

CITY OF TSHWANE METROPOLITAN MUNICIPALITY

The leading international African capital city of excellence that
empowers the community to prosper in a safe and healthy
environment

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GENERAL INFORMATION

AS AT 30 JUNE 2004

MEMBERS OF THE MAYORAL COMMITTEE AND THEIR PORTFOLIOS

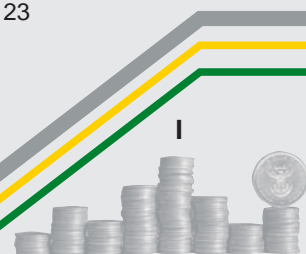
Mkhathshwa, Father S.	Executive Mayor
Chauke, K.T.	Finance and Audit
Ditshoke, A.M.	Community Safety
Dlhamini, S.S.	City Development and Environmental Management
Dooms, M.S. (Ms)	Water and Sanitation
Kekana, K.C. (Adv)	Roads, Storm Water and Public Transport
Mahlangu, B.W.	Corporate and Legal Services
Mokoena, C.T.	Inner City Regeneration
Nawa, L.L.	Electricity and Energy
Nyatlo, M.P.O. (Ms)	Health and Social Development
Tiholo, M.T.	Economic Development, Tourism, Marketing and Airports

SPEAKER J.K. Dau

CHIEF WHIP S. Pillay

COUNCILLORS PER WARD

Aucamp, Ms M.	69	Moche, R.M.	8
Aucamp, Ms M.G.W.	47	Modisakeng, T.B.	16
Baloyi, R.	11	Modumaela, L.M.	25
Bezuidenhout, L.	70	Mogotsi, R.J.	19
Coetzee, L.A.	66	Moima, Ms S.M. (Deceased September 2004)	71
Coetzee, L.W.	46	Mokgalapa, S.N.	58
Chauke, K.T.	29	Mokoena, C.T.	32
Dichabe, Ms M.M.	30	Mokoka, M.C.	72
Ditabo, D.D.	74	Moselane, S.P.	48
Dlhamini, S.S.	22	Motubatse, K.T.	37
Erasmus, D.	1	Mthetwa, D.	17
Feldman, Ms J.D.	43	Naiker, S.S.	61
Fourie, H.F.	53	Napier, Dr C.J.	57
Gloy, J.G.	40	Nawa, L.L.	73
Gohl, P.D.	52	Ndoko, E.N.	33
Grobler, Ms S.E.	54	Neethling, Dr P.J.	55
Hoseka, N.P.	24	Nel, F.P.	45
Huma, S.E.	39	Ngwenya, T.M.	26
Kutumela, M.J.	15	Nkoane, M	13
Landman, Dr Ms E.F.	65	Nnawe, M.J.	38
Lefakane, S.J.	36	Phasha, S.M.	18
Mahlangu, B.W.	49	Prinsloo, C.D. Adv	44
Makama, G.L.	9	Rambau, T.V.	68
Makhaya, D.P.	63	Ramokgopa, K.D.	51
Malope, A.B.	6	Redelinghuys, Prof H.F.	42
Maluleka, H.W.	27	Sebulela, S.	10
Mampuru, M.D.	28	Segabutla, L.O.	31
Manchidi, P.M.	34	Smith, Ms I.M.	50
Mapoma, M.A.	76	Theron, D.P.	5
Mathekga, J.N.	35	Tiholo, M.T.	21
Mathibe, M.F.	4	Tlomatsane, S.P.	62
Matjila, M.M.W.	75	Twala, G.	7
Matjokana, Ms N.Y.	67	Underwood, Ms J.P.	3
Mdluli, P.M.L.	12	Van Noordwyk, J.J.	64
Meyer, Ms K.	59	Van Zyl, J.S.	56
Millar, P.E.	41	Wannenburg, D.G.	2
Mkhize, J.	60	Zeke, O.S.	14
Moabi, M.E.	20	Zitha, P.B.	23



COUNCILLORS: PROPORTIONAL

Baloyi, Ms E.T.	Mashamaite, Ms N (Deceased July 2004)
Blaauw, Ms. M.P.	Masilo, B.J.R.
Bosch, Ms V.A.	Masondo, Z.L.
Botha, Ms K.L.	Mathibedi, L.R.
Chapman, B.W.	Matlala, M.J.
Cholo, M.A.	Matlala, P.M.
Chueu, Ms M.P.	Mbongwa, J. (Deceased September 2004)
Dau, J.K. (Speaker)	Michael, Ms N.W.A.
De Goede, J.C.	Minnie, K.J.(Member of Parliament July 2004)
De Klerk, Dr Ms A.	Mkhathshwa, Father S. (Executive Mayor)
De Necker, P.J.H.	Mkhize, P.
Dikobe, Ms M.M.	Mmoko, Ms T.E.
Dinkelman, R.W.	Mogale, M.D.
Ditshoke, A.M.	Monnamorwa, Ms D.K.
Dooms, Ms M.S.	Morulane, K.P.
Dzumba, Ms K.	Mothle, M.R.
Ernest, Ms T.	Motsaneng, G.
Flemming, Dr D.L.	Mpete, Ms M.C.
Fourie, P.J.	Muller, Ms J.D.
Jacobson, Dr E.S.	Ncalo, L.T.
Jansen, J.	Nkuna, Z.G.
Janse van Rensburg, Ms L.D.	Nyatlo, Ms M.P.O.
Kekana, Adv K.C.	Phungwayo, Z.J.
Kgosana, P.	Pillay, S.
Khubeka, M.M.	Pretorius, G.C.
Labuschagne, L.B.	Quinn, J.
Labuschagne, Ms R.I.	Rens, S.
Lebese, O.S.	Saape, Ms R.
Lekgema, Ms P.L.	Sebata, T.A.
Letebele, Ms J.P.	Seoketsa, Ms G.
Linde, Ms E.	Seshoka, Ms M.P.
Lloyd, Brig Genl P.R.	Skosana, V.J.
Mabaso, J.B.	Spoelstra, Ms J.C.
Makgato, M.E.	Theron, J.L.
Makhubedo, J.T.	Thipe, Ms S.S.
Mamabolo, C.S.	Thobejane, P.T.M.
Mampane, Ms M.T.S.L.	Venter, Ms B.
Mankge, L.P.	Vilakazi, Ms M.E.
Maree, Brig Genl C.J.	Vorster, D.J.
Masango, G.P. (Resigned July 2004)	Welmans, J.J.
Mashaba, Ms P.F.	

EXECUTIVE STRUCTURE OF THE CITY OF TSHWANE METROPOLITAN MUNICIPALITY

Municipal Manager	B.K. Mosley-Lefatola
Chief Financial Officer	E.R. du Toit
Head: Legal and Secretarial Services	D. Siwela
Chief Operating Officer	M. Soni
Chief: Metro Police	Comm M.A. Mmutle
Chief of Staff	M. Kgoale
Strategic Executive Officer: Corporate Services	Adv B. Shai
Strategic Executive Officer: Housing, City Planning & Environmental Management	N. Pillay
Strategic Executive Officer: Health and Social Development	Ms E. Mhlongo
Acting Strategic Executive Officer: Electricity	Dr L. Potgieter
Strategic Executive Officer: Service Delivery	Dr L. Potgieter
Strategic Executive Officer: Emergency Management	J.L. Alberts
Strategic Executive Officer: Economic Development, Transport & Tourism	Dr H.J. Wiese



See page IV for a diagram of the first 3 levels of the Executive Structure of the City of Tshwane Metropolitan Municipality.

GRADING OF LOCAL AUTHORITY

Category A, Grade 6 (Government Notice 22726 of 2 October 2001). The Category is used for the Determination of the Upper limits of the Salaries, Allowances and Benefits of the different Members of Municipal Councils in terms of the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998).

AUDITORS (on behalf of the Office of the Auditor-General)

PricewaterhouseCoopers Inc
SAB & T
H Moosa and Company
Office of the Auditor-General

AUDIT COMMITTEE (As at 30 June 2004)

Ms M.A.F. Moja (Chairperson)	Member of the private sector/community
J.F.J. Scheepers	Member of the private sector/community
P. Ngaki (Additional member from 13.5.2004)	Member of the private sector/community
O. Thenga (Additional member from 13.5.2004)	Member of the private sector/community
S. Pillay (only until 30 June 2004)	Councillor
H.F. Redelinghuys (Prof)(only until 30 June 2004)	Councillor

BANKERS

ABSA Bank

MAP OF THE CITY OF TSHWANE METROPOLITAN MUNICIPALITY

See page V for the area of the City of Tshwane Metropolitan Municipality.

REGISTERED OFFICE


Finance Department
373 Pretorius Street
0002 PRETORIA

PO Box 408
PRETORIA
0001

Telephone: (012) 358-7911

APPROVAL OF FINANCIAL STATEMENTS

The annual financial statements set out on pages 1 to 52 were approved by the Municipal Manager on 8 September 2004 and presented to and approved by the Council during June 2005.



B.K. MOSLEY-LEFATOLA
MUNICIPAL MANAGER
BA Hons



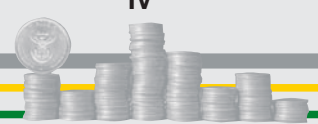
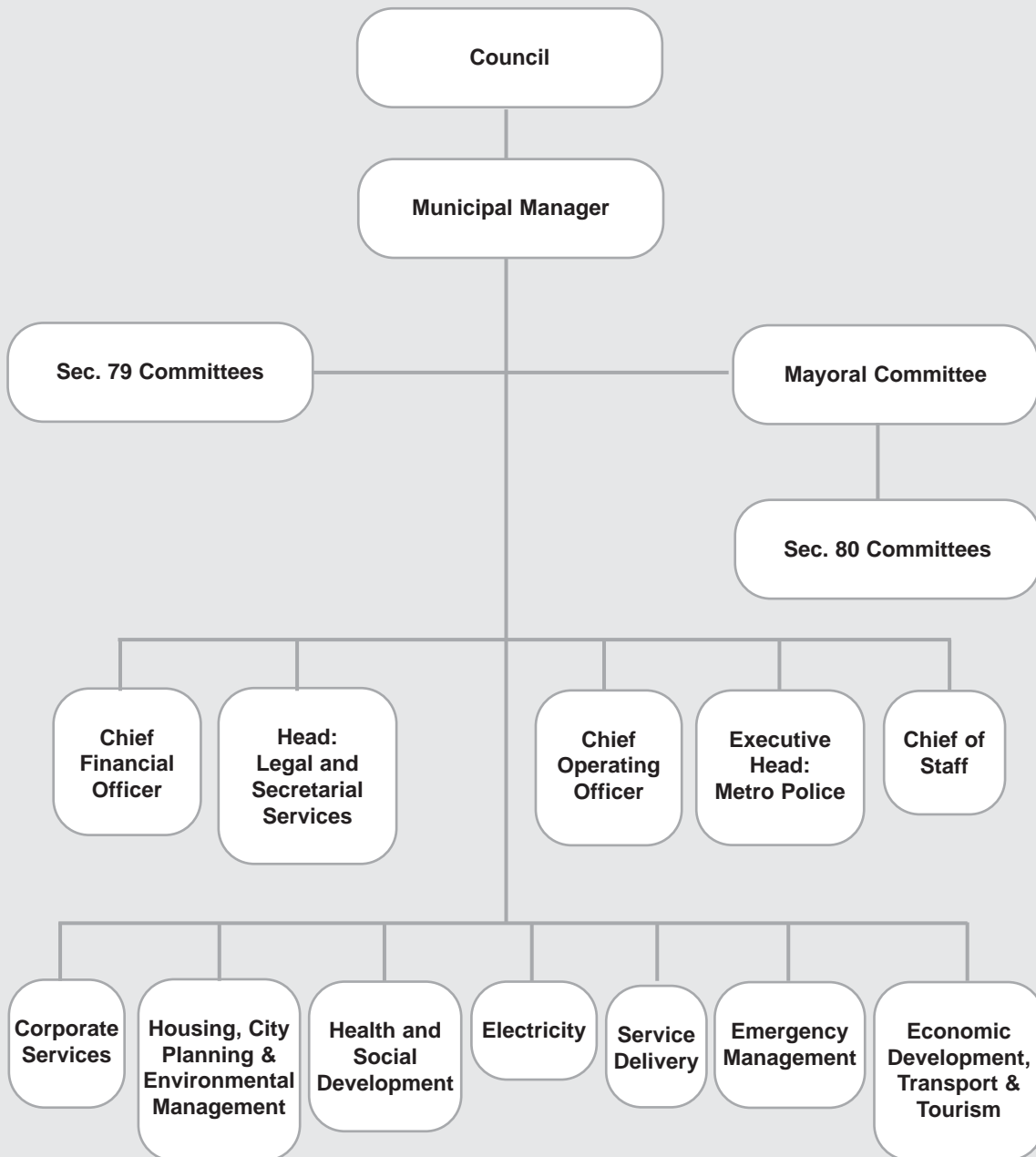
E.R. DU TOIT
CHIEF FINANCIAL OFFICER
Registered Accountant – Associate
BCom(Hons) Financial Management, MBL

DATE: 8 September 2004

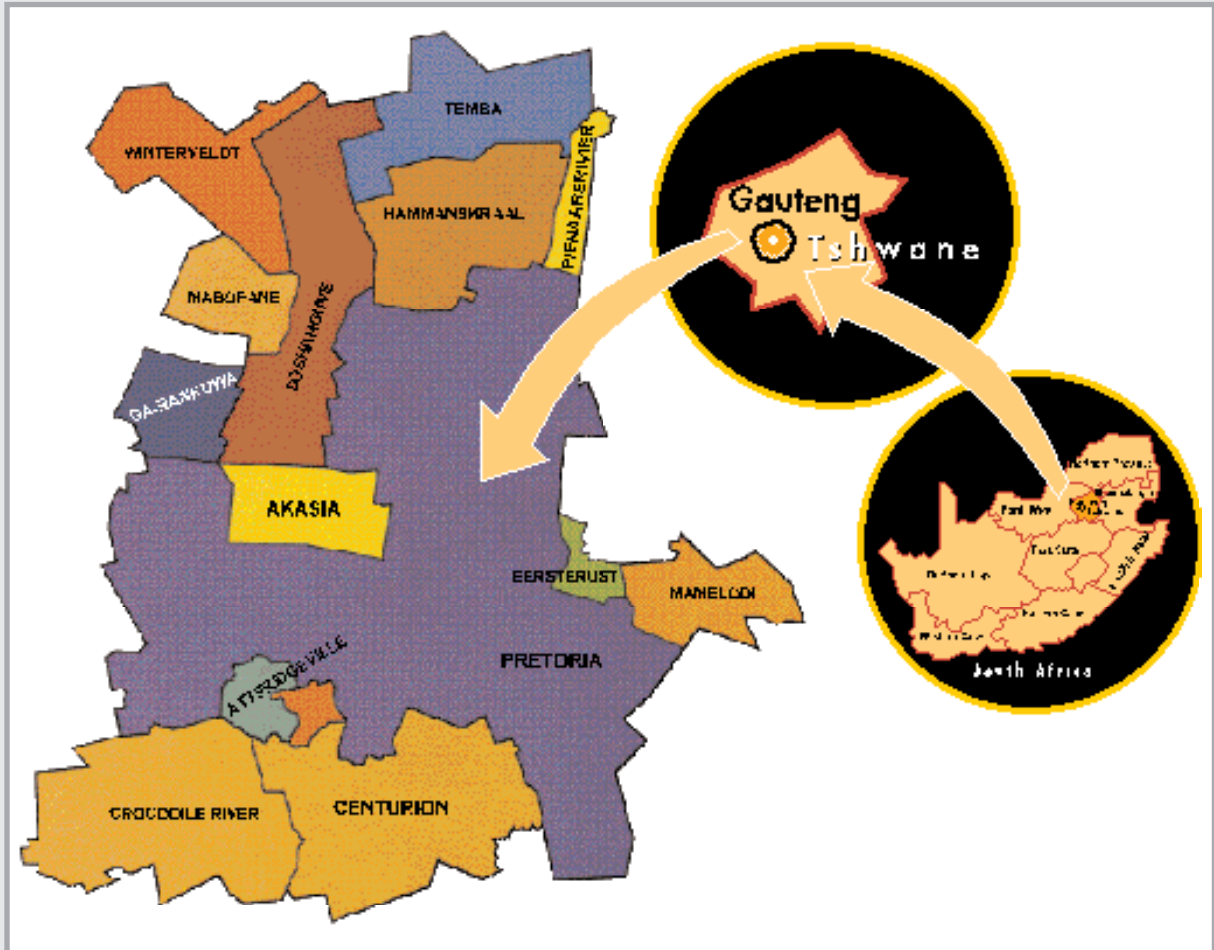
DATE: 8 September 2004



**EXECUTIVE STRUCTURE:
CITY OF TSHWANE METROPOLITAN MUNICIPALITY
As at 30 June 2004**



AREA OF THE CITY OF TSHWANE METROPOLITAN MUNICIPALITY



REVIEW OF THE EXECUTIVE MAYOR

In one of his writings on nature the English poet, Gerard Manley Hopkins says: "Out of nothing, much. Out of much, much more." These words are applicable to the 2003/04 financial year of the Tshwane Municipality.

The policy and legislative framework of our country places a high premium on local government's delivery of essential services to our people in an effective, efficient, responsive, equitable and optimal manner. This also underlines government's express commitment to use local government to create a better life for all. That commitment, in turn, places an obligation upon those of us in the sphere of local government to deliver practical programmes to progressively ameliorate the plight of the less fortunate among our people, while we are continually enhancing the quality of life of those already in generally better circumstances.

In our quest to maintain our success of the foregoing years, we had to make the most of our resources, and so we had to translate Gerard Manley Hopkins' words into reality. Out of nothing we had to strive for much, and out of much we had to try to get much more.

Our budget choices had to be responsive to the social and economic conditions and realities facing our communities and yet had to be based on a sound and sustainable fiscal framework.

The underlying objectives were growth and development and the progressive realisation of the social and economic rights of our people. The Municipality tried to balance competing policy considerations – stepping up investment in infrastructure, promoting growth and job creation, addressing poverty and vulnerability, and addressing broad governance challenges.

Notable progress has been made by installing infrastructure to distribute electricity to residents in an equitable, efficient, cost-effective and sustainable manner. In the 2003/04 financial year we connected 2 355 stands to the supply grid as part of the Electricity-for-All project, and erected 303 streetlights and 77 high-mast lights. After negotiations between role players, most households in the Eskom-supply areas are receiving 50 kWh of free electricity since February 2004.

Several water and sanitation projects were implemented during the financial year in the marginalised areas of the city. An important development regarding the Roodeplaat Temba Water Services Trust – a R530 million public-private partnership project – is that we have recently been granted the licence to upgrade the Temba purification plant and draw water from the Roodeplaat Dam to increase reticulation around the Hammanskraal areas and supply water to the areas north of the Magaliesberg.

Job creation through various roads and storm water projects has received special attention, and in this regard seven emerging contractors are being used for maintenance work, employing some 340 local labourers. Contracts are being unbundled and emerging contractors are being employed to create maximum employment opportunities for local people. A pilot project using labour-intensive methods for the sealing of roads was initiated in Soshanguve during December 2003, as part of a R49 million project for the upgrading of internal roads in Tshwane. A total of 30 emerging contractors attended training, and up to 40 emerging contractors will be used, with 530 local labourers being employed on this project. In terms of health care, free primary health care services are provided from 23 municipal clinics. All clinics do HIV/Aids counselling and testing, and 70% now have rapid tests, while five clinics have already started to provide services for the prevention of mother-to-child transmissions.

Municipal by-laws are there to regulate errant behaviour within the boundaries of our municipality. As a first for the country, a fully-fledged municipal court was launched in Tshwane in April this year. The task of this court is to effectively deal with people who violate municipal by-laws, certain traffic offences and other relevant delegated legislation. This is definite proof of our commitment as a local government to promote cooperative governance and law enforcement.



With regard to housing delivery during the 2003/04 financial year, we have built 7 100 houses and completed 8 226 serviced sites and 228 family units.

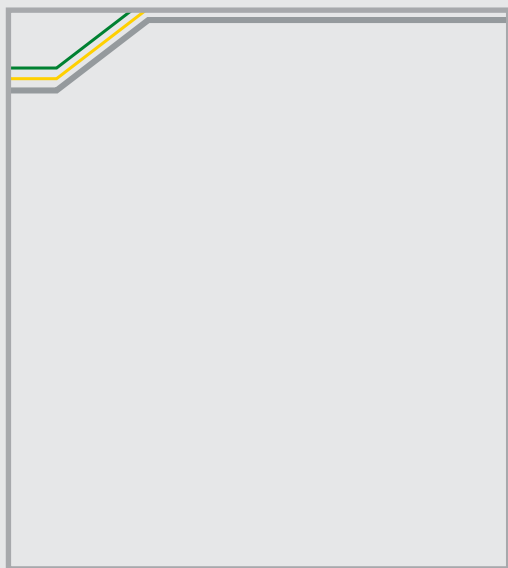
We interpret a people-centred approach to mean, among other things, taking the Municipality to the people. We now have 12 customer care centres that operate in line with the Batho Pele (People First) principle, which is a comprehensive customer care policy, including opportunities for our residents to make weekend payments, the upgrading of some pay-points and the installation of more prepayment vending machines. The special attention we pay to customer care and accessibility is a strategic act, given the importance of the payment for services.

