	17 797	3 000 690
Service costs	79 194	651	79 845	50 846	428	51 274
Interest costs	254 270	1 536	255 806	243 681	1 401	245 082
Actuarial losses/(gains) recognised	376 394	(1 475)	374 919	302 782	2 360	305 142
Total included in statement of financial performance	709 858	712	710 570	597 309	4 189	601 498
Balance at the beginning of the year	2 982 893	17 797	3 000 690	2 500 154	15 215	2 515 369
Net expense recognised in statement of financial performance	709 858	712	710 570	597 309	4 189	601 498
Contributions paid	(126 316)	(1 505)	(127 821)	(114 570)	(1 607)	(116 177)
Net liability in statement of financial position	3 566 435	17 004	3 583 439	2 982 893	17 797	3 000 690

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.

Sensitivity analysis

Post-retirement medical aid	Change in assumption	Liability R'000	Percentage change %	Service cost R'000	Interest cost R'000	Total costs R'000	Percentage change %
Assumptions used		3 566 435		79 194	254 270	333 464	
Health care inflation	+1% increase	4 160 231	17	96 622	296 475	393 096	18
	-1% decrease	3 085 317	(13)	65 501	220 002	285 502	(14)
Post-retirement mortality	-1 year reduction	3 702 760	4	81 708	263 729	345 436	4
Average retirement age	-1% decrease	3 645 318	2	82 745	263 697	346 443	4
Withdrawal rate	-50%	3 698 233	4	85 222	264 309	349 530	5

Key financial assumptions

	2012		2011	
	Health care benefits %	Retirement pension benefits %	Health-care benefits %	Retirement pension benefits %
Discount rate	7,9	7,3	8,7	8,4
General inflation rate (CPI)	5,4	5,2	5,7	5,6
General salary inflation rate	-	6,2	-	6,6
Health care cost inflation rate	7,2	-	7,4	-
Net effective discount rate	0,8	-	1,2	-
Pension increase rate – pensioners	-	-	-	-
Net effective discount rate – pensioners	-	-	-	-

47. GUARANTEES AND CONTINGENT LIABILITY

47.1 Guarantees

The City issued the following guarantee:

- A bank guarantee of R823 446 (2011: R823 446) 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 subject to mediation. The potential extent of the liability cannot be determined since it is subject to litigation and a provisional estimate based on management assessment is R285,52 million (2011: R401,34 million). A potential liability exist regarding the Cape Town Stadium of a disputed amount of R240,04 million. R200,04 million is in respect of professional fees on the construction of the Cape Town Stadium and the balance of R40 million for litigation costs. The City and its lawyers are of the opinion that the litigation is likely to be in the City's favour. The timing of the legal proceedings regulating the above is however, uncertain.

Outstanding insurance claims

The estimated liability for insurance claims amounts to R105,80 million (2011: R86,37 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 lesser or greater amount.

48. RELATED PARTY DISCLOSURES

48.1 Municipal entities and special areas

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

2012	2011
R'000	R'000

Cape Town International Convention Centre (Pty) Ltd (Convenco)

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 R1,31 million (2011: R2,77 million).

Percentage owned	50,18%	50,18%
Arm's-length transactions for the year:		
Receivables	1 314	2 766
Service charges	17 738	15 997

2012	2011
R'000	R'000

Khayelitsha Community Trust

The Khayelitsha Community Trust ceased to be a municipal entity as from 1 July 2011 when the City relinquished effective control over the entity. The trust was established to upliftment the Khayelitsha Community through development of the central business district and other community facilities. At 2011 the amount owing by the trust to the City was R1,22 million.

Percentage owned

Arm's-length transactions for the year:

Receivables

Grants

Trust

1 104

5 401

City Improvement Districts (CIDs)

These entities were established to enable projects at the initiative of local communities' initiative, 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

Arm's-length transactions for the year:

Receivables

Service charges

Levies

Special rating area's

- (2)

24 22

86 823 78 967

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 R69,75 million (2011: R76,49 million).

Percentage owned

Funds held on behalf of Inter administrator fund

Grants and transfers received

Interest paid

Revenue collected

Administrator

69 746 76 488

30 049 32 824

4 354 5 055

4 814 4 080

No members of management have significant influence over the financial or operating policies of the above entities.

Executive management

No business transactions took place between the City of Cape Town and key management personnel and their close family members, other than with a company of which one of the City's key management is a non-executive director during the year under review. The related expenditure has been classified as irregular, refer note 41.1.

48.2 Remuneration of management**Mayoral committee members****Analysis of remuneration benefits**

	Total R'000	Annual salary R'000	Car Allowance R'000	Social Contribution R'000
2012				
Executive Mayor				
Alderman P. de Lille	1 050	893	157	-
Executive Deputy Mayor/Finance				
Alderman I.D. Neilson	829	628	112	89
Safety and Security Services				
Alderman J.P. Smith	778	606	106	66
Corporate Services				
Alderman D.L. Qually	778	606	106	66
Economic, Environment and Spatial Planning				
Alderman V.M. Walker	778	606	106	66
Social and Early childhood Development				
Councillor B.A. Cortje-Alcock	779	590	106	83
Health				
Councillor L.V. James	779	673	106	-
Community Services				
Councillor T. Gqada	779	673	106	-
Transport, Roads and Stormwater				
Councillor B.N. Herron	779	673	106	-
Tourism, Events and Marketing				
Councillor G.I. Pascoe	778	606	106	66
Utility Services				
Councillor S. Sims	778	673	105	-
Housing				
Councillor E.J. Sonnenberg	778	590	105	83
	9 663	7 817	1 327	519