CA-Ratings have assigned a zaA+ long-term and a zaA1 short-term rating to Tshwane. The ratings indicate a strong capacity to service long-term debt and short-term obligations in rand, relative to other South African obligors.

Our financial situation will continue to be healthy in proportion to continued local economic growth.

At a macro level, the city is becoming a centre for innovation, largely because of the Blue IQ projects so generously spearheaded by our Provincial Government. The Blue IQ initiative has also drawn Tshwane into additional partnerships with various research and educational institutions, while consolidating the city's reputation as the educational Mecca of Africa.

The challenges are many, and the challenges are never-ending – but so are our commitments. We are, after all, a city at work!



Father Smangaliso Mkhathshwa
Executive Mayor



FOREWORD BY THE MUNICIPAL MANAGER

The 2003/2004 financial year coincides with the ten year of democracy celebrations. Within these ten years, major progress has been made to make South Africa a better country than what it was ten years ago. Likewise within the city, major progress has been made to improve the lives of the city's citizens. This will particularly include the northern parts of our city, where many of our people who previously were denied access to basic municipal services, have now been afforded that access. These successes could not have been achieved without a sound financial basis and the 2003/2004 Financial Statements are a clear reflection of the success we achieved as a municipality to improve viability and sustainability.

As South Africa ended its first decade of democracy and enters the second decade of freedom, a major emphasis revolves around not only ensuring access to municipal basic services but also job creation and economic growth. The challenge for the city in particular is to ensure that whatever economic growth and development takes place results in a reduction in the unemployment levels the city faces. Hence job creation efforts and economic development initiatives are likely to receive a major emphasis in future city budgets.

The service delivery and socio-economic development challenges are many. It is thus critical that as we seek to meet these challenges successfully, that we spend the budget optimally in order to maximize impact. We owe it to the citizens of Tshwane as we seek to improve their livelihood and meeting the needs of business.

In order to assist us in mobilizing the necessary resources to effect the above, there are many institutional challenges that we have identified that will require our attention in the next year. These relate to the level of outstanding debtors and the need to reduce it, maintaining as close as possible a 100% collection rate, a realistic financial management strategy to address municipal services backlogs and job creation efforts, ensuring a conscious efficiency strategy to result in operational savings thus releasing additional monies for development etc.

To address these, the municipality has finalised its City Development Strategy (CDS). To resource the CDS, a 10-year financial strategy has been developed which will facilitate giving expression to the CDS.

Lastly, the City of Tshwane Metropolitan Municipality is continuously striving to make customer satisfaction its top priority. Many changes are currently taking place within the organisation. However, we have also realised that the need for satisfied customers will never change! So, whilst we have made some strides, many more exciting and daunting challenges lie ahead. We are confident however, that as we seek to ensure good corporate and financial management, our customer relationship management will improve.



A handwritten signature in black ink, appearing to read 'Blake Mosley-Lefatola'.

**BLAKE MOSLEY-LEFATOLA
MUNICIPAL MANAGER**



REPORT OF THE AUDITOR-GENERAL TO COUNCIL ON THE FINANCIAL STATEMENTS OF THE CITY OF TSHWANE METROPOLITAN MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2004



1. AUDIT ASSIGNMENT

The financial statements as set out on pages 1 to 42, for the year ended 30 June 2004, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 4 and 20 of the Public Audit Act, 1995 (Act No. 25 of 2004). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the municipal manager. My responsibility is to express an opinion on these financial statements, based on the audit.

The supplementary schedules set out on pages 43 to 52, of the financial statements are presented as additional information. These schedules have not been audited and accordingly, no opinion is expressed thereon.

2. NATURE AND SCOPE

The audit was conducted in accordance with Statements of South African Auditing Standards. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

Furthermore, an audit includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations which came to my attention and are applicable to financial matters.

The audit was completed in accordance with Auditor-General Directive No.1 of 2005.

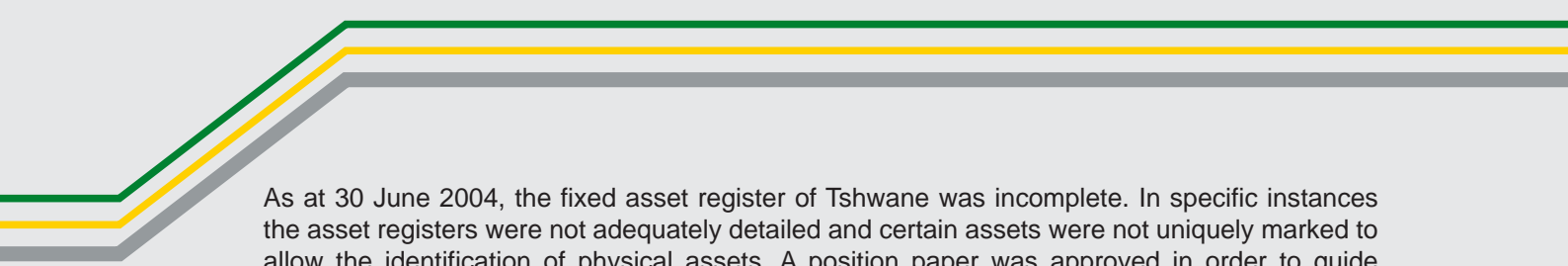
I believe that the audit provides a reasonable basis for my opinion.

3. QUALIFICATION

Fixed assets

The City of Tshwane Metropolitan Municipality (Tshwane) is in the process of implementing a new system, the One Integrated Transaction Processing System. Incorporated in this system is a comprehensive fixed asset register, which is still in the process of being finalised.





As at 30 June 2004, the fixed asset register of Tshwane was incomplete. In specific instances the asset registers were not adequately detailed and certain assets were not uniquely marked to allow the identification of physical assets. A position paper was approved in order to guide Tshwane with a purification process of assets and to ensure that effective asset management is maintained.

4. AUDIT OPINION

Qualification of audit opinion

In my opinion, except for the effect on the financial statements of the matters referred to in paragraph 3, the financial statements fairly present, in all material respects, the financial position of Tshwane at 30 June 2004 and the results of its operations and the cash flows for the year then ended in accordance with prescribed accounting practice.

5. EMPHASIS OF MATTER

Without further qualifying the audit opinion expressed above, attention is drawn to the following matters:

5.1 Creditors

Creditors reconciliations between the creditors control account (General ledger) and SC 50 (Creditors ledger) are not regularly and timeously performed. As at the 30 June 2004 certain creditors' reconciliations had not been finalised. Furthermore cases were identified where differences between the SC 50 (Creditors ledger) and the supplier statements were not explained by means of "a reconciliation" at 30 June 2004.

5.2 Inventory

Differences identified as result of the stock-counts performed during the year at registered stores was not adequately and timeously adjusted. It was further noted that Tshwane had inadequate stock take procedures for unregistered stores.

Inadequacies in the controls relating to stock obsolescence have been identified. The provision for obsolete stock does not appear to be adequate since stock to the value of R31.4 million was included in opening stock and did not move for the entire year under review. No consideration for obsolescence on these stock items was performed to address the evaluation of stock non-movements.

5.3 Fixed assets

Certain expenses that related to training costs were capitalised to fixed assets. These expenses did not meet the required recognition criteria of an asset and should therefore not be capitalised.

5.4 Section 21 and private companies

As previously reported, the former councils of Tshwane established various Section 21 and private companies. During the year under review, funds were distributed to certain of these companies. As latest audited financial statements of some of these companies are still outstanding, it was not possible to assess whether the funds distributed to these companies were utilised for their stated objectives. Tshwane is currently in the process of evaluating the purpose and continuation of these entities.

5.5 Water and electricity

5.5.1 Water unaccounted for -

Attention is drawn to appendix F of the financial statements. Water not accounted for as a percentage of water available for distribution, amounted to 23.61 per cent (2003: 18.42 per cent). Calculated at the average cost of water purchased, the loss in water distribution amounted to approximately R 131.2 million (2003: R 92.3 million).

5.5.2 Electricity unaccounted for -

Attention is drawn to appendix F of the financial statements. Electricity not accounted for as a percentage of electricity available for distribution, amounted to 9.09 per cent (2003: 8.86 per cent). Calculated at the average cost of electricity purchased, the loss in electricity distribution amounted to approximately R 93.36 million (2003: R 78.02 million).

5.6 Consumer debtors

Consumer debtors amounting to R 1.2 billion (2003: R 1.4 billion) remained outstanding for longer than 90 days. Calculated on the consumer turnover (i.e. assessment rates, sale of electricity, sewerage and water fees and solid waste removal) of R 4.6 billion and an average debtor's balance of R 2.3 billion the debtors recoverability period was 179 days (2003: 183 days).

The general provision for bad debts is R 509.5 million (2003: R 639.4 million). The non-recovery of debtors could have a serious impact on the cash flow situation, future growth and the continued service delivery of Tshwane.

6. PERFORMANCE AUDIT

As previously reported, a performance audit covering specific payroll related issues was conducted during the previous and current financial year. This performance audit report is included as an annexure to this report.

7. AUDIT ON PERFORMANCE MEASUREMENT

My audit on the performance measurements required in terms of section 45 (b) of the Local Government Municipal Systems Act, 2000 (Act No. 32 of 2000) was conducted and is reported on separately.

8. LATE FINALISATION OF AUDIT

The late finalisation of the audit report has been due to Tshwane providing additional evidence in respect of the information not initially provided during the normal course of the audit. The subsequent evidence was made available and audited during the period from January to April 2005.

9. APPRECIATION

The assistance rendered by management and the staff of Tshwane during the audit is appreciated.

**SA Fakie
Auditor-General
Pretoria
26 April 2005**

ANNEXURE



AUDITOR-GENERAL

REPORT

OF THE

AUDITOR-GENERAL

ON THE

**PERFORMANCE AUDIT CONDUCTED AT THE CITY OF
TSHWANE METROPOLITAN MUNICIPALITY**

MARCH 2005



REPORT OF THE AUDITOR-GENERAL ON THE PERFORMANCE AUDIT CONDUCTED AT THE CITY OF TSHWANE METROPOLITAN MUNICIPALITY

1. PURPOSE AND CONTENT OF THE REPORT

- 1.1 The purpose of this report is to facilitate public accountability by disclosing the findings of the performance audit conducted at the City of Tshwane Metropolitan Municipality (municipality). The content of the report is based mainly on the requirements of sections 4 and 20 of the Public Audit Act, No. 25 of 2004 (PAA) and the Auditor-General Directive 1 of 2005 issued in terms of section 13 of the PAA.
- 1.2 Sufficient auditing was done to provide substantiating audit evidence for the findings in the report. It should be borne in mind that the examples documented in this report in support of the findings do not represent all the consequences of deficient management measures and should not be regarded as comprehensive.
- 1.3 It is hoped that this report will give rise to corrective steps that will contribute constructively to the establishment and implementation of proper management measures and lead to improved value for money.

2. AUDITING CONCEPTS AND APPROACH

2.1 Background

- 2.1.1 The auditing of government institutions is based on the premise that it is the responsibility of the accounting officer to institute measures to:
 - (a) Procure resources of the right quality in the right quantities at the right time and place at the lowest possible cost (economy);
 - (b) Achieve the optimal relationship between the output of goods, services, or other results and the resources used to produce them (efficiency); and
 - (c) Achieve policy objectives, operational goals and other intended effects (effectiveness).
- 2.1.2 The promotion of economy, efficiency and effectiveness depends on adequate management measures for the planning, budgeting, authorisation, control and evaluation of the procurement and utilisation of resources. The responsibility to institute these management measures rests with management. The primary objective of performance auditing is to confirm independently that these measures do exist and are effective and to provide management and Council with information, by means of a structured reporting process, on shortcomings in management measures and examples of the effects thereof.
- 2.1.3 Although the methodology of performance auditing is focused on highlighting shortcomings in management measures, this does not mean that poor or no value for money is received throughout the entity audited.
- 2.1.4 It is not the Auditor-General's function to question policy. It is, however, his responsibility to investigate the effect of policy and the management measures that lead to policy decisions.



2.2 Modus operandi

2.2.1 Performance audits are conducted in accordance with generally accepted government auditing standards and the internal guidelines for the planning, execution, reporting and follow-up of performance audits. As each performance audit can only focus on a segment of the activities of a particular institution, preference is given to the more important aspects. The modus operandi adopted makes provision for, inter alia, the following:

2.2.2 *Steering committee*: The main purpose of a steering committee, which consists of the audit team and senior staff members of the entity being audited, was to secure and maintain cooperation between all parties involved. During the meetings of the steering committee efforts were made to reach consensus on matters such as audit criteria, findings and conclusions and the representatives of the auditee were afforded the opportunity to submit timely inputs so that the final report would not contain any undeliberated issues. It is, however, in no way the intention or practice for the steering committee to provide the institution with a veto right in respect of the nature and scope of the performance audit or the reporting thereon. A steering committee is a consultative consensus-seeking forum, but the relevant statutory powers remain vested in the Auditor-General.

2.2.3 *Management report*: Consensus on the factual correctness of the findings referred to in paragraph 4 of the report was reached during a meeting on 13 October 2004, chaired by Mr B Mosely-Lefetolo the Municipal Manager (accounting officer). The response of the accounting officer was received on 29 April 2004 and 22 July 2004 and incorporated into this report.

3. SCOPE

3.1 The performance audit focused on the following aspects:

- Payroll related issues.
- Declaration of interest in companies/close corporations.
- Suppliers not registered for Value Added Tax (VAT) but charging it on invoices.

3.2 During the audit, computer assisted audit techniques (CAATs) were used as an audit tool to compare databases as well as to analyse and interrogate data extracted from files or databases to create exceptions. The exceptions were based on payroll data for the period January 2003 to June 2003 and August 2003, the financial data for the period July 2002 to June 2003 and the SARS VAT database for December 2003. Audit procedures were developed and applied to test and follow up the exceptions.

4. FINDINGS, RECOMMENDATIONS AND COMMENTS OF THE ACCOUNTING OFFICER

4.1 Employees older than 65

4.1.1 Finding

The payroll system of the municipality does not automatically identify permanent employees over the age of 65, which would enable the municipality to take the necessary steps to ensure that these employees retire when they reach the age of 65. The municipality still employed six permanent employees over the age of 65, of which one employee was aged 77.



4.1.2 Recommendation

The municipality should consider implementing measures on the payroll systems to automatically identify permanent employees over the age of 65, which will enable the municipality to ensure that these employees retire when they reach the age of 65.

4.1.3 Comments of the accounting officer

- (a) The payroll systems does not automatically identify employees over the age of 65 however, there is an exception report that is being run to identify employees over the age of 65, whereafter the relevant department is notified in writing to ensure that these employees retire on the correct date. The relevant employees will be informed in writing and their services will then be terminated.
- (b) Not all conditions of service determines that an employee who reaches the age of 65 must retire and therefore, a report to consolidate the policies has been tabled to serve before the Municipal Council (council) that resulted in the termination of service of all permanent employees older than 65.

4.2 Employees appointed in more than one division at a time

4.2.1 Finding

By making use of CAATs employees with two different pay numbers which received remuneration for the same hours worked from more than one division, were identified. The municipality had appointed employees as pointsmen on fixed term contracts in more than one division to address staff shortages with two different pay numbers. However, seven of the ten employees with two pay numbers were remunerated by two different divisions for the same hours worked.

4.2.2 Recommendations

All overpayments made to employees should be recovered and the municipality should implement measures to identify employees who claims remuneration for hours worked from two different divisions.

4.2.3 Comments of the accounting officer

- (a) This matter will be investigated and remedial measures will be introduced by the municipality to address the inadequacies for the verification and authorisation of hours worked by pointsmen. Furthermore, corporate policy and guidelines will be adhered to as soon as available. Line managers will confirm that employees are indeed working the hours stipulated, by making use of attendance registers.
- (b) Any double payments made to employees will immediately be recovered and disciplinary steps will be taken after thorough investigations have been conducted.
- (c) The municipality has done away with the practice of allowing more than one paynumber for an employee. This will result in the prevention of paying an employee double for the same hours worked.



4.3 Overtime payments

4.3.1 Findings

- (a) According to the Basic Conditions of Employment Act (BCE Act), as well as the Amendment Act, 2002 (Act No. 11 of 2002), an employer may not require or permit an employee to work overtime except in accordance with a specified agreement and not more than 10 hours per week. Furthermore, an employee may not be required to work overtime for more than 12 hours per day. Section 6(a) of the BCE Act also stipulates that a collective agreement may increase the maximum permitted overtime to 15 hours a week, but a collective agreement may not apply for more than two months in any period of 12 months.
- (b) An exception report was compiled of overtime payments that were in excess of 50 per cent of the basic salary, which is an indication that payments made with regard to overtime could not be in line with the BCE Act. The exception report indicated that an amount of R6 397 602 had been paid to 881 employees for overtime during the period January 2003 to June 2003 that were in excess of 50 per cent of their basic salary.
- (c) Furthermore, some employees claimed up to 204 hours overtime in one month and in certain instances employees were paid overtime in excess of 50 per cent of their basic salary for periods up to six months.

4.3.2 Recommendations

- (a) The reasons why some employees work overtime in excess of 50 percent of their basic salary as overtime and why some employees work excessive overtime continuously for long periods should be determined.
- (b) Measures should be implemented to ensure that overtime is being managed down and brought in line with the BCE Act and/or collective agreements.

4.3.3 Comments of the accounting officer

- (a) Operational personnel of the Emergency Management Service Department (EMSD) are allowed, in terms of a Bargaining Council Agreement, to exceed the prescribed 43 hours per month. In order to regulate the use of overtime, a policy directive in this regard is applicable to the EMSD and is executed accordingly. Sufficient personnel have not, due to various reasons, been appointed and in order to supplement operational needs, off duty personnel are utilised to address staff shortages.
- (b) The latest policy dictates that management should approve overtime for employees prior to working overtime and overtime payments are done only if sufficient funds are available, alternatively a time-off system is applicable. Furthermore, the management's contracts do not allow for overtime payments and thus the time-off system is applicable. As legislation dictates, should the overtime of 10 hours per



week/40 hours per month be exceeded, a full motivation should be provided by management, prior to claiming overtime payment.

- (c) Overtime can only be managed down and brought in-line with the BCE Act once the serious personnel capacity problems of the department are addressed.
- (d) The operational personnel of the Tshwane Metropolitan Police (TMP) renders policing services 24 hours a day and seven days a week on a decentralised base to the community of Tshwane. This impacts directly on the payment of overtime for hours worked on Sundays and public holidays. Furthermore, the excessive overtime is due to the severe shortage of staff in the TMP. Several attempts to appoint personnel have been made, but to no avail as a result of budget constraints. A policy in accordance to the stipulations of the BCE act was developed and implemented during December 2003 in order to manage and control overtime.
- (e) The municipality is currently engaged in a process whereby all overtime of employees are being monitored to align the payment of overtime with the regulations of the BCE Act, as amended. Operational employees within the EMSD work 12 hour shifts of which 2.4 hours of that shift is overtime. These hours overtime were regulated by a collective agreement. A recent collective agreement with the relevant trade unions on the payment of an overtime allowance to employees of the Fire Brigade and Emergency Medical and Ambulance divisions has been concluded and implemented on 1 July 2004. The effect of this agreement is that the average scheduled overtime payment per employee is reduced to 48 per cent of the basic salary of the employee. Furthermore, an investigation into overtime worked by the Electricity Department and the EMSD will have to be conducted.

4.4 Payments made to employees with invalid ID numbers

4.4.1 Findings

- (a) By making use of CAATs, 125 employees with no ID numbers and 129 employees with invalid ID numbers were identified on the payroll systems for November 2003.
- (b) The employees selected for substantive testing had copies of the employee's ID documents on their personnel files. The municipality does not have adequate management measures in place to identify invalid ID numbers and update the payroll systems. Furthermore, a risk exists that payments could be made to fictitious employees with invalid or no ID numbers.

4.4.2 Recommendations

- (a) All of the employees with no and invalid ID numbers should be followed up and updated on the payroll system.
- (b) The municipality should implement measures to ensure that when an employee's personal details changed, these changes are submitted and updated timeously on the payroll systems.



4.4.3 Comments of the accounting officer

- (a) Correct ID numbers will be determined and the municipality will ensure that the payroll systems are updated.
- (b) The payroll systems has a built-in test to validate the ID numbers. Every month an exception report is drawn to verify ID numbers.
- (c) The reports referred to in (b) above is reviewed regularly and corrections done as soon as possible.

4.5 Employees with interests in companies and/or close corporations

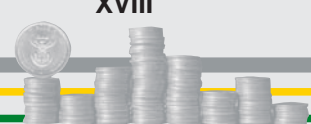
4.5.1 Findings

- (a) The sections 5(1) and 7(1) of Schedule 1 of the Local Government: Municipal Systems Act, 2000, stipulates the following: "... a councillor must disclose to the municipal council, or to any other committee of which that councillor is a member, any direct or indirect personal or private business interest that that councillor, or any spouse, partner or business associate of the councillor may have in any matter before the council or committee." "... When elected or appointed a councillor must within 60 days declare in writing to the municipal manager the following interests held by that councillor:

- Shares and securities in any company;
- membership of any close corporation;
- interest in any trust;
- directorships;
- partnerships;
- other financial interests in any business undertaking;
- employment and remuneration;
- interest in property;
- pension; and
- subsidies, grants and sponsorship by any organisation..."

Furthermore, sections 4(2) of Schedule 2 of the Local Government: Municipal Systems Act, 2000, stipulates the following: "... except with prior consent of the council of a municipality a staff member of the municipality may not be party to a contract for the provision of goods or services to the municipality; or the performance of any work for the municipality; or be engaged in any business, trade or profession other than the work of the municipality."

- (b) An exception report was compiled to identify employees and councilors of the municipality that were directors/members of companies and/or close corporations. The database of the Registrar of Companies containing details of the directors/members of companies and/or close corporations was compared with the employee details on the payroll system. The exception report listed 602 employees and councilors who were directors or members of a private company or a close corporation. Furthermore, these employees and councilors had not declared their directorship/membership of companies and/or close corporations and therefore the possibility of financial gain existed. However, no evidence in this regard could be obtained.
- (c) An exception report was compiled to determine whether the above mentioned employees were directors/members of companies and/or close corporations who supplied goods or rendered services to the municipality.



The exception report lists 13 employees and two councilors with interests in a company or close corporation that supplied goods or rendered services to the municipality. Furthermore, these employees and councilors had not declared their interests in these suppliers and therefore the possibility of financial gain existed. However, no evidence in this regard could be obtained.

- (d) Furthermore, in two instances close corporations, that were awarded tenders, made false declarations on the tender documents by stating that no employees of the municipality were members of the said close corporations.

4.5.2 Recommendations

- (a) The municipality should ensure that all councilors disclose their interests in accordance with the Local Government: Municipal Systems Act, 2000.
- (b) All employees that perform remunerative work outside their employment should have the necessary approval, in accordance with the Local Government: Municipal Systems Act, 2000. A declaration of interest form wherein employees declare the nature of interest in a company or close corporation should be compiled and filed on the relevant personnel files.
- (c) The municipality should consider taking disciplinary steps against employees that perform or undertake to perform remunerative work outside their official duty or work without permission.
- (d) The municipality should verify whether the members or directors of the companies or close corporations are employees of the municipality before appointing a supplier. If the members or directors are employees of the municipality, the municipality should verify whether the employees have the necessary approval, in accordance with the Local Government: Municipal Systems Act, 2000, to perform work outside his/her official duty or work.
- (e) The municipality should consider the cancellation of tenders awarded to companies or close corporations who made false declarations on the tender documents.

4.5.3 Comments of the accounting officer

- (a) The municipality is in the process to develop a comprehensive report regarding this issue. There are current collective agreements in place and these agreements should be replaced by a comprehensive new policy. A thorough investigation should be conducted to by each department to ensure that all employees who have interests have completed a declaration of interest.
- (b) The municipality currently circulates a declaration of interest form annually to employees and all members of top management wherein employees declare the nature of interest in a company or close corporation. The returned forms are filed on the relevant files.
- (c) The approval to perform remunerative work outside employment has been retracted by the Municipal Manager for all employees of the municipality, pending the development of a policy and procedures for approval and record keeping. This policy has been developed and has been approved on Bargaining Council level. It will be implemented as soon as the delegations have been finalised.



- (d) According to the register of the municipality neither the 13 employees nor two councillors mentioned disclosed their interest in companies and/or close corporations and/or other instances where these entities supplied goods or rendered services to the municipality.
- (e) The municipality is in a process to draft a procedure to ensure that the members or directors of the companies or close corporations are verified against the employee database of the municipality and that approval to perform work outside official duty of work has been granted.
- (f) The municipality is in a process to investigate the extent of tenders awarded to companies who made false declarations on form B of the tender documents and to propose a way forward, considering the cancellation of tenders to such companies in collaboration with the Head: Legal and Secretarial Services.

4.6 Suppliers not registered for VAT but claiming it on invoices

4.6.1 Finding

By comparing the SARS VAT database with the financial data of the municipality for the period July 2002 to June 2003 four suppliers were identified that had charged VAT amounting to R719 106 although the VAT registration numbers on their invoices were not registered on the SARS database.

4.6.2 Recommendations

- (a) All VAT payments made to suppliers not registered for VAT should be reported to SARS.
- (b) The municipality should also claim back the VAT that was paid to suppliers that are not registered for VAT.

4.6.3 Comments of the accounting officer

- (a) The verification officers only verify if tax invoices are valid with reference to the seven requirements as stipulated in the VAT Tax Act No.89 of 1991. At this stage the municipality also don't have the manpower to fulfil this function.
- (b) The municipality never issues cheques with VAT amounts, if a valid tax invoice is not submitted prior to payment being made. Although policy dictates that all invoices should have a VAT number before a VAT payment is made, the municipality does not verify these VAT registration numbers against the SARS database to determine whether a valid/correct VAT registration number is being used.

5. APPRECIATION

The assistance rendered by the staff of the municipality during the audit is appreciated.

**Auditor-General
Pretoria
March 2005**



REPORT OF THE AUDITOR–GENERAL ON THE RESULTS OF THE CITY OF TSHWANE METROPOLITAN MUNICIPALITY’S PERFORMANCE MEASUREMENT FOR THE YEAR ENDED 30 JUNE 2004



1. AUDIT ASSIGNMENT

The compilation, presentation and publishing of a performance measurement report and the implementation and internal control of supporting systems, is the responsibility of the accounting authority.

My responsibility, as the Auditor–General, is to provide an assessment of controls implemented by the City of Tshwane Metropolitan Municipality’s (Tshwane’s) municipal management to implement and manage Tshwane’s performance management system as required by section 45 (b) of the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000)(MSA).

My role is not to assess or comment on Tshwane’s actual performance, but rather to evaluate the process followed during the implementation of the performance management system.

2. AUDIT OF RESULTS OF PERFORMANCE MEASUREMENT

2.1 Nature and scope

The audit of the legislative control regarding Tshwane’s performance management system embraces the standards for assurance engagements recommended by the South African Institute of Chartered Accountants.

I assessed the controls implemented by Tshwane’s management regarding the municipality’s performance management system against the criteria included in Chapter 6 of the Municipal Systems Act, 2000, as well as the Local Government: Municipal Planning and Performance Management Regulations, 2001 (No.R.796)

No opinion is expressed on the fair presentation or accuracy of the results of performance measurements.

However, I believe that the audit provides a reasonable basis for the opinion included in this report on the controls implemented.

2.2 Qualification

The following non-compliance was observed:

- In the absence of performance reports for the previous year it was not possible to base the baseline indicators on previous year’s performance targets.
- Reporting on key performance indicators was incomplete.
- Key performance indicators did not include the following:
 - All the applicable general national key performance indicators prescribed in terms of Regulation 10; and



- Key performance indicators for all employees other than the municipality's administrative units and Section 57 employees.
- No performance management expert served on the audit committee.
- The performance management framework had not determined the format of the report as required by the framework for the performance management system.
- The annual performance report as required by section 46 of the MSA was not available at the date this report was prepared.

3. AUDIT OPINION

In my opinion, except for the effect on the control implemented by municipal management regarding the municipality's performance management system referred to in paragraph 2.2, the City of Tshwane Metropolitan Municipality implemented adequate controls for the implementation of a performance management system as required in Chapter 6 of the Municipal System Act, 2000, as well as the Local Government: Municipal Planning and Performance Management Regulations, 2001 (No. R. 796) for the year ended 30 June 2004.

4. APPRECIATION

The assistance rendered by the staff of Tshwane during the audit is sincerely appreciated.

**SA Fakie
Auditor-General
Pretoria
3 January 2005**



REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

Premier Mbhazima Shilowa said in his opening address to the Gauteng Legislature in February 2004:

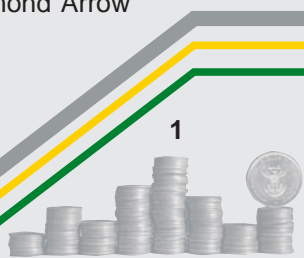
“Our achievements and progress constitute solid building blocks on which to construct future successes and effectively address the shortcomings and challenges that lie ahead. The journey to a better life is well underway.”

Tshwane as part of government has also registered remarkable achievements in its mere four years of existence. Some of these achievements are highlighted extensively in our February 2004 “State of the City Address”, but it is important to again recap on the most recent deliverables as part of our reconstruction and development programme and our journey to improve the lives of our people, such as:

- a. Notable progress has been made in installing infrastructure to distribute electricity to residents in an equitable, efficient, cost-effective and sustainable manner.
- b. Several water and sanitation projects were implemented during the financial year in the maginalised areas of the city. Tshwane is the national frontrunner in the implementation of Government’s commitment to providing a free basic supply of water to all our people.
- c. Job creation through various roads and storm water projects has received special attention during the financial year.
- d. Free primary health care services are rendered from 23 municipal clinics. All clinics conduct HIV/AIDS counseling and testing and 70 % now have rapid tests, whilst 5 clinics have already started to render services for the prevention of mother-to-child transmissions.
- e. The provision of Emergency Management services are important community functions rendered by the Municipality.
- f. The Tshwane Metropolitan Police Service plays an important role to ensure a safe and secure environment in the City. The establishment of a one-stop service centre for the northern regions has brought the full spectrum of policing services closer to these communities.
- g. Municipal by-laws are enforced to regulate errant behaviour within the boundaries of our Municipality. In a first for the country on 6 April 2004 a dream came true with the formal launch of the maiden fully fledged municipal court in Tshwane.
- h. One of the key aims of our waste management section is to render a basic waste service to all residents. In achieving this goal the Municipality appointed 34 community-based contractors to provide waste services particularly in the north-western areas.
- i. In terms of housing delivery, in 2003/2004, the Municipality constructed 7 100 houses, completed 8 226 serviced sites and 228 family units.

These achievements indicate that the Municipality is indeed on track as a city to improve the lives of our people and confirm once more why Tshwane has been voted the best-managed city in South Africa for the past two years and declared best performer in the public sector in the 2003 Impumelelo Top 300 Companies Award.

The Municipality was also in 2004 identified as the Municipality doing the most to ensure social upliftment and create local investment opportunities, as well as the one doing the most to attract tourists (Golden Arrow Awards). Tshwane was also singled out as the city doing the most to attract foreign investment and offer the best export incentives for companies (Silver Arrow Awards). On top of this, the Executive Mayor of Tshwane, Father Smangaliso Mkhathshwa, was rated the most proactive mayor of all metropolitan mayors, earning him the Diamond Arrow Award.

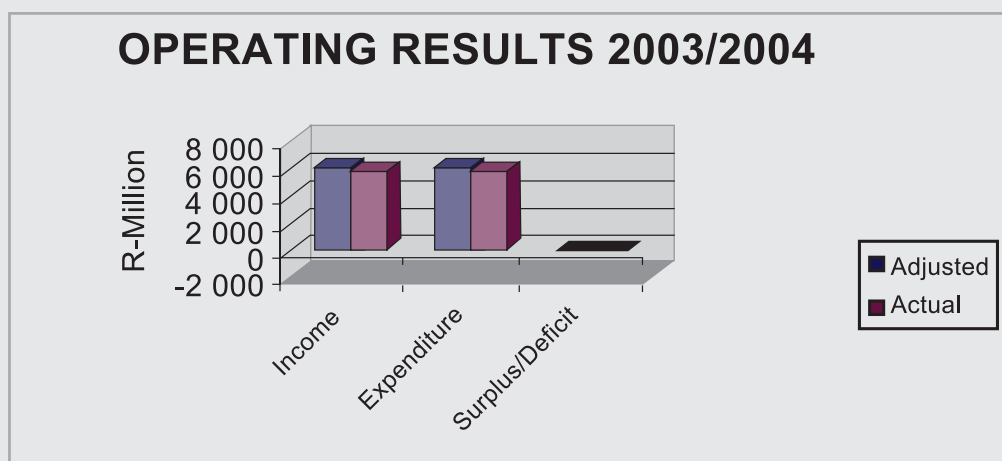


2. REVIEW OF OPERATING RESULTS

The 2003/2004 budget was approved by Council on 29 May 2003. Figures with regard to the 2003/2004 budget as well as the adjusted budget are included in this report. The adjusted budget contains over and under expenditures and transfer of funds, which the Council approved during the financial year.

2.1 General

Details of the 2003/2004 operating results per department and classification of income and expenditure are included in appendices D and E. A graphical presentation of the operating results is shown in the graph below:



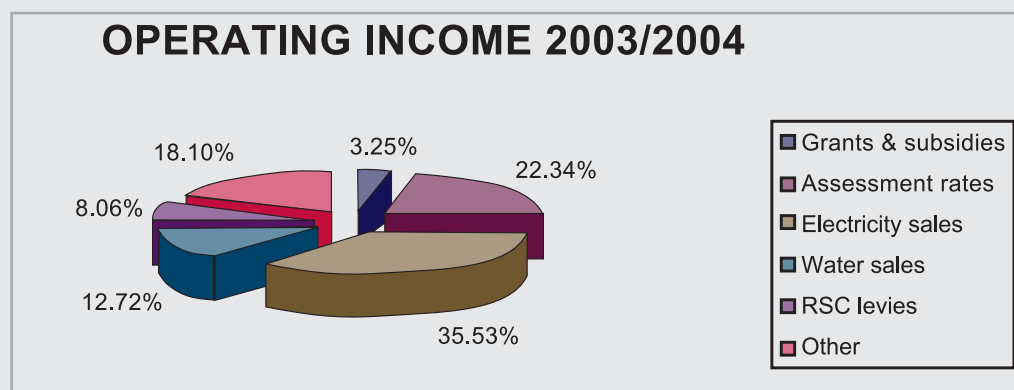
The overall operating results for the year ending 30 June 2004 are as follows:

Description	Original Budget 2004 R'000	Adjusted Budget 2004 R'000	Actual 2004 R'000	Variance Actual/Adjusted Budget %	Actual 2003 R'000
INCOME					
Opening surplus			50 456		
Operating income for the year	6 068 408	6 146 171	5 890 426	(4,16)	5 566 520
Closing deficit		1 233			
	6 068 408	6 147 404	5 940 882		5 566 520
EXPENDITURE					
Opening deficit					343 427
Operating expenditure for the year	6 075 436	6 153 366	5 866 352	(4,66)	5 189 509
Sundry transfers	(7 406)	(5 962)	44 883		(16 872)
Closing surplus	378		29 647		50 456
	6 068 408	6 147 404	5 940 882		5 566 520

The net expenditure reflects an increase of 13,04 % while income has increased by 5,82 % since 2003. All indications are that, from an affordability point of view, income will in future grow at a slower rate; hence the growth in expenditure must be strictly monitored.

2.2 Operating Income

The following graph indicates a break down of the types of income.



2.2.1 The following operating income amounted to less than the amounts budgeted:

Income	Original Budget 2004 R'000	Adjusted Budget 2004 R'000	Actual 2004 R'000	Variance 2004		Actual 2003 R'000
				R'000	%	
Assessment rates	1 369 440	1 369 440	1 363 697	5 743	0,4	1 242 043
Electricity sales	2 190 700	2 190 700	2 166 857	23 843	1,1	2 004 860
Sanitation(sewerage fees)	250 000	250 000	169 677	80 323	32,1	245 480
Solid waste removal fees	234 360	234 360	192 944	41 416	17,7	171 280
Water fees	779 760	839 000	718 075	120 925	14,4	706 207
Reconnection fees	71 000	71 000	52 340	18 660	26,3	79 434
Restaurant sales and catering	3 180	3 180	1 990	1 190	37,4	1 644
Connections fees	24 710	24 710	13 797	10 913	44,2	16 630
Driver's licenses	13 000	13 000	10 882	2 118	16,3	13 211
Training fees recovered	12 142	12 142	7 230	4 912	40,5	9 419
Dumping fees	19 200	19 200	3 979	15 221	79,3	1 455
Parking meter fees	1 000	1 000	972	28	2,8	787
Traffic fines	75 130	75 130	41 284	33 846	45,0	49 043
Jobbing	5 839	5 839	3 877	1 962	33,6	2 129
Rental: Businesses	20 434	20 434	10 586	9 848	48,2	6 220

- **Sale of electricity**

The decrease in the income with regard to the sale of electricity is discussed in paragraph 2.5.3.

- **Sanitation**

Although a lower income realised for the sanitation service, the surplus percentage is still more than the set norm according to the Strategic Framework for Water Services. A new tariff structure, based on water flow, was implemented on 1 July 2003. It was indicated at that stage that it was possible that the tariff was not targeted correctly in which case adjustments were necessary. Council considered this on 11 March 2004 and approved the principle of a lower income in the spirit of the Strategic Framework for Water Services.

- **Solid Waste**

On 11 March 2004 Council took cognizance of an anticipated shortfall in solid waste removal fees of approximately R40 million. Calculations and reconciliations during the year indicated that the budgeted income calculated by the department was too high.

- **Sale of water**

The decrease in the income with regard to the sale of water is discussed in paragraph 2.5.4.



- **Reconnection fees**

The decrease in the reconnection fees is the result of the introduction of the reminder service. Consumers react more promptly resulting in the decrease in the number of physical disconnections.

- **Restaurant sales and catering**

The decrease in income from restaurant sales and catering can be attributed to the fact that the number of external functions did not realize as anticipated during the budget compilation process

- **Connection fees**

The decrease in the connection fees can be ascribed to the fact that fewer connections were done than budgeted for.

- **Drivers licenses**

The decrease in income from driver's licenses compared to the budget is due to less driver's licenses being renewed than anticipated during the budget process.

- **Training fees**

The lower income from training fees recovered is due to lower refunds from the LWGSETA than calculated during the budget process.

- **Dumping fees**

The under performance in dumping fees can be ascribed to the fact that recycling at source has increased dramatically, which was not anticipated and impacted negatively on the actual income. Furthermore, at least 4 large contractors do not make use of our landfill sites, but use private landfill sites in the Tshwane area.

- **Parking meter fees**

The decrease in the income from parking meter fees is mainly the result of the following:

- Excavations prevented occupancy of parking bays.
- The current activities of self-appointed parking attendants/car watchers .

- **Traffic fines**

The under collection in traffic fines is the result of several unavoidable factors mentioned below:

- The re-deployment of personnel and re-demarcation of operational areas of the Tshwane Metropolitan Police Department.
- Problems with the incomplete integration of the current traffic contravention systems (Trafman, TCS) and serving summonses contributed further to the deviation.
- A further challenge is the culture of non-payment, which is being addressed by specialized operational actions. Extraordinary intensified law enforcement actions will be taken in order to decrease the outstanding fines and increase the income from traffic fines.
- Problems were experienced in relation to the legitimacy of summonses served. An investigation was initiated by the Department of Justice concerning this issue, which resulted in delays in the serving of summonses.

- **Jobbing income**

The deviation in jobbing income can be attributed to the fact that less requests were received from the public (for example to move existing connections, to remove trees, etc) than anticipated during the budget process.

- **Rental of businesses**

The lower income realised from the rental of businesses mainly occurred in the rental of businesses at the Wonderboom Airport (See paragraph 2.5.8).

2.2.2 The following operating income amounted to more than the amounts budgeted:

Income	Original Budget 2004 R'000	Adjusted Budget 2004 R'000	Actual 2004 R'000	Increase 2004		Actual 2002 R'000
				R'000	%	
Regional Services Council levies	484 000	484 000	494 170	10 170	2,1	447 323
Interest on arrear amounts	50 000	50 000	112 395	62 395	124,8	132 188
Reminder fees	3 500	3 500	5 689	2 189	62,5	4 885
Rental: Housing	7 660	7 660	10 094	2 434	31,8	15 254
Building plan fees	15 891	15 891	20 206	4 315	27,2	13 704
Discount on prompt payment	12 500	12 500	17 511	5 011	40,0	14 188
Market fees	39 075	39 075	44 182	5 107	13,1	41 698
Interest on Investments	7 500	7 500	12 350	4 850	64,7	23 171
Transport fees	38 500	38 500	40 252	1 752	4,6	38 369
Government grants & subsidies	222 121	228 069	235 047	6 978	3,1	170 118

• Regional Services Council (RSC) levies

The increase in the income from RSC levies can be attributed mainly to the fact that these levies are based on the turnover and remuneration of companies and if these two elements increase, the income from RSC levies will also rise. Council also appointed RSC levy inspectors who identify non-registered levy payers as well as under declarations of RSC levies. An inflation-related growth rate of 8 % was budgeted for in the 2003/2004 financial year in comparison with the actual growth rate of 10 %.

• Interest on arrear amounts

Interest on arrear amounts represents a levy on the debtor's account with regard to arrear service fees. The interest rate applicable for the period under consideration was 15,5 % from 1 July 2003 to 31 December 2003 and 11,5 % from 1 January 2004 to 30 June 2004. Since the outstanding balance of the debtor's increased, this amount also increased considerably.

• Reminder fees

The income from reminder fees realised higher than anticipated during the budget due to intensified/improved credit control.

• Rental: Housing

The significant deviation on Rental: Housing can be ascribed to the fact that the housing schemes of the former Town Council of Centurion (example Olievenhoutbosch, Bangladesh, etc) had been budgeted conservatively, therefore the actual income reflects an over collection of R1,2 million.