Analysis of remuneration benefits

	Total R'000	Annual salary R'000	Car allowance R'000	Social contribution R'000
2011				
Executive Mayor				
Alderman D. Plato (till 20/05/2011)	887	587	210	90
Alderman P. de Lille (w.e.f 01/06/2011)	83	63	20	-
Executive Deputy Mayor / Finance				
Alderman I.D. Neilson	765	502	179	84
Safety and Security Services				
Alderman J.P. Smith	719	490	169	60
Corporate Services and human resources				
Alderman V.M. Walker (till 20 /05/2011)	657	449	154	54
Alderman D.L. Qually (w.e.f 01/06/2011)	62	47	15	-
Economic, Environment and spatial planning				
Alderman V.M. Walker (appointed 01/06/2011)	61	41	15	5
Social and Early Childhood Development				
Councillor B.A. Cortje-Alcock	62	47	15	-
Health				
Councillor D.L. Ximbi (till 05/05/2011)	622	411	145	66
Councillor L.V. James (w.e.f 01/06/2011)	62	47	15	-
Community Services				
Councillor B.N. Herron (till 20/05/2011)	657	505	152	-
Councillor T. Gqada (w.e.f 01/06/2011)	62	47	15	-
Transport, Roads and Stormwater				
Councillor E.L. Thompson (till 20/05/2011)	655	448	155	52
Councillor B.N Herron (w.e.f 01/06/2011)	62	47	15	-
Tourism, Events and Marketing				
Councillor G.I. Pascoe (w.e.f 01/06/2011)	61	41	15	5
Utility Services				
Councillor C.R. Justus (till 20/05/2011)	658	432	157	69
Councillor S. Sims (w.e.f 01/06/2011)	62	47	15	-
Housing				
Councillor S. Sims (till 20/05/2011)	657	503	154	-
Councillor E.J. Sonnenberg w.e.f 01/06/2011)	62	47	15	-
Planning and Environment				
Councillor M.J. Nieuwoudt (till 20/05/2011)	657	449	154	54
Economic Development and Tourism				
Councillor F. Purchase (till 20/05/2011)	658	432	157	69
	8 231	5 682	1 941	608

Executive management

Analysis of remuneration benefits

	Total R'000	Annual salary R'000	Perform- ance bonus R'000	Car allowance R'000	Social contri- bution R'000	Travel and subsista nce R'000	Relocation Allowance R'000
2012							
City Manager							
A. Ebrahim	1 914	1 532	138	-	242	2	-
Deputy City Manager							
M. Marsden (appointed 01/01/2012)	1 035	789	138	-	108	-	-
Community Services							
L. Mtwazi	1 508	1 140	112	84	172	-	-
Corporate Services							
D.P. Beretti (contract ended 31/12/2012)	1 140	843	184	30	83	-	-
L. Mbandazayo (acting 01/01/2012-31/01/2012)	92	78	-	4	10	-	-
F. Habib (appointed 01/02/2012)	307	234	-	-	-	-	73
Economic, Environment and Spatial Planning							
M. Mohammed (contract ended 31/10/2011)	386	310	-	24	52	-	-
C. Walters (acting 01/11/2011-31/01/2012)	341	237	58	13	33	-	-
J. Hugo (appointed 01/02/2012)	611	598	-	-	13	-	-
Finance							
M.J. Richardson (contract ended 31/12/2011)	891	611	124	59	97	-	-
J. Steyl (acting 01/01/2012-29/02/2012)	188	143	-	22	22	1	-
K. Jacoby (appointed 01/03/2012)	564	369	-	54	66	-	75
Health							
Dr I.K. Bromfield	1 405	912	177	133	183	-	-
Integrated Human Settlement Services							
J.A. Smit (contracted ended 31/12/2012)	951	752	110	-	89	-	-
S Maqetuka (acting 01/01/2012-30/06/2012)	725	640	-	-	85	-	-
Safety and Security							
R. Bosman	1 447	1 090	104	95	158	-	-
Social and Early Childhood Development							
N.B. Biko (appointed 03/01/2012-30/06/2012)	683	682	-	-	1	-	-
Tourism, Events and Marketing							
A. Groenewald (appointed 01/02/2012)	611	610	-	-	1	-	-
Transport, Roads and Stormwater							
M.G. Marsden (contract ended 31/12/2011)	735	636	-	-	99	-	-
M. Whitehead (appointed 16/01/2012)	753	677	-	-	1	-	75
Utility Services							
L. Dhlamini	1 409	1 134	52	42	176	5	-
	17 696	14 017	1 197	560	1 691	8	223