• Building plan fees

The increase in building plan fees is due to more building plans being approved than anticipated. The number of building plans approved increased from 6 710 to 7 904 during the 2003/2004 financial year.

• Discount on prompt payments

The deviation in discount on prompt payments can be attributed to the improved cash flow situation of the Municipality since creditors were paid within a shorter period.

• Market fees

The reasons for the increase in market fees are discussed in paragraph 2.5.5.

• Interest on investments

The interest on investments realised higher than budgeted since the Fresh-produce Market had more cash available in its current account and the overall cash flow position of the Municipality improved to such an extent that the short-term investments increased with 55,3 % in the financial year.

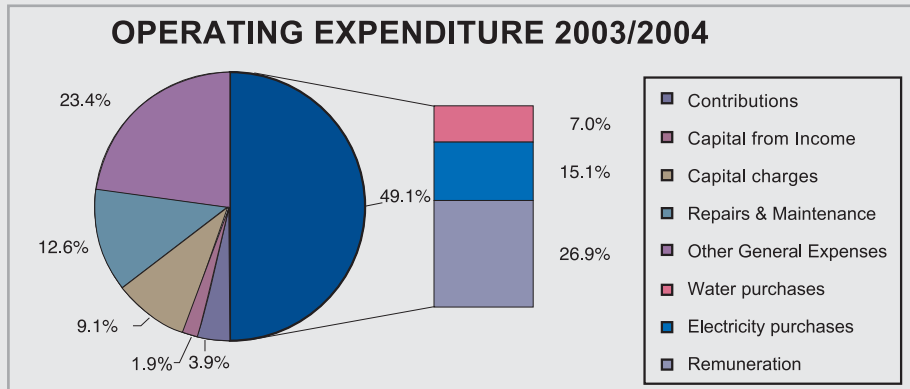


- **Government grants and subsidies**

The increase in government grants and subsidies is mainly the result of additional funds received as health subsidy, refund with regard to motor vehicle licences and equitable share.

2.3 Operating expenditure

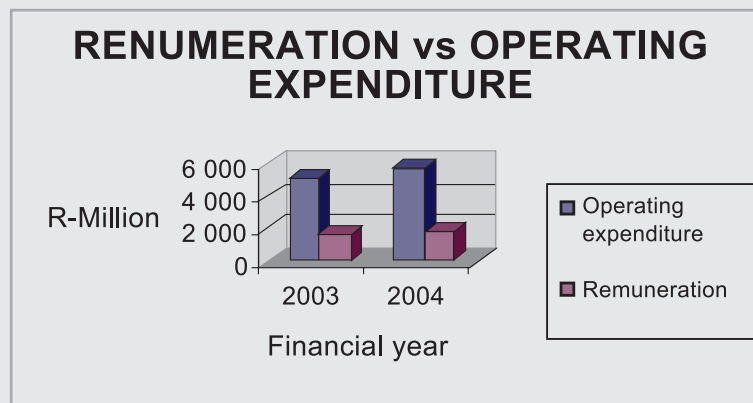
The graph below indicates the break down per main expenditure group.



2.3.1 The following operating expenditure amounted to less than the amounts budgeted:

Expenditure	Original Budget 2004	Adjusted Budget 2004	Actual 2004	Under Expenditure 2004		Actual 2003
	R'000	R'000		R'000	%	
Remuneration and allowances	1 986 412	1 996 608	1 836 928	159 680	8,0	1 662 201
Administrative expenditure	382 724	417 366	384 190	33 176	7,9	307 695
General expenditure	732 120	662 782	525 097	137 685	20,8	467 553
Departmental charges	417 844	418 058	418 028	30	0,0	342 769
Capital charges	672 073	672 073	619 715	52 358	7,8	540 909
Contributions to fixed assets	133 877	172 631	132 093	41 538	24,1	107 304
Repairs and maintenance	840 199	862 308	861 307	1 001	0,1	730 570

- **Remuneration**



The actual expenditure on remuneration expressed as a percentage of the total expenditure shows a decrease from 32,0 % in 2002/2003 to 31,3 % in 2003/2004.

The under expenditure of R159 680 000 on remuneration compared to the adjusted budget can be attributed to savings realised on vacancies not filled. A moratorium was placed on the filling of vacancies except for critical vacancies as part of a strategy to manage the level of remuneration as a percentage of total expenditure.

- **Administrative expenditure**

Some of the main items which influenced the deviation with regard to administrative expenditure are inter alia, savings on subsistence traveling and conference fees, rental of properties, rental of plant and equipment, telephones and directories, rental of office equipment, private sector labour, et cetera.

- **General expenditure**

Items, which contributed to the under spending on general expenditure are, inter alia, savings on grants-in-aid: assessment rates, training, power generation, restructuring, consultant fees, income foregone, training board fees, Article 15 and 17A pension contributions, supplementary pension contributions, payment incentive, collection fees, special projects, CCTV, job evaluation, service bonus, gratuities and cellular phone allowances.

- **Departmental charges**

The deviation in departmental charges can mainly be ascribed to the fact that the expenditure with regard to security services realised was lower than budgeted.

- **Capital charges**

The deviation in the actual capital charges compared to the budget can mainly be ascribed to a saving in capital expenditure in 2002/2003 as well as in 2003/2004 since the interest and interim interest is R18 908 133 and R31 285 812 respectively less than the budget. Redemption realised a saving of R2 164 185 and the late activation of projects compared to planned implementation program also contributed to the saving. A further factor was a reduction in interest rates and the impact of the restructuring of long-term loans.

While drafting each relevant year's capital programme, an attempt is made to keep the cost of capital within a specified limit of the expenditure, based on affordability. The aim is to limit the interest and redemption payable by departments to 15 % of the total operating expenditure. Capital charges as a percentage of total operating expenditure increased from 10,4% in 2002/2003 to 10,5 % in 2003/2004 and showed an increase from 9,4 % to 10,5 % as a percentage of total income over the same period.

- **Contribution to fixed assets**

Of the items which influenced the savings with regard to the contribution to fixed assets, are inter alia: connections within municipal boundaries (R6 835 683), electricity reticulation (R8 163 619), buildings (R11 817 288), computer (R2 675 452), machinery and equipment (R2 863 136) furniture and fittings (R1 935 563) and water reticulation (R1 155 549). Reasons for this under expenditure are inter alia:

- Items could be purchased at a lower price than was budgeted for.
- The approval of tenders in order to purchase machinery and equipment had to be cancelled.
- The cancellation of orders that could not be delivered in time before the year closure.
- Departments realised savings on this group of expenditure to offset anticipated additional expenditure in other groups of expenditure over which they had little or no control.

- **Repairs and maintenance**

Although in total repairs and maintenance realised savings, some of the items overspent. The items which showed the largest over expenditure are: Reticulation electricity (R9 200 695) and vehicles (R19 877 956). This is a clear indication that more attention needs to be given to the repair and maintenance budget allocations.



2.3.2 The following operating expenditure exceeded the amounts budgeted:

Expenditure	Original Budget 2004	Adjusted Budget 2004	Actual 2004	Over Expenditure 2004		Actual 2003
	R'000	R'000	R'000	R'000	%	R'000
Municipal rates and services	96 171	96 533	98 855	2 322	2,4	90 352
Raw and consumption materials	1 573 745	1 648 155	1 675 884	27 729	1,7	1 448 616
Contributions	257 865	258 115	264 257	6 142	2,4	285 315

• **Municipal rates and services**

The deviation in municipal rates and services can largely be ascribed to higher consumption levels than anticipated during the budget process. The largest over expenditure occurred on water consumption.

• **Raw and consumption materials**

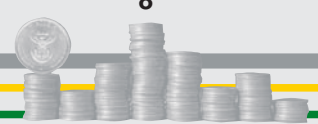
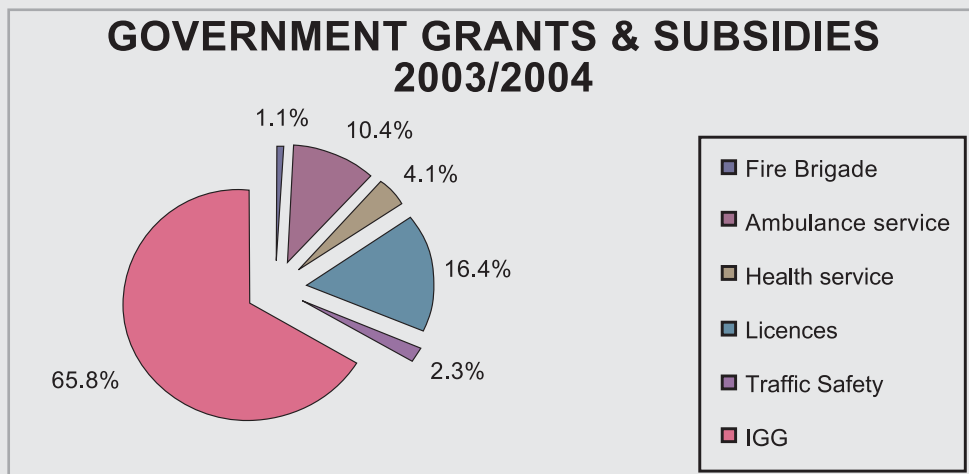
Although there was an under expenditure on certain of the items under raw and consumption materials, there were also over expenditures, the largest being bulk electricity purchases (R66 440 173).

• **Contributions**

The increase with regard to contributions is attributed to contributions to the Capital Development Fund. The contribution was adjusted to reflect 1 % compulsory contribution on the actual income of the previous financial year.

2.4 **Government grants and subsidies**

The following graph and table show the amounts received in terms of contributions and repayment of license fees from the Central Government and the Gauteng Provincial Government, which amounts have been included in the total income:



Description	2003/2004 R'000	2002/2003 R'000
Emergency Medical Service: Total expenditure	37 484	21 124
Contribution/Subsidy	24 341	20 956
% Contribution/Subsidy	64,9 %	99,2 %
Fire Service: Total expenditure	97 402	116 199
Contribution/Subsidy	2 536	300
% Contribution/Subsidy	2,6 %	0,3 %
Health Service: Total expenditure	100 576	70 398
Contribution/Subsidy	10 336	11 343
% Contribution/Subsidy	10,3 %	16,1 %
Licenses: Total expenditure	38 522	30 596
Contribution/Subsidy	38 498	33 111
% Contribution/Subsidy	99,9 %	108,2 %
Traffic Safety: Total expenditure	306 853	204 064
Contribution/Subsidy	5 390	252
% Contribution/Subsidy	1,8 %	0,1 %

Inter Governmental Grants to the value of R154,587 million were received from the Provincial Government during 2003/2004 (2002/2003 = R104,456 million), showing an increase of 47,99 %.

2.5 Analysis of various service groups

2.5.1 Rates and General Services

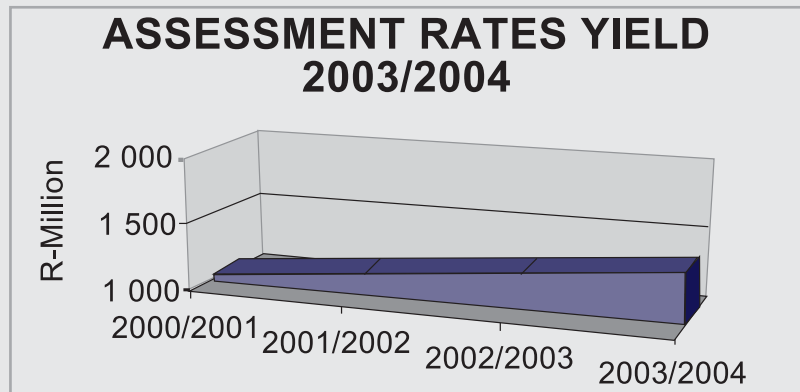
Description	Original Budget 2004 R'000	Adjusted Budget 2004 R'000	Actual 2004 R'000	Variance Actual/ Adjusted Budget 2004 %	Actual 2003 R'000
Income	2 865 754	2 872 877	2 781 592	(3,18)	2 616 497
Expenditure	3 098 035	3 105 341	2 851 520	(8,17)	2 490 058
Surplus/(deficit)	(232 281)	(232 464)	(69 928)		126 439
Surplus/(deficit) as % of Income	(8,10 %)	(8,09 %)	(2,51%)		4,83 %

As far as annual adjustments in the yield from assessment rates during this period are concerned, the actual figures shows a smaller deficit compared to the budgeted deficit. This can be attributed to the fact that the actual income decreased with only 3,18 % while the actual expenditure decreased with 8,17 % compared to the adjusted budget.

Assessment rates are the main source of income of this group of services. The following table shows the yield from this source for the period under review:

Year	Yield (R)	% Annual Increase
2000/2001	1 041 970 577	Not available
2001/2002	1 142 869 175	9,7 %
2002/2003	1 242 043 124	8,7 %
2003/2004	1 363 696 563	9,8 %





2.5.2 Housing Service

Description	Original Budget 2004 R'000	Adjusted Budget 2004 R'000	Actual 2004 R'000	Variance Actual/Adjusted Budget 2004 %	Actual 2003 R'000
Income	11 043	11 043	13 366	21,0	18 194
Expenditure	86 389	89 126	81 203	(8,9)	70 775
Deficit	(75 346)	(78 083)	(67 837)		(52 581)
Deficit as % of Income	682,29 %	707,08 %	507,53 %		289,00 %

Although there was over expenditure on municipal rates and services and repairs and maintenance all the other expenditure groups show under expenditure.

The deviation in income received is due to rental: housing which amounted to R10 093 552 compared to the budgeted amount of R7 660 492. This is the result of not budgeting for new housing schemes. See paragraph 2.2.2.

2.5.3 Electricity

Description	Original Budget 2004 R'000	Adjusted Budget 2004 R'000	Actual 2004 R'000	Variance Actual/Adjusted Budget 2004 %	Actual 2003 R'000
Income	2 281 212	2 281 212	2 223 482	(2,53)	2 099 375
Expenditure	1 936 438	1 937 087	1 959 025	1,13	1 760 455
Surplus	344 774	344 125	264 457		338 920
Surplus as % of Income	15,11 %	15,09 %	11,89 %		16,14 %
Bulk electricity purchases: Eskom	962 016	962 116	1 028 556	6,9	880 046

The deviation (R57 730 000 decrease compared to the adjusted budget) in the income can be attributed to a lower growth in consumer demand than anticipated during the preparation of the budget. 82,9 million kWh less was sold than budgeted for, resulting in a lower income amounting to R23,0 million (1,1 %).

The main reason for the increase (R21 938 000) in the actual expenditure compared to the adjusted budget is due to the over expenditure on the category raw and consumption materials (R58 741 631) and specifically the purchase of bulk electricity. This is owing to, inter alia, the actual DSPA (Dynamic Surplus Pricing Agreement) being less favorable than expected, which is very expensive during high demand periods such as the cold winter spell that was experienced this year (i.e. June purchases was 16 % higher than budgeted for).



2.5.4 Water

Description	Original Budget 2004 R'000	Adjusted Budget 2004 R'000	Actual 2004 R'000	Variance Actual/ Adjusted Budget 2004 %	Actual 2003 R'000
Income	799 021	859 661	743 335	(13,53)	727 250
Expenditure	784 279	842 961	811 210	(3,77)	731 702
Surplus/(deficit)	14 742	16 700	(67 875)		(4 452)
Surplus/(deficit) as % of Income	1,85 %	1,94 %	(9,13 %)		(0,61 %)
Bulk water purchases: Rand Water	433 000	476 673	461 058	(3,27)	420 681
Bulk water purchases: Other sources	2 620	19 692	18 321	(6,96)	1 757

The deviation (R116 327 000 decrease compared to the adjusted budget) in the income can be attributed to the fact that less water than budgeted was sold. The budget was based on the assumption that normal seasonal rainfall patterns and temperatures will prevail throughout the year. Abnormal climatic conditions have resulted in unexpected water consumption patterns. The last 6 months resulted in 18,7 % (17,4 million kilolitre) less water being sold than in the first half of the year. This resulted in 23,0 million kilolitre less being sold than budgeted, which amounts to R120,9 million income not generated.

The deviation in the actual expenditure (R31 751 000 decrease compared to the adjusted budget) can mainly be ascribed to under expenditure on remuneration (R3 001 739), general expenditure (R3 236 788), municipal rates and services (R924 870), repairs and maintenance (R4 115 237) and capital charges (R15 615 000) and bulk water purchases (R12 775 000).

2.5.5 Fresh-Produce Market

Description	Original Budget 2004 R'000	Adjusted Budget 2004 R'000	Actual 2004 R'000	Variance Actual/ Adjusted Budget 2004 %	Actual 2003 R'000
Income	54 946	54 946	65 285	18,82	62 780
Expenditure	62 800	61 390	43 340	(29,40)	41 870
Surplus/(deficit)	(7 854)	(6 444)	21 945		20 910
Surplus/(deficit) as % of Income	(14,29 %)	(11,73 %)	33,61 %		33,31 %

The main reason for the increase in income (R10 339 000) compared to the adjusted budget are the higher income from interest on investments (R4 850 247 more) and the increase in market fees (R5 106 841). The turnover increased by 5,9 % while the volume of products handled increased by 4,6 % and furthermore the turnover per area increased from R14 150 per cubic meter to R14 987 per cubic meter during 2003/2004.

The decrease (R18 050 000) in the actual expenditure compared to the adjusted budget is mainly due to savings in respect of remuneration, general expenditure, repairs and maintenance and capital expenditure. Capital improvements are financed from income. As the Fresh-produce Market is a ring-fenced account, a deficit/surplus is settled from/paid into the Fresh-produce Market Accumulated Fund.



2.5.6 Parking Garages and Areas

Description	Original Budget 2004 R'000	Adjusted Budget 2004 R'000	Actual 2004 R'000	Variance Actual/ Adjusted Budget 2004 %	Actual 2003 R'000
Income	1 001	1001	975	(2,60)	790
Expenditure	553	519	465	(10,40)	389
Surplus/(deficit)	448	482	510		401
Surplus/(deficit) as % of Income	44,75 %	48,15 %	52,31%		50,76 %

The decrease in income can be attributed to the decrease in parking meter fees (see paragraph 2.2.1). The decrease in the expenditure can mainly be attributed to under expenditure in municipal rates and services and repairs and maintenance.

2.5.7 Transport Services

Description	Original Budget 2004 R'000	Adjusted Budget 2004 R'000	Actual 2004 R'000	Variance Actual/ Adjusted Budget 2004 %	Actual 2003 R'000
Income	41 767	41 767	45 078	(7,93)	41 634
Expenditure	88 290	88 290	99 535	12,74	93 470
Deficit	(46 523)	(46 523)	(54 457)		(51 836)
Deficit as % of Expenditure	52,69 %	52,69 %	54,71 %		55,46%

It is accepted as general policy that the income must be determined in such a way that 70 % of the expenditure is covered. The deficit should therefore amount to 30 % of the expenditure, but amounted to 54,71 % in 2003/2004 (2002/2003 = 55,46 %).

The largest over expenditure occurred in respect of repairs and maintenance (R14 570 577).

2.5.8 Airport

Description	Original Budget 2004 R'000	Adjusted Budget 2004 R'000	Actual 2004 R'000	Variance Actual/ Adjusted Budget 2004 %	Actual 2003 R'000
Income	13 664	23 664	17 313	(26,84)	0
Expenditure	18 652	28 652	20 054	(30,01)	790
Surplus/(deficit)	(4 988)	(4 988)	(2 741)		(790)
Surplus/(deficit) as % of Income	36,50 %	21,08 %	15,83 %		100,0 %

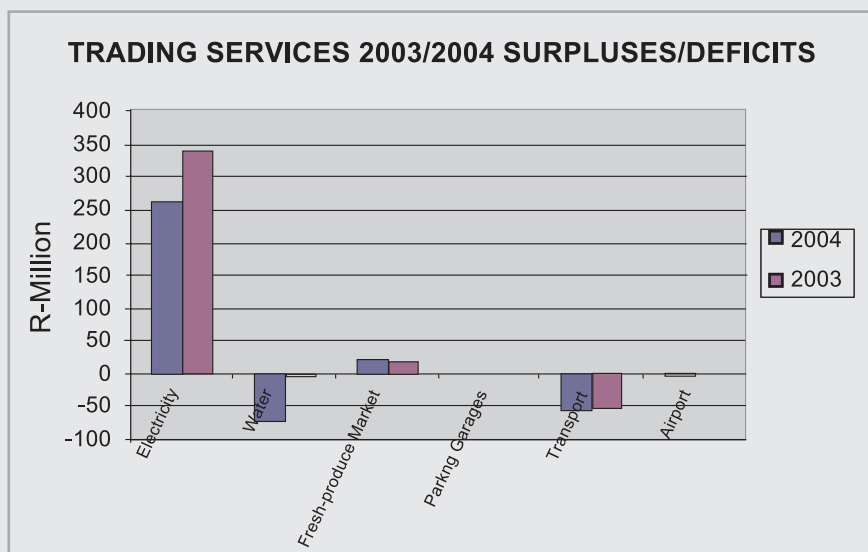
The lower income realised from the rental of businesses can be attributed to the fact that the rental of businesses at the Wonderboom Airport realised R4 806 562 compared to the budgeted amount of R13 663 546. The management of the Airport was outsourced to a private company for two years and the Municipality was reinstated as the administrator on 1 July 2003. Due to the lack of information the budgeted income was over inflated.

The largest under expenditure occurred on raw and consumption material and more specific petrol and diesel fuel which realised on R8 800 497 compared to a budgeted amount of R17 178 456.



2.5.9 Trading Services Summary (Surpluses and Deficits)

The graph and table below show the summary of the surpluses and deficits of the trading services:



Service	2004 R'000	2003 R'000
Surpluses:	286 911	360 231
Electricity	264 456	338 920
Fresh-produce Market	21 945	20 910
Parking Garages and Areas	510	401
Deficits:	125 073	57 078
Water	67 875	4 452
City Transport	54 457	51 836
Airport	2 741	790
NET SURPLUS/(DEFICIT)	161 838	303 153

Surpluses and deficits on trading services, with the exception of the Fresh-produce Market and Parking Garages and Areas, which are ring-fenced accounts, are transferred to Rates and General Services and are in accordance with the Council's Accounting policy as mentioned in paragraph 11 of the Accounting Policy.

3. APPROVAL OF THE BUDGET

The Council approved the budget for the 2003/2004 financial year on 29 May 2003 and was confirmed by National Treasury as follows:

• Operating budget

	Original Budget R'000
Expenditure	6 075 436
Income	6 068 408
Gross deficit	(7 028)
Plus: Transfers from Accumulated Funds	7 406
Estimated surplus for 2003/2004	378

• Capital budget

Description	Original Budget R'000	Approved by National Treasury R'000
Capital budget (basic – from Loans and Special Funds)	1 005 468	1 005 468
Capital budget (basic – from Income)	133 877	133 877
Total budgeted capital expenditure	1 139 345	1 139 345

4. CITY'S DEBT

At the end of the financial year the amounts borrowed and outstanding were as follows:

Type of debt	2004 R'000	2003 R'000
Stock	539 442	607 488
Long-term loans	1 097 184	1 166 057
External funds: Total	1 636 626	1 773 545

For more details refer to paragraph 13.1 of this report as well as Appendix B to the Financial Statements.

5. ACCUMULATED FUNDS, RESERVES AND PROVISIONS

Detail particulars of the funds, reserves and provisions are stated in Appendix A as well as Note 3, 8 and 9(a) in the Notes to the Annual Financial Statements.

Description	2003/2004 R'000	2002/2003 R'000
Statutory Funds	2 605 601	2 258 262
Reserves	1 132	114 559
Provision for Accumulated Leave	137 375	163 922
Provision for Obsolete Stock	2 000	1 300
Provision for Bad Debt	509 511	639 382
	3 255 619	3 177 425
Accumulated surplus/(deficit)	23 220	41 873
	3 278 839	3 219 298

The accumulated funds, reserves and provisions increased by 2,5 % compared to a growth of 0,8 % in 2002/2003. The accumulated surplus decreased with 44,5 % during 2003/2004.

6. DEBTORS

Details regarding the debtors are provided in Note 7 (Long-term debtors) and Note 9 (Debtors) of the Notes to the Annual Financial Statements.

The long-term debtors showed an increase of R49,1 million (13,3 %). This increase can mainly be ascribed to arrangement debtors and land sale debtors.

The Debtors decreased, in total, by R236,5 million (9,4 %). Although the consumer debtors decreased with an amount of R242,3 million (10,8%), an increase, however, occurred in amounts paid in advance (R67,4 million) and specifically the Insurance Fund Contingency policy which increased with R68,7 million.



6.1 Consumer debtors

The following is an indication of the effectiveness of credit control measures, as well as the ability to convert debtors into cash:

Description	2004 R'000	2003 R'000	2002 R'000
Debits levied : Consumer debtors	4 611 249	4 378 935	3 933 445
Balance on 1 July	* 2 326 687	* 1 998 579	* 1 415 252
Balance on 30 June	* 2 174 887	* 2 326 687	* 1 998 579
Average balance	2 250 787	2 162 633	1 706 915
Turnover: Number of times	2,05	2,0	2,3
Days	366	365	365
Turnover: Number of days	179	183	158

* Excluding suspended debtors (June 2002 = R211,3 million, June 2003 = R57,6 million and June 2004 = R0)

From the table it is clear that outstanding consumer debts are at unacceptable levels. The number of days to recover these debts has decreased from 183 to 179 since 2002/2003. Although there is a slight improvement this still has serious implications on the cash flow of the Municipality as insufficient funds are received to finance working capital requirements.

A report indicating the level of debtors in arrears, the behaviour of debtors and the extent of actions taken by the Council, is submitted monthly to the Council for consideration.

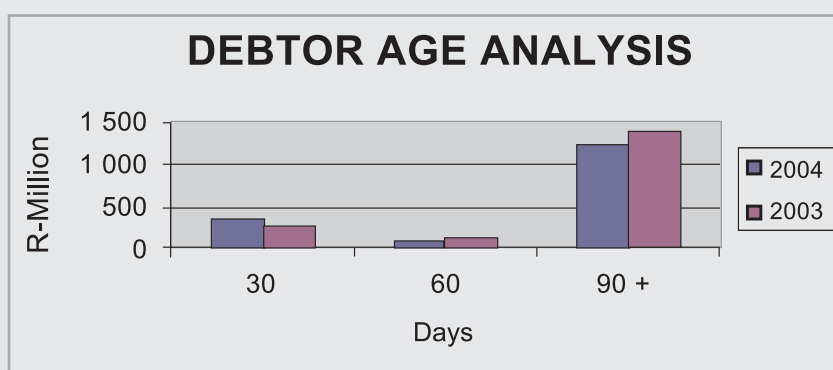
In terms of a Council resolution an amount of approximately R157 million was written off with regard to interest on arrear amounts during October 2003.

The summary of the age analysis of consumer debtors as at 30 June 2004 is as follows:

OUTSTANDING FOR				
CURRENT R'000	30 DAYS R'000	60 DAYS R'000	90 DAYS PLUS R'000	TOTAL * R'000
121 184	222 436	86 402	1 232 333	1 662 355
Less: Current and 30 days				343 620
Arrear debtors				1 318 735

* Including amounts received after 30 June

A graphical display of the age analysis is as follows:



Council initially approved the Municipality's Debt Collection Policy on 7 June 2001 and reviewed this document on 29 August 2002. The Municipality's policy on credit control is a strategic document, which is constantly tested for its efficiency and reviewed if necessary, and its effective implementation will have a bearing on municipal revenue and impact on setting realistic revenue budgets in the future. The current credit control policy and the actions taken in terms of the policy started producing positive results, since an average collection rate of 98,2 % was maintained during the 2003/2004 financial year.

In order to effectively address the 90 days plus outstanding debtors, Council in January 2003 approved its outsourcing to specialist debt collection agencies. All legal agreements between the Municipality and the appointed agencies were concluded at the end of April 2003 and the first batch of accounts was handed over in May 2003. Complementing the aforesaid, special credit control programs focusing on businesses were launched.

7. PROVISION FOR WORKING CAPITAL

The following table shows the extent of the cash flow that was utilised to satisfy working capital requirements.

Description	2004 R'000	2003 R'000
Increase in Stock	(53,509)	(27,787)
(Increase)/decrease in Debtors	189,969	(355,977)
Increase in Creditors	129,467	346,508
Increase in Deposits	2,616	22,248
Increase/(decrease) in working capital	268,543	(14,008)

These amounts, however, represent only the movement during the financial year. The total situation with regard to working capital was as follows:

Description	2004 R'000	2003 R'000
Inventory	152,590	99,080
Debtors	2 699,383	2 889,352
Accumulated (Surplus)/Deficit	(29,646)	(50,456)
	2 822,327	2 937,976
Financing Source:		
Creditors	1 375,198	1 245,732
Deposits	216,220	213,604
Provision for Bad Debt	509,511	639,382
	2 100,929	2 098,718
= Financing from Advances	721,398	839,258
	2 822,327	2 937,976

The R721,4 million needed to finance working capital was obtained from funds and reserves for example the Capital Development Fund, Land Trust Fund and the Provision for Accumulated Leave.

As these miscellaneous advances are obtained from sources earmarked for other specific purposes, it would be preferred that sufficient reserves be set aside. It is therefore with this in mind that the contributions to the Provision for Bad Debt were set at 6 % for 2003/2004. Besides the need for sufficient working capital, a conservative approach also requires that there should be planning for unforeseen events with financial implications.

8. CAPITAL EXPENDITURE AND FINANCING

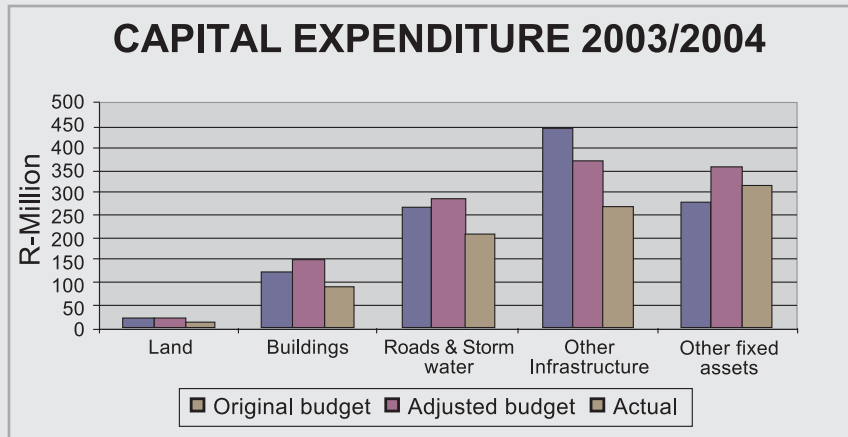
Substantial progress was made over the past number of years as far as the planning and execution of capital expenditure is concerned. The Council uses a long-term capital programme, which has been drafted on the principles of a well-devised scientific method of evaluating and determining priorities, as a guideline for capital expenditure. In addition, the Council must adhere to guidelines set by National Treasury on capital expenditure. Furthermore, the whole capital expenditure programme is IDP driven.

The expenditure incurred during the year in respect of fixed assets, amounted to R886,988 million. It is 32,3 % more than the previous financial year. The actual expenditure is 24,23 % less than the adjusted budget and consists of the following:



Type of Asset	Original Budget 2004 R	Adjusted Budget 2004 R	Actual 2004 R	Actual 2003 R
Land	23 180 000	23 180 000	10 403 332	15 690 178
Buildings	126 134 436	145 856 471	93 187 502	86 424 226
Roads and Storm water drainage	268 064 259	286 468 648	209 562 275	115 802 697
Other infrastructure	442 941 918	371 373 190	258 848 360	229 397 972
Other fixed assets	279 024 623	360 964 584	314 986 185	223 107 033
	1 139 345 236	1 187 842 893	886 987 654	670 422 106

The graph shows the distribution of the fixed assets according to the type of asset:

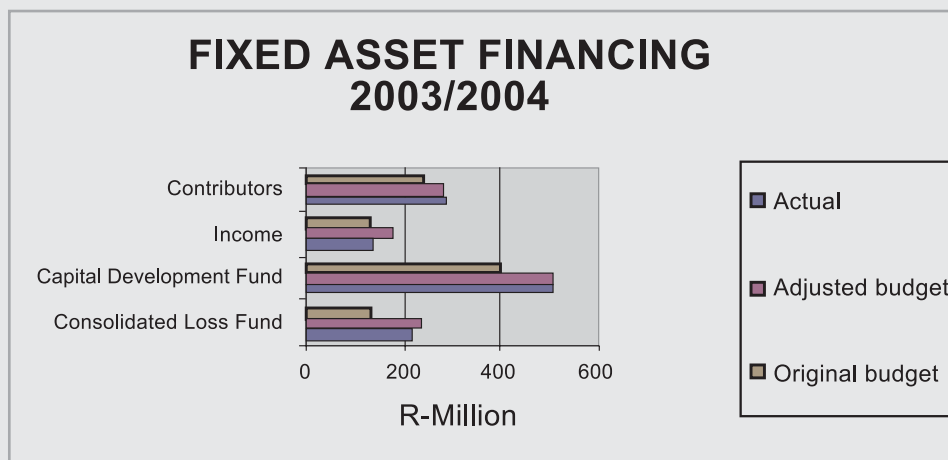


The above-mentioned fixed assets were financed from the following sources:

Type of finance	Original Budget 2004 R	Adjusted Budget 2004 R	Actual 2004 R	Actual 2003 R
Consolidated Loans Fund	216 289 490	230 627 609	123 287 936	113 385 246
Capital Development Fund	503 663 706	504 550 006	397 049 590	318 842 669
Income	133 877 069	172 631 170	132 093 436	107 304 308
Contributions *	285 514 971	280 034 108	234 556 692	130 889 883
	1 139 345 236	1 187 842 893	886 987 654	670 422 106

* Township Development, Endowment contributions, Capital contributions and donations, Land Trust Fund and Land Development Suspense account

The following is a graphic presentation of the type of finance:



When comparing the actual expenditure to the budgeted expenditure the source of the financing of capital projects plays an important role. The financing from own sources, that is primarily projects funded from the Consolidated Loans Fund, can largely influence the following aspects:

- Interest and redemption
- The cash flow of the Metropolitan Municipality
- The raising of loans
- The accuracy of the budget

The Metropolitan Municipality has minimal control over the commencement of projects funded from external funds, which are approved by that source and which must inevitably be included in the budget of the Metropolitan Municipality. It will also include typical projects such as Project Linked Housing subsidy scheme. Due to various factors present in the acquisition and disposal of land, the exact date during a specific financial year on which these transactions from the Land Trust Fund will take place, is very uncertain.

During the 2003/2004 financial year 53,5 % of the budget with regard to Consolidated Loans Fund projects was spent. The expenditure from the Capital Development Fund was 78,8 % spent, whilst the expenditure from Contributions was 83,76 %.

9. ACCOUNTING RATIOS

9.1 Operating capital ratio

This ratio mainly involves the financial resources used in the operating cycle of a local authority. Operating capital represents the surplus of current assets over current liabilities. This is a useful indicator when determining the ability to pay operating expenditure. The following table shows the calculation of the operating capital ratio:

Description	2003/2004 R'000	2002/2003 R'000	2001/2002 R'000
CURRENT ASSETS:			
Cash	222	182	161
Inventory	152 590	99 080	72 293
Debtors	1 772 329	1 881 493	1 386 636
Investments	1 043 924	1 005 845	914 210
Short-term portion of long-term debtors	89 148	66 810	62 056
Total	3 058 213	3 053 410	2 435 356
CURRENT LIABILITIES:			
Creditors	1 375 198	1 245 732	899 223
Short-term portion of long-term liabilities	140 397	248 047	168 028
Deposits	216 220	213 604	191 356
Overdrawn bank account	88 508	35 850	147 547
Total	1 820 323	1 743 233	1 406 154
Net Operating Capital	1 237 890	1 310 177	1 029 202
Operating Capital Ratio	1,68:1	1,75:1	1,73:1

This ratio measures the extent to which the current liabilities are covered by the current assets. A larger coverage means a lower risk since short-term debt can be paid out of short-term assets. The ratio decreased since 2002/2003 since the current liabilities increased with 4,4 % whilst the current assets increased with only 0,16 %. The increase in creditors is the main reason due to an increase in amounts received in advance.

9.2 Quick asset ratio

This ratio is a more accurate test of a local authority's ability to settle its short-term debt. When calculating this ratio, only assets that can be converted into cash are taken into account. Since material and stock are for the local authority's own use and are not for sale, they are not



included in the calculations. The private sector sets a ratio of 1:1 as being acceptable. The figures that follow reflect the Municipality's quick asset ratio for the following years:

2003/2004	1,60:1
2002/2003	1,69:1
2001/2002	1,68:1

9.3 Solvency

In this ratio, the total assets are compared to the total liabilities, and it shows the ability of an authority to meet its obligations in the long term. A ratio of less than one is an indication of insolvency. The following table shows the calculation of the solvency ratio:

Description	2003/2004 R'000	2002/2003 R'000	2001/2002 R'000
TOTAL ASSETS:			
Current assets	3 058 213	3 053 410	2 436 356
Plus: Gross Fixed Assets (Note 5 to Financial Statements)	7 517 701	7 141 206	7 034 813
Total	10 575 914	10 194 616	9 470 169
TOTAL LIABILITIES:			
Current liabilities	1 820 323	1 743 233	1 406 154
Plus: Outstanding loans Accumulated funds	1 496 230	1 525 497	1 743 922
Total	2 605 601	2 258 262	2 422 821
Total	5 922 154	5 526 992	5 572 897
Solvability Ratio	1,79:1	1,84:1	1,70:1

9.4 Total long-term debt to total income ratio

According to credit rating companies, the benchmark is a ratio of less than 50 %. It is encouraging to see that this ratio improved from 32,0 % to 27,78 % since June 2003. This improvement can be ascribed to the redemption of external loans since July 2003.

June 2004:	27,78 %
June 2003:	31,86 %
June 2002:	39,16 %

9.5 Inventory turnover

Inventory turnover is considered a key measure of management efficiency. It is a measure of how often, during the course of a financial year, a company sells and replaces its inventory. As a general rule, a higher ratio for inventory turnover is better. The standard, however varies dramatically from industry to industry. A ratio of 2,5 times per year is considered acceptable for the large municipalities.

June 2004:	2,0 times per year
June 2003:	2,1 times per year
June 2002:	2,2 times per year

10. AUDIT COMMITTEE

In terms of a Council Resolution of 19 February 2001, the audit committee was established and an Audit Committee Charter was approved.

The Committee serves as a link between the Council, Departmental Heads, Internal and External Auditors. The Committee held meetings on 12 November 2003, 22 January 2004 and 24 May 2004. During these meetings risk areas were identified, internal control measures were evaluated and the implementation of corrective measures was monitored.





The composition of the Audit Committee (up to 30 June 2004) is as follows:

- Chairperson – Member from the private sector/community
- Two additional members from the private sector/community
- Two Councilors who are not members of the Mayoral Committee or a decision-making committee.

11. RISK MANAGEMENT

On 25 April 2002 the Municipality approved the establishment of a Risk Management Committee in terms of section 79 of the Local Government: Municipal Structures Act, 1998 (Act 117 of 1998). On 30 October 2002 the Municipality approved the implementation of a Risk Management Register. The purpose of the Risk Management Committee is to review the corporate risk management and control processes and to look into the following key strategic risks identified:

- The current crime rate and general lawlessness, as well as the lack of enforcement of certain external by-laws including those relating to illegal land invasion.
- The impact of HIV/Aids on service delivery (personnel cost of medical expenses the community's inability to pay for services due to a loss of income).
- The increase in the level of outstanding debt and poor payment levels.
- The breakdown of information technology (IT) systems and the lack of appropriate IT systems throughout Tshwane, including uncoordinated IT systems.
- The cross-boundary issues, which are not being defined and resolved, the backlog in infrastructure development in the northern areas and insufficient bulk services.

12. ASSET MANAGEMENT

At present assets are recorded at the capitalised historical cost and are not revalued to fair value. A project has been initiated during 2003 to update the asset policies, processes and register. This project is still in process, but has made substantial progress regarding the creation of an asset policy and registers for movable and property assets. This project is currently finalizing the collection and recording of all other assets, mainly being of an infrastructure nature.

The implementation of the OITPS (One Integrated Transaction Processing System) project will have a fundamental impact on the asset register project, providing the system for an integrated asset register.

The Asset Steering Committee is still to finalise:

- Establishing new asset policies aligned to GAMAP/GRAP
- Identification, classification, recording and valuation of all non-current assets in accordance with the final approved GAMAP/GRAP
- Implementation of a total asset management system and procedures for the entire organisation
- Revision of all procurement and project management system and procedures for the entire organization
- Implementation of the OITPS to manage assets; and
- Making provision for the depreciation and disposal of assets in future budgets.

An implementation plan, which will be phased in over approximated 3 years, with regard to the abovementioned will be submitted to Council during 2004/2005.

13. SUBSTANTIAL CHANGES SINCE BALANCE SHEET DATE

13.1 Long-term loans and Investment Portfolio

The Municipality is in the process to restructure the long-term investments by means of replacing non-guaranteed fluctuating share related investments with guaranteed future value investments.

The restructuring of long-term investments was deemed to be essential in view of the objective to redeem long-term external loans of the Municipality in the future.

Due to prevailing market conditions at this stage, which are adverse to re-invest in long-term investments, the proceeds of the share related investments were invested in short-term investments. These investments will eventually be re-invested in long-term zero coupon redemption fund investments as and when interest rates reach acceptable levels in the future.

As the final part of the restructuring process of the amalgamated long term debt portfolio of the Municipality, the Council on 24 April 2003 approved that amortized loans from DBSA (R280 million) and INCA (R250 million) be accepted. The following draw downs will still take place:

September 2004	R130 million (DBSA)
September 2004	R 20 million (INCA)
June 2005	R 50 million (INCA)
December 2005	R100 million (INCA)
June 2006	R 80 million (INCA)

13.2 2004/2005 Budget

The City of Tshwane, as a leading pilot municipality in the National Treasury budget and finance reform programme, is at the forefront of transforming and modernizing public finance management in order to deliver better value for money and improve the services that are delivered to communities. We have witnessed an unprecedented and innovative public participation process as part of the compilation of this budget. This was the first time that the Municipality has embarked on such an extensive public participation and community consultation drive and we have really done well. The improved integration between the IDP and the budget process will assist in ensuring that community expectations are aligned to financial planning.