Analysis of remuneration benefits

	Total R'000	Annual salary R'000	Perform- ance bonus R'000	Car allowanc e R'000	Social contri- bution R'000	Travel and Subsis- tance R'000	Relocati on Allowan ce R'000
2011							
City Manager							
A. Ebrahim	1 940	1 334	375	-	217	14	-
Community Development							
L.M. Mtwazi	1 563	1 024	305	84	150	-	-
Corporate Services							
D.P. Beretti	1 597	1 069	298	60	159	11	-
Economic and Social Development							
M. Mohamed	1 407	930	235	72	155	15	-
Finance							
M.J. Richardson	1 550	957	305	117	171	-	-
Health							
Dr I.K. Bromfield	1 429	851	282	133	163	-	-
Integrated Human Settlement Services							
J.A. Smit	1 517	1 051	298	-	168	-	-
Safety and Security							
R.G. Bosman	1 313	931	149	95	138	-	-
Strategy and Planning							
P.S. van Zyl (resigned 31/10/2010)	803	489	298	16	-	-	-
Transport, Roads and Stormwater							
M.G. Marsden	1 728	1 197	339	-	189	3	-
Utility Services							
L.T. Dhlamini (w.e.f 13/12/2010)	1 634	1 164	264	47	159	-	-
	16 481	10 997	3 148	624	1 669	43	-

The comparative figure of the previous year has been restated due to inadvertent inclusion of the Internal Audit Executive remuneration who does not meet the criteria as defined in the Accounting Standards for disclosure. The 2011 amount of R16,48 million has been restated from R17,92 million.

49. EVENTS AFTER REPORTING DATE

The City is currently finalising a loan agreement with the Agence Francaise de Developpement (AFD). In this regard Council approved the raising of an amount of 200 million Euros, denominated in rand, for the funding of its 2011/12 to 2014 capital programme.

Appendix A: Schedule of external loans as at 30 June 2012

	Effective interest rate (nacs) %	Loan number	Redeemable date	Balance as at 30 June 2011 R'000	Net interest accrual during the year R'000	Transfers during the year R'000	Redeemed/ Written off during year R'000	Balance as at 30 June 2012 R'000
LOCAL REGISTERED STOCK								
ABSA Nominees	14,650	830011508	2014	7 047	-	-	-	7 047
Municipal Bond CCT01	12,570	830014004	2023	1 002 748	-	-	-	1 002 748
Municipal Bond CCT02	11,615	830016003	2024	1 207 236	-	-	-	1 207 236
Municipal Bond CCT03	11,160	830017007	2025	2 065 505	-	-	-	2 065 505
Municipal Bond Transaction costs	-	-	-	(3 633)	-	-	(283)	(3 350)
Total local registered stock				4 278 903	-	-	(283)	4 279 186
CONCESSIONARY LOANS								
Nedcor Bank	1,000	830000920	2019	14	-	2	-	16
DBSA	5,000	830012028	2020	30 343	-	1 033	4 000	27 376
Total concessionary loans				30 357	-	1 035	4 000	27 392
OTHER LOANS								
FirstRand Bank	12,920	830000880	2013	41 643	-	-	21 018	20 625
DBSA	12,250	83001051	2015	103 910	5 574	-	12 989	96 495
FirstRand Bank	12,631	830003504	2017	183 268	-	-	6 939	176 329
ABSA Bank	10,900	830007011	2018	140 000	-	-	20 000	120 000
DBSA	10,590	83001050	2018	237 413	11 667	-	16 958	232 122
FirstRand Bank	12,046	830009531	2018	176 746	7 045	-	20 000	163 791
DBSA	9,420	830012035	2020	84 000	-	-	9 333	74 667
DBSA	9,639	830013000	2022	153 334	-	-	13 334	140 000
DBSA	10,565	830013507	2022	153 334	-	-	13 334	140 000
Total other loans				1 273 648	24 286	-	133 905	1 164 029
FINANCE LEASES								
Investec	14,343	830000870	2011	4 284	-	-	4 284	-
Nedbank	14,540	830000860	2012	61 997	(4 514)	-	57 483	-
Total finance leases				66 281	(4 514)	-	61 767	-
TOTAL EXTERNAL LOANS				5 649 189	19 772	1 035	199 389	5 470 607

Appendix B: Analysis of property, plant and equipment and other as at 30 June 2012