The key priorities for Tshwane for the next three years and beyond are:

- a. Investment in social and economic infrastructure to boost social service delivery on the one hand but to also improve the competitiveness of the City's economy
- b. Extension of basic services to all residents of Tshwane to fight poverty and build sustainable communities
- c. Redirection of discretionary operating and capital funds to priorities identified in our emerging City Development Strategy
- d. Creating and stimulating a conducive environment for sustainable economic development and job creation; and
- e. Building a sound institution based on a transformative agenda, good governance and management, to ensure more effective and efficient service delivery.

Our financial strategy recognizes that the implementation of the newly promulgated Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) (MFMA) requires a fundamental shift in the financial principles that we pursued in the past. The days of municipal finance management using the balanced annual cash budget technique as its core strategic financial toolkit, predominantly focusing on short term goals, are gone forever. This will be replaced by longer term planning, augmenting the City Development Strategy and IDP processes.

The major factors that have been taken into consideration and which will predominantly determine our financial planning approach are:

- a. Our capacity to raise loans to fund capital development in the City are based on the magnitude of outstanding borrowings owed by the Municipality to its financiers and the impact that annual loan and interest repayments will have on annual operating and cash flow budgets. The draft budget has been prepared on the basis that the maximum capital expenditure capacity is created within the constraint of ensuring that the interest and redemption does not exceed 15% of the total operating budget.
- b. A long established benchmark measures employee costs as a percentage of the operating



budget. The percentage comparison from one municipality to another varies quite considerably, since it is directly impacted on by the level of outsourcing of services. The medium-term budget has been prepared on the basis of attempting to minimize the employee cost as a percentage of the operational budget.

- c. The MFMA requires that the budget be based on realistic forecasts of revenue recovery. The medium-term financial plan and annual budget have been prepared on the basis of achieving an average debtor's collection rate of 97% in 2004/2005. It is expected that this percentage will, however, progressively increase by an average of 0,5% per annum through the medium-term as the new consumer debtors' improvement strategy is progressively implemented. We will therefore continue to enhance our credit control, debt collection and billing processes and improve on the quality of services that we deliver to ensure that residents pay for the municipal services that they utilize.
- d. With regard to tariff increases and cost pressures, the draft medium-term budget proposes average tariff increases of 7%, 6,5% and 6% on all main consumer services and assessment rates over the next three years with effect from 1 July and for electricity from 1 February each year. This is in line with the maximum growth limits determined by the Minister of Finance in terms of the Local Government Transition Act, 1993 (Act 209 of 1993).

13.2.1 Operating Budget

For the 2004/2005 financial year the budgeted surplus is as follows:

	R'000
Expenditure	6 757 428
Income	6 757 428
Gross deficit	0
Plus: Transfers to Accumulated Funds	0
Estimated surplus for 2004/2005	0

The budget for 2004/2005 has been compiled in line with guidelines issued by National Treasury.

13.2.2 Capital Budget

The capital budget for the 2004/2005 financial year amounts to R1 224,407 million and will be financed as follows:

	R'000	R'000
Own funds and external loans		920 750
External:		
Provincial Grants and subsidies	19 870	
Government housing	120 800	
MIG	151 453	
National Electrification Programme	5 861	
Other	5 673	303 657
TOTAL		1 224 407

13.2.3 Municipal Infrastructure Grant

One of the key reforms in 2004/2005 is the implementation of the Municipal Infrastructure Grant (MIG) which consolidates seven previous municipal infrastructure grants (CMIP, Water Capital Grant, Community Based Public Works, Local Economic Development and other smaller grants). The end of 2005/2006 will see the complete phasing out of all other infrastructure grants and their full consolidation into the MIG.

In terms of the Division of Revenue Act, 2004 (Act 5 of 2004) the total allocation to the City of Tshwane Metropolitan Municipality in terms of the MIG for the 2004/2005 financial year amounts to R151,5 million, and increases to R200,3 million in the 2006/2007 financial year.



In order to improve the standard of service delivery to the residents of Tshwane in the Eskom-licensed area, the Municipal Manager and the General Manager: Electricity have initiated a Task Team to investigate service models based on NRS 047 and 048, to finally come to an acceptable Service Level Agreement (SLA) with Eskom



E.R. DU TOIT
CHIEF FINANCIAL OFFICER
8 September 2004



ACCOUNTING POLICIES

1. BASIS OF PREPARATION

- 1.1 The financial statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Finance Officers in its Code of Accounting Practice (1997) and the Report on Published Annual Financial Statements (Second edition – January 1996). The Office of the Auditor-General approves these standards.
- 1.2 The financial statements are prepared on the historical cost basis, adjusted for fixed assets as more fully detailed in Accounting Policy Note 5.
- 1.3 The financial statements are prepared on the accrual basis as stated:
- Income and expenditure are brought into account in the year to which it relates
 - Income is accrued when collectable and measurable. Certain direct income is accrued when received, such as traffic fines and certain licenses
 - Expenditure is accrued in the year it is incurred
 - In respect of Regional Services levies only actual cash received on 30 June is reflected as income and no outstanding debtors are brought into account

2. CONSOLIDATION

The financial statements include the Rates and General Services, Housing Service, Trading Services as well as the different funds, reserves and provisions. All inter departmental charges are set-off against each other, with the exception of assessment rates, electricity, water, solid waste removal, sewerage, vacuum tank services, sanitation-chemical toilets and dumping sites which are treated as income and expenditure in the respective departments.

3. FUNDS

3.1 Housing Development Fund

The Housing Development Fund is maintained in accordance with the Housing Act, 1997 (Act 107 of 1997).

3.2 Capital Development Fund

In accordance with Ordinance 9 of 1978 an annual minimum contribution of 1 % of the total revenue of the preceding financial year is transferred from the Operating Account to the Capital Development Fund. Advances are made out of this fund to the Capital Account. The redemption on advances commences in the financial year following on the financial year in which the advance was made. The interest payable by borrowing services is determined annually by the Council.

3.3 Insurance Fund

The Council operates its own Insurance Fund and the premiums are calculated on the basis of the value of insured assets (with due allowance for claims experience) and to make provision for asset losses, contingencies and liabilities, are recovered by way of a monthly debit against the various Departments. Re-insurance cover is obtained for possible major losses. Premiums charged to the respective services, take into account past claims and the replacement value of the insured assets.

3.4 Parking Meter Fund

This fund was established and is maintained in terms of section 79 of the Local Government Ordinance, 1939 (Ordinance 17 of 1939) and the Road Traffic Act, 1989 (Act 29 of 1989). The purpose of this fund is to develop and maintain parking areas and parking meters.

3.5 Fresh-produce Market Fund

This fund was established and is maintained in terms of section 79 of the Local Government Ordinance, 1939 (Ordinance 17 of 1939). The purpose of this fund is to maintain and finance the operations of the Fresh-produce Market.

3.6 Endowment Fund/Establishment Contributions

This fund is built up from contributions from developers for the establishment of townships.

3.7 Land Trust Fund

This fund was established and is maintained in terms of section 79 of the Local Government Ordinance, 1939 (Ordinance 17 of 1939). The purpose of this fund is to accumulate the proceeds of all Council owned land sales. This fund is utilized for land development in respect of Council owned land. If the Council must obtain land, this fund is utilized for that purpose.

4. RESERVES

4.1 Reserve: Purchase of Library Books

An annual contribution is made to this reserve from the operating account. The purpose of this reserve is to make the process of the purchase of library books easier and not to limit it to one financial year.

4.2 Reserve: Purchase of Art Works

An annual contribution is made to this reserve from the operating account. The purpose of this reserve is to make the process of the purchase of art works easier and not to limit it to one financial year.

5. FIXED ASSETS

5.1 Assets financed from loans and advances from the Consolidated Loans Fund as well as the Capital Development Fund are shown at cost price until the loan or advance has been redeemed in full.

5.2 Depreciation

The balance shown against the heading "Loans Redeemed and Other Capital Receipts" in the notes to the Balance Sheet is tantamount to a provision for depreciation. However, certain structural differences do exist. By way of this "Provision", assets are written off over their estimated useful life. After the loan or advance from the Consolidated Loans Fund or the Capital Development Fund has been redeemed in full, depreciation is calculated at cost, using the reduced balance method over the estimated useful life. Depreciation on assets financed from revenue or contributions is written off using the reduced balance method at a rate of 20 % per annum. Land is not depreciated.

5.3 All net proceedings from the sale of fixed property are credited to the Land Trust Fund, excluding Housing, which is handled in terms of the Housing Act, 1997 (Act 107 of 1997). Net proceeds from the sale of all other assets are credited to the Capital Development Fund.

5.4 Fixed assets are financed from different sources, including external loans, operating income, endowments and internal advances. These loans and advances are repaid within the estimated lives of the assets acquired from such loans or advances. Interest is charged annually to the service concerned at the ruling interest rate applicable.

6. INVESTMENTS

Investments are made in accordance with the investment policy of the Council. All investments are reflected in the statements at the original purchase price (cost price) or market value. All investments are made at approved banks and financial institutions in terms of Section 10G(9) of the Local Government Transition Act, 1996 (Act 97 of 1996) as amended.



7. INVENTORY

The value of stock/inventory is shown at the average cost price and redundant/obsolete stock must be written-off regularly.

8. PROVISIONS

8.1 Provision for Bad Debt

Provision for bad debt is made by means of an annual contribution of electricity and water levies, debtors' revenue from Fire Brigade Services and Rentals, excluding housing schemes and the Fresh-produce Market. All resultant bad debts will be written off against the provision. The annual contribution is determined by calculating the estimated non-payment by debtors for the financial year.

8.2 Provision for Accumulated Leave

Provision for the payment of accumulated leave is made by means of an annual contribution of a percentage of salaries and wages payments (on the operating account) and has to be reconsidered annually to ensure a minimum coverage of 25 % of the value of accumulated leave.

9. INCOME RECOGNITION

9.1 Electricity and water billings

Meters are read and billed monthly.

9.2 Assessment rates

A site rating system is applied. In terms of this system assessment rates are levied on the land value of property and rebates are granted subject to certain conditions.

10. TREATMENT OF ADMINISTRATION EXPENSES

The administration expenses of support services are debited to the different services, calculated at a fixed amount, actual cost or a percentage.

11. OPERATING RESULTS OF TRADING SERVICES

With the exception of the Fresh-produce Market and Parking Garages and Areas, all surpluses and deficits on Trading Services are transferred to the Rates and General Services Account.

12. CONSOLIDATED LOANS FUND

The Council has a Consolidated Loans Fund, which is controlled and administered in terms of the Municipal Consolidated Loans Fund Ordinance, 1952 (Ordinance 9 of 1952). Advances from this Fund to the Capital Account are repayable over the estimated life of the asset. The redemption on advances commences in the financial year following directly on the financial year in which the advance was made. The interest rate payable by borrowing services is determined annually by the Council during the budget process.



13. RETIREMENT BENEFITS

The Tshwane Metropolitan Municipality's Councillors and employees contribute to the under mentioned pension and provident funds, which provide retirement benefits to such Councillors and employees:

Tshwane Municipal Pension Fund	Tshwane Municipal Provident Fund
Municipal Gratuity Fund	SALA Pension Fund
Pension Fund for Municipal Councillors	National Fund for Municipal Workers
Meshawu Retirement Fund	SALA Provident Fund
SAMWU Provident Fund	Government Employees Pension Fund
Germiston Municipal Retirement Fund	Joint Municipal Pension Fund

The retirement benefit plans are subject to the Pension Fund Act, 1956, with pensions being calculated on the final pensionable remuneration paid. Current contributions are charged against operating income on the basis of current personnel/remuneration costs.

Unfavourable experience adjustments and the cost of securing increased benefits are written off over whichever is the lesser of the remaining period of service of employees or five years. Favourable experience adjustments are retained in the retirement benefit plans.

Actuarial valuations are done as follows:

- Tshwane Municipal Pension Fund: Actuarial valuation is done annually
- Tshwane Municipal Provident Fund: Not required to do actuarial valuation
- Municipal Gratuity Fund: Actuarial valuation is done every 2 years
- SALA Pension Fund: Actuarial valuation is done every 3 years
- Pension Fund for Municipal Councillors: Actuarial valuation is done every 3 years
- Meshawu Retirement Fund: Not required to do actuarial valuation
- SALA Provident Fund: Actuarial valuation is done every 3 years
- SAMWU Provident Fund: Not required to do actuarial valuation
- Government Employees Pension Fund: Actuarial valuation is done every 3 years
- Germiston Municipal Retirement Fund: Actuarial valuation is done every 3 years
- Joint Municipal Pension Fund: Actuarial valuation is done annually
- National Fund for Municipal Workers: Not required to do actuarial valuation.

14. LEASED ASSETS

Leases are treated as operating leases and the relevant rentals are charged against the operating account in a systematic manner related to the period of use of the assets concerned as the risks and rewards associated with ownership of the assets remain with the lessor.



BALANCE SHEET AT 30 JUNE 2004

	Note	2004	2003
		R	R
CAPITAL EMPLOYED			
FUNDS AND RESERVES		2 606 733 370	2 372 821 336
Statutory Funds	1	2 605 601 083	2 258 262 209
Reserves	2	1 132 287	114 559 127
ACCUMULATED SURPLUS	16	29 646 199	50 455 919
		2 636 379 569	2 423 277 255
LONG-TERM LIABILITIES	4	1 496 229 795	1 525 497 286
CONSUMER DEPOSITS: SERVICES	11	216 220 261	213 604 069
		4 348 829 625	4 162 378 610
EMPLOYMENT OF CAPITAL			
FIXED ASSETS	5	2 703 700 076	2 500 853 471
INVESTMENTS	6	398 439 609	574 766 656
LONG-TERM DEBTORS	7	328 394 462	301 666 837
		3 430 534 147	3 377 286 964
NET CURRENT ASSETS		918 295 478	785 091 646
CURRENT ASSETS		2 659 773 215	2 478 643 430
Inventory	8	152 589 645	99 080 484
Debtors	9	1 772 329 275	1 881 493 170
Cash		222 418	181 928
Short-term investments	6	645 484 090	431 078 192
Short-term portion of long-term debtors	7	89 147 787	66 809 656
CURRENT LIABILITIES		1 741 477 737	1 693 551 784
Provisions	3	137 374 605	163 921 939
Creditors	10	1 375 198 492	1 245 731 837
Short-term portion of long-term liabilities	4	140 396 729	248 047 428
Bank overdraft		88 507 911	35 850 580
		4 348 829 625	4 162 378 610



INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2004

SERVICE	2004				2003		
	Actual Income	Actual Expenditure	Surplus/ (Deficit)	Original Budget Surplus/ (Deficit)	Actual Income	Actual Expenditure	Surplus/ (Deficit)
	R	R	R	R	R	R	R
RATES AND GENERAL SERVICES	2 781 591 907	2 851 520 423	(69 928 516)	(232 280 887)	2 616 497 755	2 490 058 526	126 439 229
Community services	2 339 873 933	2 015 886 183	323 987 750	12 251 567	2 136 834 711	1 729 430 799	407 403 912
Subsidised services	47 761 572	499 785 077	(452 023 505)	(436 619 568)	40 605 771	454 269 183	(413 663 412)
Economic services	393 956 402	335 849 163	58 107 239	192 087 114	439 057 273	306 358 544	132 698 729
HOUSING SERVICES	13 366 560	81 202 616	(67 836 056)	(75 345 032)	18 194 111	70 775 775	(52 581 664)
TRADING SERVICES	3 095 467 391	2 933 629 317	161 838 074	300 598 325	2 931 827 855	2 628 675 038	303 152 817
TOTAL	<u>5 890 425 858</u>	<u>5 866 352 356</u>	24 073 502	(7 027 594)	<u>5 566 519 721</u>	<u>5 189 509 339</u>	377 010 382
Appropriations for the year (Refer to note 16)			<u>(44 883 222)</u>				<u>16 872 780</u>
Net Surplus/(deficit) for the year			(20 809 720)				393 883 162
Accumulated surplus/(deficit) at the beginning of the year			<u>50 455 919</u>				<u>(343 427 243)</u>
ACCUMULATED SURPLUS AT THE END OF THE YEAR			<u><u>29 646 199</u></u>				<u><u>50 455 919</u></u>
(Refer to Appendix D and E for more detail)							



CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2004

	Note	2004	2003
		R	R
CASH RETAINED FROM OPERATING ACTIVITIES:		1 009 367 854	1 012 178 461
Cash generated by operations	17	703 840 134	1 089 437 407
Investment Income	15	130 459 870	120 180 239
Increase in Working Capital	18	268 542 856	(14 008 464)
		1 102 842 860	1 195 609 182
Less: External Interest paid	15	257 026 552	249 608 027
Cash available from operations		845 816 308	946 001 155
Cash contributions from the Public and Government		158 775 562	58 157 412
Net Proceeds on disposal of fixed assets		4 775 984	8 019 894
CASH UTILISED IN INVESTING ACTIVITIES			
Investment in fixed assets (Infrastructure)		(886 987 654)	(670 422 106)
NET CASH FLOW		122 380 200	341 756 355
CASH EFFECTS OF FINANCING ACTIVITIES:			
Decrease in Long-term loans	19	(136 918 190)	(138 404 755)
Increase in Investments	20	(38 078 851)	(91 634 637)
(Increase)/Decrease in Cash	21	52 616 841	(111 716 963)
NET CASH UTILISED		(122 380 200)	(341 756 355)



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

DESCRIPTION	2004 R	2003 R
1 STATUTORY FUNDS		
Capital Development Fund	2 013 977 468	1 751 969 950
Insurance Fund	240 289 695	246 245 110
Parking Meter Fund	29 132 651	28 622 759
Fresh-produce Market	122 094 094	100 182 030
Tool Fund	0	153 447
Land Trust Fund	89 587 595	22 739 198
Housing Development Fund (Act 107 of 1997)	110 519 580	108 349 715
(See Appendix A for more details)	2 605 601 083	2 258 262 209
2 RESERVES		
Purchase of Library Books	843 991	1 285 376
Purchase of Art Works	288 296	725 722
Interest Stabilisation Reserve	0	112 548 029
(See Appendix A for more details)	1 132 287	114 559 127
3 PROVISIONS		
Accumulated leave	137 374 605	163 921 939
	137 374 605	163 921 939
4 LONG-TERM LIABILITIES		
Local Registered Stock	539 442 200	607 487 716
Long-term loans:	1 097 184 324	1 166 056 998
Structured loans	445 296 706	630 280 161
Annuity loans	490 387 618	361 986 237
Term loans	161 500 000	173 790 600
	1 636 626 524	1 773 544 714
LESS: Current portion transferred to Current liabilities	140 396 729	248 047 428
Local Registered Stock	100 442 200	58 900 000
Annuity loans	38 954 529	12 531 833
Structured loans	0	164 324 995
Term loans	1 000 000	12 290 600
(See Appendix B for more details)	1 496 229 795	1 525 497 286
LOCAL REGISTERED STOCK		
Local registered stock bears interest at rates between 8,55 % and 17,25 % per annum and is repayable in total on the date of redemption of each stock loan over periods varying between 1 and 30 years.		
ANNUITY LOANS		
DBSA		
An annuity loan to the amount of R225 663 000 was taken up during the period 1 June 1997 to 30 June 1999 at an interest rate of 15,75 % per annum with a duration period of 20 years. Interest and capital redemption is payable on a semi annual basis. The Council has approved the restructuring of the amalgamated long-term debt portfolio on 29 August 2002. This restructuring included a reduction of this loan's interest rate from 15,75 % per annum to 13,50 % per annum.		
DBSA Local Authorities Loans Fund		
These loans consist of 22 annuity loans with a weighted average interest rate of 14,78 % per annum and weighted outstanding period of 9.99 years. The abovementioned restructuring of the long-term debt portfolio included a consolidation of the 22 annuity loans into one loan as well as a reduction of this loan's interest rate from 14,78 % per annum to 13,50 % per annum over a duration period of 10 years. Interest and capital redemption is payable on a semi annual basis.		