	COST					ACCUMULATED DEPRECIATION						Carrying value R'000
	Opening balance	Transfers/ adjustments	Additions ¹	Disposals	Closing balance	Opening balance	Transfers/ adjustments	Impairments	Additions	Disposals	Closing balance	
	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	658 068	255 319	37 094	-	950 483	(233 955)	(65 126)	(20 327)	-	-	(319 408)	631 075
Buildings and land	2 588 766	(1 276 353)	32 662	(123)	1 344 952	(1 114 073)	737 638	-	(67 202)	98	(443 539)	901 413
	3 246 834	(1 021 034)	69 758	(123)	2 295 435	(1 348 028)	672 512	(20 327)	(67 202)	98	(762 947)	1 532 488
INFRASTRUCTURE												
Assets under construction	2 059 794	(1 344 351)	1 766 974	-	2 482 417	-	-	-	-	-	-	2 482 417
Drains	567 616	84 324	22 087	-	674 027	(219 297)	(16 621)	-	(18 973)	-	(254 891)	419 136
Roads	5 076 132	580 741	157 617	-	5 814 490	(1 682 662)	(56 025)	-	(146 359)	-	(1 885 046)	3 929 444
Beach improvements	36 262	2 552	-	-	38 814	(18 679)	(829)	-	(736)	-	(20 244)	18 570
Sewerage mains and purification	2 133 226	255 369	111 056	-	2 499 651	(616 748)	16	-	(112 889)	-	(729 621)	1 770 030
Electricity peak load equipment and mains	4 609 778	286 579	525 262	-	5 421 619	(1 635 439)	(168 571)	(234)	(211 365)	-	(2 015 609)	3 406 010
Water meters and mains	2 123 009	170 182	62 326	-	2 355 517	(1 021 534)	(230)	-	(81 949)	-	(1 103 713)	1 251 804
Reservoirs - water	444 883	3 008	234	-	448 125	(277 933)	(144)	-	(18 520)	-	(296 597)	151 528
	17 050 700	38 404	2 645 556	-	19 734 660	(5 472 292)	(242 404)	(234)	(590 791)	-	(6 305 721)	13 428 939
COMMUNITY ASSETS												
Assets under construction	148 923	(93 565)	150 735	-	206 093	-	-	-	-	-	-	206 093
Parks and gardens	48 530	90 772	594	-	139 896	(5 655)	(7 857)	-	(1 877)	-	(15 389)	124 507
Libraries	197 009	4 204	232	-	201 445	(54 450)	(3 239)	-	(3 250)	-	(60 939)	140 506
Recreation facilities	4 414 197	649 898	17 797	-	5 081 892	(339 347)	(256 712)	-	(180 632)	-	(776 691)	4 305 201
Civic buildings	1 049 336	463 128	63 556	-	1 576 020	(386 173)	(255 360)	-	(34 749)	-	(676 282)	899 738
	5 857 995	1 114 437	232 914	-	7 205 346	(785 625)	(523 168)	-	(220 508)	-	(1 529 301)	5 676 045
LEASED ASSETS												
Infrastructure and other	234 370	(234 370)	-	-	-	(168 778)	168 778	-	-	-	-	-
	234 370	(234 370)	-	-	-	(168 778)	168 778	-	-	-	-	-
OTHER ASSETS												
Assets under construction	517 535	(357 066)	442 297	-	602 766	-	-	-	-	-	-	602 766
Buildings and land	-	18	-	-	18	-	(6)	-	(6)	-	(12)	6
Landfill sites	559 785	57 938	-	-	617 723	(256 155)	(46)	-	(51 339)	-	(307 540)	310 183
Furniture, fittings and equipment	459 917	4 825	73 700	(9 316)	529 126	(245 313)	(70)	-	(55 958)	8 738	(292 603)	236 523
Bins and containers	51 230	814	3 870	(175)	55 739	(32 931)	-	-	(5 726)	175	(38 482)	17 257
Emergency equipment	34 901	82	1 112	(116)	35 979	(24 794)	3	-	(4 139)	75	(28 855)	7 124
Motor vehicles and watercraft	1 148 220	52 274	224 577	(18 314)	1 406 757	(641 776)	(10 436)	-	(154 680)	17 437	(789 455)	617 302
Specialised vehicles	690 953	19 549	192 011	(11 882)	890 631	(330 312)	(9 394)	(6 831)	(53 591)	11 614	(388 514)	502 117
Computer equipment	979 030	54 848	131 962	(31 322)	1 134 518	(662 407)	(15)	-	(123 239)	30 302	(755 359)	379 159
Animals	242	-	40	(14)	268	(56)	-	-	(39)	1	(94)	174
	4 441 813	(166 718)	1 069 569	(71 139)	5 273 525	(2 193 744)	(19 964)	(6 831)	(448 717)	68 342	(2 600 914)	2 672 611
HOUSING RENTAL STOCK	1 165 874	227 101	152 690	(2 874)	1 542 791	(554 328)	(55 229)	-	(28 207)	2 147	(635 617)	907 174
TOTAL PPE (See note 1)	31 997 586	(42 180)	4 170 487	(74 136)	36 051 757	(10 522 795)	525	(27 392)	(1 355 425)	70 587	(11 834 500)	24 217 257
HERITAGE ASSETS (See note 2)												
Assets under construction	3 552	(268)	350	-	3 634	-	-	-	-	-	-	3 634
Painting and art galleries	8 362	750	-	(4)	9 108	-	-	-	-	-	-	9 108
	11 914	482	350	(4)	12 742	-	-	-	-	-	-	12 742
INVESTMENT PROPERTIES (See note 3)	130 612	-	109 132	-	239 744	(45 613)	-	-	(1 653)	-	(47 266)	192 478
INTANGIBLE ASSETS (See note 4)	326 977	41 888	29 403	-	398 268	(282 093)	(725)	-	(15 018)	-	(297 836)	100 432
ASSETS HELD-FOR-SALE (See note 5)	403	(190)	-	(169)	44	(277)	200	-	-	76	(1)	43
TOTAL OTHER	469 906	42 180	138 885	(173)	650 798	(327 983)	(525)	-	(16 671)	76	(345 103)	305 695
GRAND TOTAL	32 467 492	-	4 309 372	(74 309)	36 702 555	(10 850 778)	-	(27 392)	(1 372 096)	70 663	(12 179 603)	24 522 952

1. Includes the contributed assets amount of R76,13 million.

Appendix C: Segmental statement of financial performance for the year ended 30 June 2012