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004 (Continued)

DESCRIPTION	2004 R	2003 R
<p>ANNUITY LOANS (continued)</p> <p>Annuity Loan (Restructuring)</p> <p>The aforementioned restructuring included an amortized loan to the amount of R530 million over a duration period of 15 years. R280 million of this loan was granted by the DBSA and R250 million by INCA, at different rates and draw down dates.</p> <p>Standard Bank Ltd</p> <p>In terms of a Council Resolution dated 24 November 1999 it was approved that a short-term loan of R50 million at Standard Bank be restructured to a long-term loan with a duration period of 5 years at an interest rate of 17,45 % per annum. Interest and capital redemption is payable on a quarterly basis.</p> <p>TERM LOANS</p> <p>Nedbank Ltd (Loan B1)</p> <p>A variable interest rate loan to the amount of R30 million was granted to the Council in May 1998. The loan is repayable in one lump sum on 28 May 2008. Interest is payable on a semi annual basis. A sinking fund investment was made for the repayment of the loan on maturity date.</p> <p>Absa Bank Ltd (Loan B3)</p> <p>A variable interest rate loan to the amount of R84 million was granted to the Council in August 2000. The loan is repayable in one lump sum on 30 June 2011. Interest is payable on a semi annual basis. A sinking fund investment was made for the repayment of the loan on maturity date.</p> <p>INCA</p> <p>A loan to the amount of R45 million was granted to the Council in December 1999. The loan is repayable in one lump sum on 30 June 2011. Interest is payable on a semi annual basis. A sinking fund investment was made for the repayment of the loan on maturity date.</p> <p>Standard Bank of SA Ltd</p> <p>A Bullet Swap loan to the amount of R100 million was granted to the Council in July 1996 at a fixed interest rate of 14,55 % per annum. This loan is repayable over a period of 10 years on a semi annual basis.</p> <p>Absa Bank Ltd (BA rate loan)</p> <p>A variable interest rate loan to the amount of R9,25 million was granted to the Council in December 1995 for the financing of the HB Phillips Building. The duration period of the loan is 10 years and the interest and redemption is payable on a quarterly basis.</p>		



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004 (Continued)

DESCRIPTION	2004 R	2003 R
<p>STRUCTURED LOANS</p> <p>DBSA Floating rate</p> <p>A variable interest rate loan to the amount of R78 331 528 was granted to the Council on 11 June 1999. The capital amount of the loan shall be repaid in a lump sum on 21 October 2019. The interest is payable on a quarterly basis. Sinking fund investments have been made on 22 April 1998 as security for the repayment of the loan.</p> <p>Future Syndications (Loan B2)</p> <p>A syndicated loan structure to the amount of R125 million was entered into in June 1998. A fixed interest rate of 17,55 % n.a.c.m. is applicable but is converted to a variable interest rate by means of a swap transaction. The structure of the loan generates a lower effective interest rate. The loan is repayable in a lump sum on 30 June 2008. Interest is payable on a semi annual basis. A sinking fund investment has been made as security for the repayment of the loan.</p> <p>Rand Merchant Bank (Capitalised)</p> <p>A structured loan with a variable interest rate to the amount of R40 million was granted to the Council in January 1994 on the basis of an annuity loan. Interest and capital redemption is payable on a semi annual basis over a period of 10 years.</p> <p>Rand Merchant Bank</p> <p>A structured amortised loan to the amount of R102,4 million was granted to the Council in December 1999 on a basis of an annuity loan at an interest rate of 15,31 % per annum over a period of 15 years. The structure of the loan generates a lower effective interest rate.</p> <p>Absa Bank (Arbitrage loan)</p> <p>A structured loan to the amount of R200 million was entered into on 31 October 1996. The interest rate applicable to the loan is 18,70 % per annum but the structure of the loan generates a lower effective interest rate. The loan is repayable in one lump sum on 31 October 2011. Sinking fund investments have been made as security for the repayment of the loan.</p>		



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004 (Continued)

DESCRIPTION	2004 R	2003 R
5 FIXED ASSETS		
Fixed Assets at beginning of the year	7 141 285 507	7 034 813 015
Capital Expenditure during the year	886 987 654	670 422 106
LESS: Assets written off, transferred or disposed of during the year	510 572 385	563 949 614
Total Fixed Assets	7 517 700 776	7 141 285 507
(See Appendix C for more details on fixed assets)		
LESS: Loans redeemed and other capital receipts	(4 814 000 700)	(4 640 432 036)
Loans redeemed (Capital Development Fund)	(715 732 111)	(662 862 446)
Advances repaid (Consolidated Loans Fund)	(1 187 444 543)	(1 147 134 259)
Contributions from operating income	(842 195 730)	(713 763 084)
Capital receipts (general)	(1 248 332 161)	(1 296 376 092)
Revaluation of assets	(820 296 155)	(820 296 155)
Nett Fixed Assets	2 703 700 076	2 500 853 471
6 INVESTMENTS		
Listed:		
Stock and shares	11 923 766	55 056 124
Unlisted :		
Shares	4 100	4 100
Municipal stock	6 056 959	6 695 096
Fixed deposits	380 926 429	508 538 976
Assurance companies	5 992 909	11 335 187
Short-term deposits and Call deposits	639 019 536	424 215 365
Total Investments	1 043 923 699	1 005 844 848
Less: Short-term portion of Investments	645 484 090	431 078 192
Net Investments	398 439 609	574 766 656
Market value of listed investments, and management's valuation of unlisted investments:		
Listed investments	11 923 766	55 056 124
Unlisted investments	1 031 999 933	950 788 724
Average rate of return on investments	14,06 %	13,27 %
<p>The Local Government Transition Act, 1993 (Act 209 of 1993) as amended requires local authorities to invest funds, which are not immediately required, with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investment at a penalty interest rate to meet commitments (See Notes 4 and 23.2 for investments which are ceded). No investments were written off during the year.</p>		



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004 (Continued)

DESCRIPTION	2004 R	2003 R
7 LONG-TERM DEBTORS		
Consumers: Suspended debtors	0	57 618 702
Consumers: Arrangement debtors	183 484 527	79 327 360
Housing Loans	49 327 537	25 936 633
Motor Car Loans	81 208 648	123 479 783
Loans to Sports Clubs	2 348 549	21 426 672
Computer Loans	71 897	96 338
Study Loans (Council employees)	493 267	342 393
Study Loans (Other)	350 244	444 021
Sale of land	82 004 348	40 840 819
Cellphone loans	1 385	2 357
Capital Development Fund loans	98 100	806 485
Stock loans	1 183	2 366
Samrand Development (Pty) Ltd	18 152 564	18 152 564
	<u>417 542 249</u>	<u>368 476 493</u>
Less: Short-term portion of long-term debtors transferred to current assets	89 147 787	66 809 656
	<u>328 394 462</u>	<u>301 666 837</u>
8 INVENTORY		
Stock represents consumable stock, raw materials, work in progress and finished goods. Where necessary specific provision is made for obsolete stock.	154 589 645	100 380 484
Less: Provision for obsolete stock	2 000 000	1 300 000
Net Inventory	<u>152 589 645</u>	<u>99 080 484</u>
The balance of the previous year was increased with an amount of R 8 583 416 and the corresponding entry was done against the appropriation account		
9 DEBTORS		
Consumer debtors	2 174 886 538	2 384 306 193
Less: Arrangement debtors	183 484 527	79 327 360
Less: Suspended debtors	0	57 618 702
	<u>1 991 402 011</u>	<u>2 247 360 131</u>
Plus: Other Current debtors	105 147 334	146 162 927
Plus: Amounts paid in advance	185 291 285	127 352 498
	<u>2 281 840 630</u>	<u>2 520 875 556</u>
Less: Provision for Bad Debt (see note 9(a))	509 511 355	639 382 386
	<u>1 772 329 275</u>	<u>1 881 493 170</u>
A total amount of R338 070 950 (2003: R278 449 945) was written off as bad debt. This represents 5,7 % (2003: 5,0%) of the total operating income for the year.		
9 (a) PROVISION FOR BAD DEBT		
General:		
Balance on 1 July	610 367 146	635 464 245
Contributions during the year	208 193 105	253 352 846
Expenditure during the year	(336 623 697)	(278 449 945)
Balance on 30 June	<u>481 936 554</u>	<u>610 367 146</u>



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004 (Continued)

DESCRIPTION	2004 R	2003 R
9 (a) PROVISION FOR BAD DEBT (Continued)		
Ambulance:		
Balance on 1 July	2 056 631	2 046 452
Contributions during the year	6 814	10 179
Balance on 30 June	<u>2 063 445</u>	<u>2 056 631</u>
Housing:		
Balance on 1 July	26 958 609	22 630 826
Contributions during the year	0	5 667 232
Expenditure during the year	(1 447 253)	(1 339 449)
Balance on 30 June	<u>25 511 356</u>	<u>26 958 609</u>
Total Provision for Bad Debt	<u>509 511 355</u>	<u>639 382 386</u>
10 CREDITORS		
Trade creditors	867 883 301	902 115 952
Deposits - Other	7 012 061	9 777 600
Amounts received in advance	368 890 190	210 585 854
Deferred Output VAT	<u>131 412 940</u>	<u>123 252 431</u>
	<u>1 375 198 492</u>	<u>1 245 731 837</u>
11 CONSUMER DEPOSITS: SERVICES		
Water and Electricity	<u>216 220 261</u>	<u>213 604 069</u>
Guarantees in lieu of electricity and water deposits	<u>101 410 556</u>	<u>78 015 641</u>
12 ASSESSMENT RATES		
Actual Income	<u>1 363 696 563</u>	<u>1 242 043 124</u>
Site Values as at 1 July:		
Residential	14 448 677 439	11 688 304 598
Other	<u>4 466 940 363</u>	<u>6 878 682 738</u>
	<u>18 915 617 802</u>	<u>18 566 987 336</u>
Valuations on land are performed every 3 years. Rates are levied on the site valuations. A rebate is granted to owners of special dwellings. Persons of 65 years or older, and physically or mentally handicapped persons who can substantiate receipt of a social pension, and persons certified by the Medical Officer of Health as physically or mentally handicapped, can qualify for a rebate, subject to certain other conditions.		
13 COUNCILLORS' REMUNERATION		
Mayor's allowance	422 892	186 931
Councillors' allowances	22 104 481	20 154 435
Allowance of the Speaker	22 933	31 268
Councillors' pension contributions	2 827 139	2 519 024
Travelling allowance	5 320 208	4 871 741
Councillors' medical contributions	704 370	711 906
Councillors' Housing allowances	<u>435 975</u>	<u>386 389</u>
	<u>31 837 998</u>	<u>28 861 694</u>



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004 (Continued)

DESCRIPTION	2004 R	2003 R
14 AUDITOR'S REMUNERATION		
Audit Fees	4 000 000	3 590 000
15 FINANCE TRANSACTIONS		
Total External Interest earned and paid:		
- Interest earned	130 459 870	120 180 239
- Interest paid	257 026 552	249 608 027
Capital charges debited to operating account:		
- Interest: Internal	311 403 968	254 933 552
- Redemption: Internal	308 311 014	285 975 907
	619 714 982	540 909 459
16 APPROPRIATIONS		
16.1 Appropriation Account		
Accumulated surplus/(deficit) at the beginning of the year	50 455 919	(343 427 243)
Gross Operating surplus for the year	24 073 502	377 010 382
Appropriations for the year:	(44 883 222)	16 872 780
Transfer to Parking Meter Reserve	(509 892)	(400 976)
Transfer to Fresh-produce Market Fund	(21 944 922)	(20 909 943)
Adjustments (see 16.3)	(22 428 408)	38 183 699
Accumulated surplus at the end of the year	29 646 199	50 455 919
16.2 Operating Account		
Capital Expenditure	132 093 436	107 304 308
Contributions to:		
Capital Development Fund	55 665 198	48 953 449
Insurance Fund	71 002 290	104 500 000
Tool Fund	110 184	164 941
Reserve for the Purchase of Library Books	3 300 000	1 545 740
Reserve for the Purchase of Art Works	127 000	245 000
Accumulated Leave	43 378 529	22 409 446
Housing: Loss of Rental	1 275 008	538 861
Reserve for Bad Debt	208 199 919	128 352 846
Housing: Maintenance of Buildings	3 975 208	1 225 000
	519 126 772	415 239 591



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004 (Continued)

DESCRIPTION	2004 R	2003 R
16.3 Adjustments		
Inventory Adjustments	0	8 583 416
Write-down of Reserves/suspense accounts	0	(31 978)
Obsolete stock and material written off	(205 263)	(1 204 632)
Net stock and materials differences	(568 568)	(860 935)
Sundry Bad Debt	(2 286 731)	(3 866 455)
Net expenditure of previous year adjusted *(see note 16.3.1)	(79 179 369)	(19 852 919)
Unauthorised stores	235 465	0
Balances inherited written back	(3 759 515)	0
Funding: Accumulated deficit	0	50 000 000
Unclaimed moneys transferred	59 867 159	2 589 078
Financing capital expenditure of previous financial years	0	(20 982)
GPMC Transformation Bank account	0	677 167
Write-down of Endowment Fund	0	2 171 939
Additional contribution: Accumulated Leave	(18 137 422)	0
Amounts previously written off	208 058	0
Temba investment received back	1 785 910	0
Transfer from Interest Stabilisation Reserve	99 592 765	0
Additional contribution: Provision for Bad Debt	(79 980 897)	0
	<u>(22 428 408)</u>	<u>38 183 699</u>
16.3.1 Note: Net expenditure of previous year consists mainly of:		
Inventory: VAT adjustments to VAT suspense i.r.o 2002/2003	(12 540 736)	0
Inventory control account adjustment i.r.o 2002/2003	12 540 736	0
Adjustments: Bursary levies	7 849	0
Disestablished councils write down of unknown deposits	0	2 457 385
Adjustment: Study loans	0	6 393
Adjustment: Housing accounts	1 700 037	(59 519)
Adjustments: Stock Orders	(315 419)	(1 665 314)
Bank reconciliations old differences written back	4 757 823	4 838 960
Income provisions not received	5 048 750	4 639 250
Tranman	(6 062 385)	0
Sundry Persons Debtors	70 521	463 515
VAT adjustment	939 281	3 705 262
Interest and redemption	2 668 400	(241 948)
Creditors	(13 970 947)	65 059
Other	(11 861)	19 892
Receipts	3 717 491	(218 668)
Legal charges written back	1 604 064	0
Debtor levies	(82 061 560)	(26 540 947)
Licence fees not received: previous years	0	(5 202 913)
Unclaimed monies	2 471 720	0
Corrections: Remuneration suspense account	256 867	(2 119 326)
	<u>(79 179 369)</u>	<u>(19 852 919)</u>
17 CASH GENERATED BY OPERATIONS		
Surplus/(deficit) for the year	1 618 688	355 699 464
Adjustments in respect of previous years' operating transactions	(122 021 173)	(13 725 310)
Appropriations charged against income:	519 126 772	415 239 591
Capital Development Fund	55 665 198	48 953 449
Fixed Assets (Capital Expenditure)	132 093 436	107 304 308
Provisions and Reserves	255 005 448	154 316 893
Other Funds	76 362 690	104 664 941
Capital Charges:		
* Interest paid:- To internal funds	311 403 968	254 933 552
* Redemption:- Of internal advances	308 311 014	285 975 907
Non-operating Income/(Expenditure):		
*Net income/(expenditure) from Consolidated Loans Fund	15 796 566	(3 637 577)
*Net income from statutory funds	81 906 924	102 224 169
Non-operating expenditure:		
*Expenditure charged against Provisions and Reserves	(412 302 625)	(307 272 389)
	<u>703 840 134</u>	<u>1 089 437 407</u>



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004 (Continued)

DESCRIPTION	2004 R	2003 R
18 INCREASE IN WORKING CAPITAL		
Increase in Inventory	(53 509 161)	(26 787 190)
(Increase)/Decrease in Debtors (Paragraph 6: Report of Chief Financial Officer)	189 969 170	(355 977 897)
Increase in Creditors	(129 466 655)	346 508 452
Increase in consumer deposits	<u>2 616 192</u>	<u>22 248 171</u>
	<u>268 542 856</u>	<u>(14 008 464)</u>
19 DECREASE IN LONG-TERM LOANS (EXTERNAL)		
Loans raised	164 905 997	26 996 513
Loans repaid	<u>(301 824 187)</u>	<u>(165 401 268)</u>
	<u>(136 918 190)</u>	<u>(138 404 755)</u>
20 INCREASE IN EXTERNAL CASH INVESTMENTS		
Investments realised	718 290 557	677 953 420
Investments made	<u>(756 369 408)</u>	<u>(769 588 057)</u>
	<u>(38 078 851)</u>	<u>(91 634 637)</u>
21 (INCREASE)/DECREASE IN CASH ON HAND		
Cash balance at the beginning of the year	(35 668 651)	(147 385 614)
Less: Cash balance at the end of the year	<u>(88 285 492)</u>	<u>(35 668 651)</u>
	<u>52 616 841</u>	<u>(111 716 963)</u>
22 RETIREMENT BENEFITS		
<p>Most employees of the Council are members of one of the following funds and those who are not, are paid a lump-sum gratuity at retirement age. The Council's contributions to these funds are reflected as a charge against income in the financial statements.</p>		
22.1	<p>Tshwane Municipal Pension Fund, which is a defined benefit plan and is governed by the Pension Funds Act of 1956. The Consulting Actuaries reported that the Fund had a shortfall of R61 million on 31 December 2003. 4,93% of Council employees are members of this fund.</p>	
22.2	<p>Tshwane Municipal Provident Fund, which is a defined contribution plan and subject to the Pension Funds Act of 1956. The fund is not required to be actuarially valued. No benefits can be unfunded and the Council has therefore no commitment in this regard. 14,82 % of Council employees are members of this fund.</p>	
22.3	<p>Municipal Gratuity Fund. This is a defined benefit plan which is governed by the Pension Funds Act of 1956. The Council has no commitment to meet unfunded benefits. The most recent actuarial valuation was as at 30 June 2002 and indicated that the fund was financially sound. The actuarial valuation is carried out every 2 years. 13,17 % of Council employees are members of this fund.</p>	
22.4	<p>SALA Pension Fund is a private fund. The Council has no commitment with regard to unfunded benefits. The actuarial valuation is carried out every 3 years 9,47 % of Council employees are members of this fund.</p>	
22.5	<p>The Councillors of the City of Tshwane Metropolitan Municipality are members of the Municipal Councillors Pension Fund which is a defined contribution fund and governed by the Pension Funds Act of 1956. The fund was established in 1988 and an actuarial valuation is carried out every 3 years. The fund was sound at its previous valuation in 2002.</p>	



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004 (Continued)

DESCRIPTION	2004 R	2003 R
22.6 The National Fund for Municipal Workers is a fixed contribution fund and there is no statutory requirements to do an actuarial valuation. The Council has no commitment to finance any deficit. 26,87 % of council employees are members of this fund.		
22.7 SALA Provident Fund is a defined benefit fund. An actuarial valuation is carried out every 3 years. The Council has no commitment to finance any deficit. 0,93 % of council employees are members of this fund.		
22.8 SAMWU National Provident Fund is a privately-administered fund. The fund is subject to actuarial valuation. The fund is not underwritten. The last actuarial valuation was 30 June 2002 and showed that the fund was in a sound financial position. 8,69 % of council employees are members of this fund.		
22.9 The Government Employees Pension Fund is a defined benefit arrangement and is governed by the Government Employees Pension Fund Law, 1996 in terms of Proclamation 21 of 19 April 1996. Actuarial valuations are performed every 3 years. 2,12 % of council employees are members of this fund.		
22.10 The Germiston Municipal Retirement Fund is a defined contribution fund and is governed by the Pension Funds Act of 1956. Actuarial valuations are performed every 3 years. 0,03 % of council employees are members of this fund.		
22.11 Joint Municipal Pension Fund is not a pure defined benefit fund, but is a hybrid fund (which has qualities of both a defined benefit and defined contribution fund) and is governed by the Pension Funds Act of 1956. Actuarial valuations are performed annually. 0,64 % of council employees are members of this fund.		
22.12 Meshawu Retirement Fund is a defined contribution fund and is governed by the Pension Funds Act of 1956. Actuarial valuations are done every 3 years. 0,59 % of council employees are members of this fund.		
23 CONTINGENT LIABILITIES AND CONTRACTUAL OBLIGATIONS		
23.1 HOUSING LOANS		
*Guarantees for housing loans to employees at financial institutions	5 399 706	7 475 155
23.2 INDEMNIFICATION		
Value of investments ceded to the Workmen's Compensation Commissioner in compliance with the requirements of the Compensation for Occupational Injuries and Diseases Act, 1993.	17 480 008	18 010 477
23.3 INSURANCE CLAIMS		
Pending claims against the Council in respect of vehicle accidents and public liabilities which originated before 30 June.	60 221 544	42 662 282
23.4 RETIREMENT OF REDUNDANT EMPLOYEES		
The retirement of redundant employees resulted in the following estimated long term liabilities:		
*Pension fund contribution with regard to all employees who received packages and who qualify for a monthly pension up to the approved age of retirement.	68 519 000	105 781 000
*Sick fund contribution payable to Pretmed with regard to all employees who received packages and who are deemed to be full members of the fund up to the approved age of retirement.	33 848 000	111 918 000



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004 (Continued)