2011			Business Unit	2012		
Actual income	Actual expenditure	Surplus/(Deficit)		Actual income	Actual expenditure	Surplus/(Deficit)
R'000	R'000	R'000		R'000	R'000	R'000
Restated ¹	Restated ¹					
321 260	740 357	(419 097)	Rates and General	366 835	821 685	(454 850)
5	14 607	(14 602)	City Health	9	11 218	(11 209)
130 822	1 542 440	(1 411 618)	City Manager	153 216	1 700 941	(1 547 725)
30 957	485 524	(454 567)	Community Services	120 754	598 720	(477 966)
24 245	53 860	(29 615)	Corporate Services	10 497	87 126	(76 629)
84 354	561 616	(477 262)	Deputy City Manager	80 539	585 705	(505 166)
1 577 837	1 084 627	493 210	Economic, Environment and Spatial Planning	1 806 555	1 022 120	784 435
7 695 912	1 655 516	6 040 396	Finance	8 195 135	1 768 718	6 426 417
236 883	1 509 275	(1 272 392)	Rates and Other	229 213	1 718 699	(1 489 486)
104	44 598	(44 494)	Safety and Security	2 178	79 832	(77 654)
164 397	548 798	(384 401)	Social and Early Childhood Development	23 202	453 001	(429 799)
668 822	1 374 190	(705 368)	Tourism, Events and Marketing	1 323 038	1 679 918	(356 880)
			Transport, Roads and Stormwater			
			Housing			
713 000	825 943	(112 943)	Human settlements	962 989	967 838	(4 849)
			Utility Services			
1 814 050	1 704 152	109 898	Waste Management	1 947 658	1 797 834	149 824
1 514 272	1 487 398	26 874	Wastewater Management	1 850 384	1 709 727	140 657
2 856 893	2 988 824	(131 931)	Water	3 040 375	3 015 976	24 399
7 531 964	6 919 587	612 377	Electricity	8 807 459	8 393 694	413 765
25 365 777	23 541 312	1 824 465	Sub-total	28 920 036	26 412 752	2 507 284
4 889 102	4 889 102	-	Less: Inter-departmental charges	5 233 241	5 233 241	-
20 476 675	18 652 210	1 824 465	Total	23 686 795	21 179 511	2 507 284
1. See note 45 for more details.						

Appendix D: Disclosure of grants and subsidies in terms of section 123 of the Municipal Finance Management Act

National and Provincial grant funds 2011/2012									
Description	Source	Balance unspent at beginning of the year R'000	Current year receipts R'000	Adjustments R'000	Conditions met - transferred to revenue		Interest earned R'000	Amounts to be claimed R'000	Conditions still to be met - transferred to liabilities R'000
					Operating R'000	Capital R'000			
National Government									
2010 FIFA World Cup: Green Point	Sport and Recreation	(7 550)	-	-	-	1 157	(376)	-	(6 769)
Accreditation: Development Support	State Housing	(3 095)	-	-	772	576	-	-	(1 747)
Budget Reform Funds	National Treasury	(416)	(1 250)	-	1 187	90	-	-	(389)
Department of Environmental Affairs and Tourism: DANIDA	Environmental Affairs	(3 537)	-	3 552	1	-	(16)	-	-
Department of Environmental Affairs and Tourism	Environmental Affairs	(22)	(270)	-	193	-	-	-	(99)
Department of Environmental Affairs and Tourism: Carbon Offset Programme	Environmental Affairs	(297)	-	298	-	-	(1)	-	-
DME - INEP	Energy	939	(4 386)	-	-	3 551	-	(104)	-
Energy Efficiency Electricity Demand Side Management	National Treasury	(1 524)	(35 087)	-	995	28 962	-	-	(6 654)
Expanded Public Works Incentive Grant	National Treasury	-	(9 279)	-	-	-	-	-	(9 279)
Health and Hygiene education: Informal Settlements	Water	(58)	-	-	47	-	-	-	(11)
Implementation Water Demand	Water	(7 261)	-	-	7 070	295	-	(104)	-
LGSETA: Environmental Internship Programme	Environmental Affairs	(254)	-	-	237	-	-	-	(17)
Municipal Infrastructure Grants	National Treasury	(63 547)	-	63 547	-	-	-	-	-
Neighborhood Development Programme	National Treasury	(52 038)	(74 200)	-	1 200	88 990	(3 427)	-	(39 475)
Park and Ride	National Treasury	-	-	(824)	-	824	-	-	-
Public Transport and Infrastructure	Transport	(426 721)	(1 608 300)	824	87 809	842 212	(86 246)	-	(1 190 422)
Restructuring Grant - Seed Funding	National Treasury	(9 938)	-	-	2 244	961	-	-	(6 733)
Smart Living Handbook	Water	(66)	-	-	-	-	(4)	-	(70)
Telecommunications Equipment Cape Town Stadium	National Treasury	-	(69 089)	-	-	69 089	-	-	-
Urban Renewal	National Treasury	(73 664)	-	-	7 952	20 026	-	-	(45 686)
Urban Settlement Development Grant	National Treasury	-	(824 030)	-	23 244	729 919	-	-	(70 867)
Water Demand Side	Water	(984)	-	-	287	-	-	-	(697)
Total national government transfers and grants		(650 033)	(2 625 891)	67 397	133 238	1 786 652	(90 070)	(208)	(1 378 915)
ABET Adult Education	Education	(8)	(9)	-	-	8	-	-	(9)
Accreditation Assistance	Human Settlements	(10 085)	(10 000)	-	1 094	-	(696)	-	(19 687)
Athlone Stadium General Upgrading	Transport and Public Works	(1 742)	-	-	-	-	-	-	(1 742)
Atlantis - Wesfleur Ext 13	Human Settlements	(323)	-	-	-	-	-	-	(323)
Atlantis Thusong Multi Purpose Centre	Cultural Affairs and Sport	-	(500)	-	322	-	-	-	(178)
Bardale High Mast Lighting Project	Human Settlements	(471)	-	-	-	-	-	-	(471)
Belhar Pentech	Human Settlements	(132)	-	132	-	-	-	-	-
Bokmakierie / Hazendal Infill 3	Human Settlements	(2 681)	-	-	-	-	-	-	(2 681)
Bonteheuwel Multi Purpose Centre	Cultural Affairs and Sport	(766)	-	766	-	-	-	-	-
Browns Farm Phase 3,4,5,6	Human Settlements	(11 630)	-	-	-	66	-	-	(11 564)
CBH Wallacedene Phase 1,3,4,5,6	Human Settlements	(9 713)	(815)	-	5 621	-	(304)	-	(5 211)

Appendix D: Disclosure of grants and subsidies in terms of section 123 of the Municipal Finance Management Act

Description	Source	Balance unspent at beginning of the year R'000	Current year receipts R'000	Adjustments R'000	Conditions met - transferred to revenue		Interest earned R'000	Amounts to be claimed R'000	Conditions still to be met - transferred to liabilities R'000
					Operating R'000	Capital R'000			
CBO Freedom Park	Human Settlements	(71)	-	-	-	-	-	-	(71)
Chemical Toilets in Wallacedene	Human Settlements	(24)	-	-	-	-	(1)	-	(25)
Chris Hani Park Housing Project	Human Settlements	(274)	-	-	-	-	-	-	(274)
Clinics : HIV/AIDS & TB Programmes	Health	(13)	-	-	-	-	-	-	(13)
Coastal Zone Development Guidelines Framework	Environmental Affairs and Development Planning	(57)	-	58	-	-	(1)	-	-
Community Residential Units	Human Settlements	(109 658)	(150 729)	-	1 062	305 967	-	(61 657)	(15 015)
Delft South High Density Housing	Human Settlements	(104)	-	-	-	-	-	-	(104)
Delft Sportfield Development	Human Settlements	(20)	-	-	-	-	-	-	(20)
Delft Symphony Way Tra	Human Settlements	(5 302)	-	-	1 932	-	-	-	(3 370)
Delft: The Hague	Human Settlements	(4)	-	4	-	-	-	-	-
Dial-a-Ride	Transport and Public Works	(8 698)	(10 000)	-	8 600	-	(325)	-	(10 423)
Disaster Fund - Fire/Flood Kits	Human Settlements	-	(6 230)	5 340	6 313	-	-	(5 423)	-
Driftsands UISP	Human Settlements	(260)	-	260	-	-	-	-	-
Du Noon Phase 1,3 : Transfers	Human Settlements	(286)	(13)	-	-	-	-	-	(299)
E Business Project	Treasury	(1 712)	-	-	-	-	(95)	-	(1 807)
Echo Road Housing Project	Human Settlements	(34)	-	-	30	-	-	-	(4)
Edward Road Energy Efficient Project	Human Settlements	(2 439)	-	-	33	-	(134)	-	(2 540)
EHP Nyanga, Du Noon and Atlantis	Human Settlements	(137)	-	-	197	-	-	(60)	-
EHP Repair and Reconstruct 8 Houses	Human Settlements	(44)	-	-	-	-	-	-	(44)
Enkanini Housing Project	Human Settlements	(3 305)	-	-	-	-	-	-	(3 305)
Establishment Grants	Human Settlements	(1 417)	(1 318)	-	838	-	(102)	-	(1 999)
Facilitation Grants	Human Settlements	(184)	(126)	-	48	-	(13)	-	(275)
False Bay Ecology	Economic Development and Tourism	-	(1 000)	-	-	-	(21)	-	(1 021)
Fire Detection Surveillance Cameras	Human Settlements	(65)	-	-	-	-	(4)	-	(69)
Gabriel Square Restitution	Human Settlements	(37)	-	-	-	-	-	-	(37)
Global Fund	Health	(2 397)	-	-	-	-	(133)	-	(2 530)
Global Fund Anti Retroviral	Health	-	(14 913)	2 487	14 413	300	-	(2 287)	-
Global Fund Community Base Response Project	Health	-	(3 969)	1 211	3 507	-	-	(749)	-
Government Grant Community Development Workers	Human Settlements	(881)	-	-	160	-	(48)	-	(769)
Green Point Phase 21 Housing	Human Settlements	(863)	-	-	-	-	-	-	(863)
Greenland's Housing Project	Human Settlements	(971)	-	-	-	-	-	-	(971)
Gugulethu Seven Memorial	Cultural Affairs and Sport	(42)	-	-	-	-	(2)	-	(44)
Hangberg Housing Project	Human Settlements	(52)	-	-	-	-	-	-	(52)
Hangberg: Appointment of mediator	Human Settlements	-	(483)	206	192	-	-	-	(85)
Happy Valley - Blackheath	Human Settlements	(53 939)	-	53 892	47	-	-	-	-
HCE Manuals (Housing Consumer Education)	Human Settlements	(335)	-	-	7	65	(18)	-	(281)

Appendix D: Disclosure of grants and subsidies in terms of section 123 of the Municipal Finance Management Act

Description	Source	Balance unspent at beginning of the year	Current year receipts	Adjustments	Conditions met - transferred to revenue		Interest earned	Amounts to be claimed	Conditions still to be met - transferred to liabilities
					Operating	Capital			
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Heideveld Housing Infill	Human Settlements	-	-	619	-	-	-	(619)	-
HIV/AIDS Community Based Response Projects	Health	-	(62 075)	6 596	65 450	-	-	(9 971)	-
Hostels Phase 2 Housing	Human Settlements	(976)	-	(28)	8	-	-	-	(996)
Imizamo Yethu Phase 2 New Services	Human Settlements	(931)	-	-	-	-	-	-	(931)
Informal Settlements	Human Settlements	(585)	(1 000)	12	572	-	-	-	(1 001)
Jakkelsvlei Canal Upgrading	Human Settlements	(10 464)	-	-	-	37	-	-	(10 427)
Kalkfontein Phase 2	Human Settlements	(395)	-	-	-	-	-	-	(395)
Kewtown Infill Development	Human Settlements	(265)	-	-	73	-	-	-	(192)
Khayelitsha Development of Remembrance Square	Economic Development and Tourism	(17)	-	-	-	-	(1)	-	(18)
Khayelitsha Khuyasa Phase 2	Human Settlements	(373)	-	-	-	-	-	-	(373)
Khayelitsha Multi Purpose Centre	Social Development	(787)	-	-	-	-	(44)	-	(831)
Khayelitsha Poverty Reduction Programme	Social Development	(2 521)	-	-	-	-	(140)	-	(2 661)
Khayelitsha Site C Subsidies	Human Settlements	(19 369)	-	-	14 867	-	(582)	-	(5 084)
Khayelitsha Stadium Site B	Cultural Affairs and Sport	(106)	-	-	-	-	-	-	(106)
Khayelitsha Vacant Land Study	Environmental Affairs and Development Planning	(250)	-	-	246	-	-	-	(4)
Kuyasa T3V1 Top Structures	Human Settlements	(202)	-	-	-	-	-	-	(202)
Langa Sportsfield Development	Cultural Affairs and Sport	(106)	-	-	-	-	-	-	(106)
Law Enforcement Officers	Cultural Affairs and Sport	-	(755)	-	142	-	-	-	(613)
Local Spatial Plan	Environmental Affairs and Development Planning	(1)	-	-	-	-	-	-	(1)
Luvuyo Clinic Extension	Health	-	(1 148)	194	-	997	-	(44)	(1)
Macassar Treatment Works	Human Settlements	(8 000)	-	-	-	-	-	-	(8 000)
Mamre 55 Houses	Environmental Affairs and Development Planning	-	-	-	2	-	-	(2)	-
Mandela Park Sports Fields: Tennis Facilities	Cultural Affairs and Sport	(42)	-	-	-	-	-	-	(42)
Manenberg Infill / The Downs	Human Settlements	(2)	-	2	-	-	-	-	-
Manenberg Sport Complex Upgrade	Cultural Affairs and Sport	(235)	-	-	-	-	-	-	(235)
Marconi Beam	Human Settlements	(56)	(74)	-	38	-	-	-	(92)
Masiphumelele Tra	Human Settlements	(805)	-	-	-	-	(45)	-	(850)
Masiphumelele Amakhaya Ngoku	Human Settlements	(1 857)	(12 406)	-	1 863	-	(630)	-	(13 030)
Melkbosch Village	Human Settlements	(90)	-	-	-	-	-	-	(90)
Metropolitan Transport Fund	Transport and Public Works	-	-	(30 049)	11 988	18 061	-	-	-
Mfuleni and Strand 12 Houses	Human Settlements	-	-	-	20	-	-	(20)	-
Mfuleni EPH Tra	Human Settlements	(1 779)	-	-	1 561	-	-	-	(218)
Mfuleni Ext 3	Human Settlements	(157)	-	-	28	-	-	-	(129)
Mfuleni Ext 4 Housing	Human Settlements	(341)	-	-	9	-	-	-	(332)
Mfuleni Flood Relief Project	Human Settlements	(3 067)	-	-	62	-	-	-	(3 005)

Appendix D: Disclosure of grants and subsidies in terms of section 123 of the Municipal Finance Management Act

Description	Source	Balance unspent at beginning of the year	Current year receipts	Adjustments	Conditions met - transferred to revenue		Interest earned	Amounts to be claimed	Conditions still to be met - transferred to liabilities
					Operating	Capital			
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Mfuleni MLS Topstructure	Human Settlements	(215)	-	-	2	-	-	-	(213)
Mitchell's Plain Infill Phase 1	Human Settlements	(3 108)	(1 379)	-	287	-	-	-	(4 200)
Mitchell's Plain Youth and Family Development Centre	Social Development	(655)	-	-	-	-	(36)	-	(691)
Mitchell's Plain TA2	Human Settlements	(369)	-	-	93	-	-	-	(276)
Morgan Vill3/Western Cape	Human Settlements	(941)	-	-	-	-	(52)	-	(993)
Netreg Housing Project	Human Settlements	(350)	-	-	-	-	-	-	(350)
Nonqubela Ph2/Makhaza	Human Settlements	(515)	-	-	-	350	-	-	(165)
Nutrition Supplement Programme	Health	-	(3 754)	120	4 018	-	-	(384)	-
Nyanga Upgrading Project	Human Settlements	-	(240)	240	-	-	-	-	-
Ocean View / Mountain View	Human Settlements	-	(368)	368	-	-	-	-	-
Ocean View Infill	Human Settlements	(10)	-	10	-	-	-	-	-
Philippi Business Park Planning	Environmental Affairs and Development Planning	(91)	-	93	-	-	(2)	-	-
Philippi East Top Structures	Human Settlements	(3 650)	(7 367)	-	9 488	-	-	-	(1 529)
Philippi Planning for Development	Environmental Affairs and Development Planning	(57)	-	58	-	-	(1)	-	-
Philippi East Market	Agriculture	(531)	-	-	-	-	(30)	-	(561)
Philippi East Phase 5	Human Settlements	(30)	(162)	-	25	51	-	-	(116)
Philippi Park Flooding	Human Settlements	(974)	-	-	-	-	-	-	(974)
Phoenix Top Structures	Human Settlements	-	-	41	-	-	-	(41)	-
Phoenix UI SP	Human Settlements	(142)	-	-	-	-	-	-	(142)
Peoples Housing Project	Human Settlements	(32 262)	(102 092)	25	97 571	-	(3 055)	(4 741)	(44 554)
Phumlani Transfers	Human Settlements	(24)	-	-	-	-	-	-	(24)
Provision of Security Improvements at Rail Park and Ride Facilities	Transport and Public Works	(1 211)	-	-	1 057	-	(23)	-	(177)
Public Library Fund	Cultural Affairs and Sport	(3 334)	(21 336)	-	16 335	5 500	(515)	-	(3 350)
Redhill Informal Settlement	Human Settlements	(244)	-	-	-	-	(14)	-	(258)
River Clean and Green Project	Environmental Affairs and Development Planning	(359)	-	-	-	-	(20)	-	(379)
Rondevlei Housing Project	Human Settlements	(242)	-	-	94	-	-	-	(148)
SANRAL Emergency Project 1600 Units	Human Settlements	(8 089)	-	-	8 089	-	-	-	-
Social Economic Facilities Programme	Human Settlements	-	(3 655)	1 650	-	5 216	-	(3 860)	(649)
Sercor Park	Human Settlements	(704)	-	-	-	-	-	-	(704)
Silvertown Khayelitsha 2000 Structures	Human Settlements	(5 175)	-	-	4 033	-	-	-	(1 142)
Site C Survey and Subdivision	Human Settlements	(1 877)	-	-	1 577	68	-	-	(232)
Somerset West Housing Project	Human Settlements	(3 632)	(16 000)	-	15 468	-	-	-	(4 164)
Spandau Project 384 Houses	Human Settlements	(36)	-	-	-	-	-	-	(36)
Spatial Planning District Plans	Environmental Affairs and Development Planning	(3)	-	3	-	-	-	-	-

Appendix D: Disclosure of grants and subsidies in terms of section 123 of the Municipal Finance Management Act

Description	Source	Balance unspent at beginning of the year R'000	Current year receipts R'000	Adjustments R'000	Conditions met - transferred to revenue		Interest earned R'000	Amounts to be claimed R'000	Conditions still to be met - transferred to liabilities R'000
					Operating R'000	Capital R'000			
Table Mountain Biosphere	Environmental Affairs and Development Planning	(136)	-	-	129	-	-	-	(7)
Tafelsig Area: Silver City	Human Settlements	(202)	-	-	-	-	-	-	(202)
Tambo Square	Human Settlements	(42)	-	-	-	-	-	-	(42)
TB Crisis Plan	Health	(1 209)	(11 893)	-	9 492	-	-	-	(3 610)
Temperance Town	Human Settlements	-	(5 380)	118	5 179	-	-	-	(83)
Upgrade Heinz Park Haal	Cultural Affairs and Sport	(124)	-	-	-	-	-	-	(124)
Urban Renewal: Improvement Stn	Environmental Affairs and Development Planning	(26)	-	-	-	-	-	-	(26)
Vaccines	Health	-	(68 443)	10 725	71 476	-	-	(13 758)	-
Vehicle Impound Facility Maitland	Transport and Public Works	(2 959)	-	-	-	2 869	(134)	-	(224)
Vrygrond	Human Settlements	(32)	(5)	-	2	-	-	-	(35)
Vrygrond (EPH)	Human Settlements	(251)	-	-	25	-	(14)	-	(240)
Wallacedene Phase 3,4,5,6,7,8,9,10	Human Settlements	(17 286)	-	68	973	914	-	(204)	(15 535)
Watergate Phase A	Cultural Affairs and Sport	-	(4 000)	-	-	3 723	(149)	-	(426)
Witsand Housing Project Phase 1,2	Human Settlements	(14 911)	-	14 727	-	-	-	-	(184)
Total provincial government transfers and grants		(390 963)	(523 637)	69 948	386 758	344 192	(7 384)	(103 820)	(224 906)
Analysis of grants and subsidies									
Total national government transfers and grants		(650 033)	(2 625 891)	67 397	133 238	1 786 652	(90 070)	(208)	(1 378 915)
Total provincial government transfers and grants		(390 963)	(523 637)	69 948	386 758	344 192	(7 384)	(103 820)	(224 906)
		(1 040 996)	(3 149 528)	137 345	519 996	2 130 844	(97 454)	(104 028)	(1 603 821)



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