DESCRIPTION	2004 R	2003 R
23.5 PENSIONERS		
A monthly sick fund contribution payable to Medical funds with regard to pensioners amounts to approximately	2 096 593	2 225 475
24 CAPITAL PROJECTS		
Commitments in respect of Capital expenditure:		
- Approved and contracted for	213 760 802	89 476 618
- Approved but not contracted for	1 224 407 000	1 005 468 167
	<u>1 438 167 802</u>	<u>1 094 944 785</u>
This expenditure will be financed from:		
- Internal sources	1 134 510 802	832 334 814
- External sources: Government	303 657 000	262 609 971
	<u>1 438 167 802</u>	<u>1 094 944 785</u>
25 CONSOLIDATED LOANS FUND		
<i>Outstanding Advances to borrowing services</i>		
External Loans (see Appendix B)	1 636 626 524	1 773 544 714
Internal Investments (surplus funds)	590 662 292	433 630 997
Interest Stabilisation Reserve	0	112 548 029
Creditors	79 659 757	46 023 458
Bank Overdraft	88 507 911	35 850 580
	2 395 456 484	2 401 597 778
Less:	1 055 190 767	1 019 467 528
External Investments	1 043 923 699	1 005 844 849
Debtors	11 267 068	13 622 679
	<u>1 340 265 717</u>	<u>1 382 130 250</u>
(Refer to Appendix B for more details)		
Net expenditure charges to borrowing services at an interest rate of 13,0 % (2003 = 18,0 %)		
Interest paid on external loans	255 045 842	249 382 281
Interest Stabilisation Reserve	0	84 771 441
Interest paid: Refund of Township Establishment contribution	0	90 048
Interest paid in respect of Urban Transport fund	1 980 710	0
Restructuring of External Loans: Cost	2 211 617	135 698
Interest on Internal Investments	60 020 759	40 846 726
	319 258 928	375 226 194
Less: Interest earned on External Investments	130 109 761	120 180 240
Interest Stabilisation Reserve	12 955 263	0
Miscellaneous Income	350 110	112 402
	<u>175 843 794</u>	<u>254 933 552</u>
26 CAPITAL DEVELOPMENT FUND		
<i>Outstanding advances to borrowing services (Interest rate = 13,0 % {2003 = 0 %})</i>		
Accumulated Funds	2 013 977 468	1 751 969 950
Less: Internal Investments	650 543 109	633 246 729
(Refer to Appendix B for more details)	<u>1 363 434 359</u>	<u>1 118 723 221</u>



APPENDIX A
STATUTORY FUNDS AND RESERVES

	Balance at 30.06.03	Contributions during the year	Interest on Investments	Other Income	Expenditure during the year		Balance at 30.06.04
					Operating	Capital	
	R	R	R	R	R	R	R
STATUTORY FUNDS							
Capital Development Fund	1 751 969 950	55 665 198	201 556 526	4 785 794	0	0	2 013 977 468
Insurance Fund	246 245 110	71 002 290	12 316 807	13 567 043	102 841 555	0	240 289 695
Parking Meter Fund	28 622 759	0	0	974 989	465 097	0	29 132 651
Fresh-produce Market	100 182 030	0	12 350 247	52 934 747	43 372 930	0	122 094 094
Tool Fund	153 447	110 184	0	0	263 631	0	0
Endowment Fund	0	0	0	74 874 744	0	74 874 744	0
Land Trust Fund	22 739 198	0	6 962 979	71 158 349	1 279 225	9 993 706	89 587 595
Housing Development Fund	108 349 715	5 250 216	0	2 189 443	5 269 794	0	110 519 580
TOTAL STATUTORY FUNDS	2 258 262 209	132 027 888	233 186 559	220 485 109	153 492 232	84 868 450	2 605 601 083
RESERVES							
Purchase of Library Books	1 285 376	3 300 000	0	0	3 741 385	0	843 991
Purchase of Art Works	725 722	127 000	0	0	564 426	0	288 296
Interest Stabilisation	112 548 029	0	0	0	112 548 029	0	0
TOTAL RESERVES	114 559 127	3 427 000	0	0	116 853 840	0	1 132 287



APPENDIX B

EXTERNAL LOANS AND INTERNAL ADVANCES

				Balance at 30.06.03	Received during the year	Redeemed during the year	Balance at 30.06.04
				R	R	R	R
EXTERNAL LOANS:							
LOCAL REGISTERED STOCK:							
Issued	Interest rate (%)	Loan number	Redeemable				
18.08.1992	15.50	101	2004.09.30	100 000 000			100 000 000
18.08.1992	15.50	102	2005.12.31	50 000 000			50 000 000
02.05.1997	16.65	105	2006.06.30	50 000 000			50 000 000
02.05.1997	16.65	105	2014.06.30	100 000 000			100 000 000
30.09.1993	14.15	104	2008.09.30	40 000 000			40 000 000
1994	12,90	4	2003.12.31	10 000 000		10 000 000	0
1994	17,25	5	2004.01.19	40 000 000		40 000 000	0
	9,70		2005.06.30	437 200			437 200
	15,95		2004.06.30	1 200 000		1 200 000	0
1972	8.75	1	2002.12.31	20 000		20 000	0
1973	8.55	5	2003.12.31	273 000		273 000	0
1973	8.55	6	2003.12.31	1 027 000		1 027 000	0
1984	16.25	43	2004.04.30	6 380 000		6 375 000	5 000
1990	16.40	55	2011.06.30	15 000 000			15 000 000
1992	13.50	62	2011.06.30	20 000 000			20 000 000
1993	14.00	63	2011.06.30	30 000 000			30 000 000
1995	15.67	64	2005.07.04	25 000 000			25 000 000
1997	15.75	65	2011.06.30	50 000 000			50 000 000
2000	16.50	66	2011.06.30	59 000 000			59 000 000
Various	10.00		Centurion Sport Club loans	9 150 516		9 150 516	0
TOTAL LOCAL REGISTERED STOCK				607 487 716		68 045 516	539 442 200
STRUCTURED LOANS:							
DBSA: Floating rate				78 331 528			78 331 528
Future Syndications loan B2				125 000 000			125 000 000
Rand Merchant Bank (Capitalised)				143 442 336	14 905 997	158 348 333	0
Rand Merchant Bank				56 686 478		14 721 300	41 965 178
ABSA Bank Arbitrage loan (capitalised)				226 819 819		26 819 819	200 000 000
				630 280 161	14 905 997	199 889 452	445 296 706
ANNUITY LOANS:							
Standard Merchant Bank				19 662 819		12 531 833	7 130 986
DBSA 15,75 %				318 937 744		5 641 439	313 296 305
DBSA (Restructuring)				0	150 000 000	2 103 766	147 896 234
DBSA Local Authorities Loans Fund (Consolidated)				23 385 674		1 321 581	22 064 093
				361 986 237	150 000 000	21 598 619	490 387 618
TERM LOANS:							
Nedbank Loan B1				30 000 000			30 000 000
ABSA Bank Loan B3				84 000 000			84 000 000
Inca Term-Loan				45 000 000			45 000 000
Standard Merchant Bank (Floating Swap)				11 290 600		11 290 600	0
Absa Bank BA rate loan				3 500 000		1 000 000	2 500 000
				173 790 600		12 290 600	161 500 000
TOTAL EXTERNAL LOANS				1 773 544 714	164 905 997	301 824 187	1 636 626 524
INTERNAL ADVANCES							
Consolidated Loans Fund				1 382 130 250	123 287 936	165 152 469	1 340 265 717
Capital Development Fund				1 118 723 221	397 049 590	152 338 452	1 363 434 359
TOTAL ADVANCES (Refer to notes 25 and 26)				2 500 853 471	528 742 076	317 490 921	2 703 700 076



APPENDIX C

ANALYSIS OF FIXED ASSETS

SERVICE	Expenditure 2003	Original Budget 2003/ 2004	Balance at 30.06.03	Expenditure during the year	Written off, transferred, redeemed or disposed during the year	Balance at 30.06.04
	R	R	R	R	R	R
RATES AND GENERAL SERVICES	460 312 195	801 396 090	4 809 501 493	638 889 814	308 888 615	5 139 502 692
Community Services	364 896 288	618 325 016	3 943 594 300	480 512 353	229 359 961	4 194 746 692
General and Assessment Rates	824 837	17 180 955	35 450 454	7 839 148	6 942 393	36 347 209
Political Office	969 040	1 678 150	3 404 450	1 589 781	671 173	4 323 058
Operations	323 328	240 130	59 390 496	256 214	3 314 802	56 331 908
Marketing and Communication	88 540	86 085	359 837	138 050	72 117	425 770
Information Services	66 685 606	88 635 000	151 102 500	86 864 297	1 655 014	236 311 783
Environmental Health	134 381	27 534	679 272	25 918	187 692	517 498
Integrated Community Development	819 281	2 954 097	1 000 227	643 377	74 322	1 569 282
Health Services	7 179 752	1 237 391	38 343 784	1 745 117	957 423	39 131 478
City Engineer: Administration	0	0	9 807	0	2 173	7 634
Transportation Engineering and Roads	85 194 667	185 762 950	1 583 325 144	166 293 838	141 971 303	1 607 647 679
Environmental Services	162 040	97 258	3 181 674	49 516	203 952	3 027 238
Community Safety	26 328	6 081 900	2 352 666	5 672 359	(3 643 409)	11 668 434
Community Services	14 055 375	25 400 000	39 138 057	18 606 723	4 996 356	52 748 424
Administrative Services (Secretariat)	122 228	522 818	7 001 933	631 083	961 440	6 671 576
Legal Services	228 222	223 838	477 672	4 059 912	95 534	4 442 050
Disaster Management	28 888	1 007 700	8 655 857	856 862	(899 270)	10 411 989
Metropolitan Police Services	35 396 841	12 144 880	68 947 031	18 931 058	7 067 523	80 810 566
Human Resources	787 717	497 458	41 173 445	4 271 354	1 179 401	44 265 398
Resource Utilization	1 076	0	396 976	0	396 976	0
Urban Development Projects	102 998 855	203 570 416	470 145 744	104 359 255	24 753 674	549 751 325
Munitoria	3 256 175	1 586 580	221 470 682	1 430 864	18 201 562	204 699 984
Accommodation Services	226 411	253 000	347 941	110 869	69 588	389 222
Economic Development	21 485 814	30 812 150	65 306 085	20 506 701	9 115 970	76 696 816
Office of the Municipal Manager	51 991	94 700	293 212	270 401	57 270	506 343
Finance	1 505 228	1 902 390	15 873 799	2 077 259	1 552 743	16 398 315
Logistical Services	221 761	111 191	457 865	950 800	37 105	1 371 560
Traffic Safety	0	0	164 550	0	32 911	131 639
Mechanical Maintenance: Bosman Street	3 029 293	828 296	111 907 849	2 703 991	5 740 960	108 870 880
Building Management	3 224 914	236 650	4 046 252	4 770 377	237 658	8 578 971
Provisioning Services	3 726 902	1 502 382	4 823 039	5 517 583	826 614	9 514 008
Mechanical Maintenance C. de Wet	161 686	311 644	785 253	262 918	157 206	890 965
Property Valuation	146 124	1 600 000	429 062	600 000	35 718	993 344
Property Legal Services	10 565 942	22 607 673	982 637 192	9 895 560	4 067 823	988 464 929
Customer Care	208 603	152 500	338 144	98 201	67 777	368 568
Public Works	1 058 442	8 977 300	5 019 688	8 482 967	(2 410 448)	15 913 103
Eersterust Township	0	0	13 644 465	0	608 915	13 035 550
Laudium Township	0	0	1 512 196	0	0	1 512 196



APPENDIX C (continued)

ANALYSIS OF FIXED ASSETS (continued)

SERVICE	Expenditure 2003	Original Budget 2003/ 2004	Balance at 30.06.03	Expenditure during the year	Written off, transferred, redeemed or disposed during the year	Balance at 30.06.04
	R	R	R	R	R	R
Subsidised Services	45 365 900	97 049 824	383 525 489	94 422 701	28 203 539	449 744 651
Ambulance Service	0	260 000	7 530	339 712	(446 629)	793 871
Fire Brigade	15 572 990	31 294 990	58 368 597	30 885 647	10 636 039	78 618 205
City Library	5 310 196	9 615 500	37 683 030	3 720 100	1 581 640	39 821 490
Culture (Museums)	549 560	113 500	8 630 528	104 946	(41 325)	8 776 799
Culture and Recreation	2 525 083	1 271 000	94 423 291	1 179 297	7 703 406	87 899 182
Sport	4 142 571	26 502 800	88 922 913	30 360 500	3 150 258	116 133 155
Horticulture	3 313 697	4 555 850	23 163 269	4 148 285	1 394 227	25 917 327
Conservation and resorts	9 568 634	6 609 784	26 841 221	8 390 987	729 183	34 503 025
Cemeteries	3 592 901	12 877 200	26 831 187	11 968 405	2 347 688	36 451 904
Educational Services	744 896	3 879 200	7 390 224	3 278 739	1 017 116	9 651 847
Cultural Development	45 372	70 000	550 481	46 083	18 207	578 357
Catering Services	0	0	543 440	0	109 167	434 273
Education and Development	0	0	10 169 778	0	4 562	10 165 216
Economic Services	50 050 007	86 021 250	482 381 704	63 954 760	51 325 115	495 011 349
City Engineer: Sewerage and Water Care	30 776 710	65 965 050	410 089 748	41 244 966	43 700 484	407 634 230
Solid Waste	19 273 297	20 056 200	72 004 903	22 709 794	7 567 220	87 147 477
Licences	0	0	287 053	0	57 411	229 642
HOUSING SERVICES	176 006	190 000	38 363 740	264 320	4 492 571	34 135 489
Letting Schemes: Sub Economical	0	0	10 451 482	0	753 489	9 697 993
Letting Schemes: Economical	176 006	190 000	27 912 258	264 320	3 739 082	24 437 496
TRADING SERVICES	209 933 905	337 759 146	2 293 420 274	260 906 674	197 191 199	2 344 062 595
Electricity	110 814 470	158 786 172	1 514 952 917	123 301 390	125 486 760	1 512 767 547
Water	85 281 907	152 727 364	645 070 601	102 453 144	56 183 636	691 340 109
Fresh-produce Market	13 502 121	26 111 610	56 551 406	13 710 678	11 173 420	59 088 664
Parking Garages and Areas	0	0	736 718	0	147 475	589 243
Transport Services	335 407	134 000	69 953 038	138 423	4 160 603	65 930 858
Airport	0	0	6 155 594	8 229 885	39 305	14 346 174
TOTAL FIXED ASSETS	670 422 106	1 139 345 236	7 141 285 507	900 060 808	510 572 385	7 517 700 776
LOANS REDEEMED AND OTHER CAPITAL RECEIPTS			4 640 432 036	679 629 746	501 392 478	4 814 000 700
Loans redeemed			662 862 446	145 602 963	92 733 298	715 732 111
Advances repaid			1 147 134 259	162 708 051	122 397 767	1 187 444 543
Contributions from Operating Income			713 763 084	132 093 436	3 660 790	842 195 730
General Capital Receipts			1 296 376 092	234 556 692	282 600 623	1 248 332 161
Revaluation of assets			820 296 155	0	0	820 296 155



APPENDIX C (1)

ANALYSIS OF TOTAL FIXED ASSETS PER TYPE OF ASSET

TYPE OF ASSET	Total value at 30 June 2004	% of total value	Total value at 30 June 2003	% of total value
	R	%	R	%
Roads and stormwater drainage	1 721 328 026	22.90	1 659 903 056	23.24
Electricity infrastructure	1 419 964 169	18.89	1 406 864 427	19.70
Land	1 059 459 331	14.09	1 049 055 999	14.69
Buildings	843 918 651	11.23	830 704 624	11.63
Water reticulation infrastructure	604 160 963	8.04	614 910 143	8.61
Sewerage infrastructure	483 856 438	6.44	429 739 936	6.02
Computers	282 878 202	3.76	187 748 090	2.63
Vehicles	154 119 985	2.05	124 420 332	1.74
Sites	141 314 504	1.88	109 370 044	1.53
City core project	135 605 644	1.80	135 665 897	1.90
Sport stadiums	83 846 718	1.12	72 130 649	1.01
C. de Wet workshop	76 123 889	1.01	76 293 370	1.07
Machinery and equipment	58 726 365	0.78	42 638 815	0.60
Solid waste containers	52 014 873	0.69	32 964 398	0.46
Traffic signs and traffic lights	51 622 948	0.69	51 034 356	0.71
Communication systems	44 584 483	0.59	39 824 402	0.56
Buses	38 775 903	0.51	40 167 392	0.56
Hostels	27 758 067	0.37	10 338 392	0.14
Furniture and fittings	27 592 034	0.37	23 054 942	0.32
Decorative lighting	20 615 780	0.27	22 074 287	0.31
Mechanical equipment	14 727 177	0.20	14 239 763	0.20
Swimming-pools	14 668 721	0.19	10 565 457	0.15
Servitudes	13 976 099	0.19	15 905 618	0.22
Parks	13 829 175	0.18	17 423 713	0.24
Kerbing, paving and sidewalks	13 295 875	0.18	13 879 107	0.19
Books	13 212 572	0.18	11 870 244	0.17
Security equipment	12 456 903	0.17	7 290 153	0.10
Office machines and equipment	10 151 903	0.13	7 527 984	0.11
Fences	9 967 999	0.13	8 439 842	0.12
Construction concrete mixer	8 518 058	0.11	8 518 058	0.12
NPMSS CBD Development	7 788 570	0.10	9 735 712	0.14
Pieter Delport Centre	7 532 743	0.10	7 532 743	0.11
Runway	6 626 027	0.09	2 023 014	0.03
Telephone exchange (Capital Park)	5 948 136	0.08	6 348 381	0.09
Radio equipment	5 272 147	0.07	6 359 636	0.09
Security system	4 928 821	0.07	3 999 182	0.06
Fire engines	3 765 228	0.05	6 813 407	0.10
City lake project	2 350 720	0.03	2 772 389	0.04
Loose tools	1 875 271	0.02	2 311 131	0.03
Lecture equipment	1 750 208	0.02	2 802 716	0.04
Glass recycling project	1 338 643	0.02	1 673 304	0.02
Projects done for others	1 274 546	0.02	1 603 279	0.02
Parking meters	545 757	0.01	682 197	0.01
Other assets	13 632 504	0.18	12 064 926	0.17
TOTAL FIXED ASSETS	7 517 700 776	100.00	7 141 285 507	100.00



APPENDIX D

ANALYSIS OF OPERATING INCOME AND EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2004

	2004		2003
	Actual	Original Budget	Actual
	R	R	R
INCOME			
Grants and Subsidies:	235 046 999	222 121 000	170 118 240
Central Government	17 620 834	15 580 000	23 622 448
Provincial Government	217 426 165	206 541 000	146 495 792
Operating Income	5 655 378 859	5 846 287 192	5 396 401 481
Assessment Rates	1 363 696 563	1 369 440 000	1 242 043 124
Sale of electricity	2 166 844 394	2 190 700 000	2 004 925 529
Sale of water	718 074 801	779 760 000	706 206 955
Regional Services Council Levies	494 170 126	484 000 000	447 323 019
Other	912 592 975	1 022 387 192	995 902 854
TOTAL INCOME	5 890 425 858	6 068 408 192	5 566 519 721
EXPENDITURE			
Remuneration and allowances	1 836 928 240	1 986 083 410	1 662 200 449
General expenses:	3 102 054 413	3 202 603 493	2 656 984 322
Purchase of electricity	1 028 556 173	962 016 000	880 045 519
Purchase of water	479 379 097	435 620 000	422 437 898
Other general expenses	1 594 119 143	1 804 967 493	1 354 500 905
Repairs and maintenance	861 307 102	840 198 571	730 569 939
Capital charges	619 714 983	672 073 111	540 909 457
Contributions to fixed assets	132 093 436	133 877 069	107 304 308
Contributions	264 256 911	257 865 050	285 315 156
GROSS EXPENDITURE	6 816 355 085	7 092 700 704	5 983 283 631
Less: Amounts charged out	950 002 729	1 017 264 918	793 774 292
NET EXPENDITURE	5 866 352 356	6 075 435 786	5 189 509 339
Net Surplus for the year	24 073 502	(7 027 594)	377 010 382
Appropriations for the year (Refer to note 16)	(44 883 222)		16 872 780
	(20 809 720)		393 883 162
Accumulated surplus/(deficit) at beginning of year	50 455 919		(343 427 243)
Accumulated surplus at end of year	29 646 199		50 455 919



APPENDIX E

DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2004

SERVICE	2004				2003		
	Actual Income	Actual Expenditure	Surplus/ (Deficit)	Original Budget Surplus/ (Deficit)	Actual Income	Actual Expenditure	Surplus/ (Deficit)
	R	R	R	R	R	R	R
RATES AND GENERAL SERVICES	2 781 591 907	2 851 520 430	(69 928 516)	(232 280 887)	2 616 497 755	2 490 058 526	126 439 229
Community Services	2 339 873 933	2 015 886 183	323 987 750	12 251 567	2 136 834 711	1 729 430 799	407 403 912
General and Assessment Rates	2 120 492 924	155 328 386	1 965 164 538	1 694 486 643	1 935 737 282	185 986 401	1 749 750 881
Political Office	175 200	70 126 406	(69 951 206)	(71 021 713)	0	56 875 102	(56 875 102)
Marketing and Tourism	0	29 432 881	(29 432 881)	(27 214 409)	0	18 460 476	(18 460 476)
Information Services	4 887	83 839 424	(83 834 537)	(80 299 050)	0	55 729 529	(55 729 529)
Operations	0	11 630 346	(11 630 346)	(13 984 960)	0	6 914 052	(6 914 052)
Environmental Health	0	4 157 390	(4 157 390)	(2 754 636)	2 735 375	20 304 174	(17 568 799)
Integrated Community							
Development	1 361 080	17 114 382	(15 753 302)	(17 712 682)	977 495	14 209 589	(13 232 094)
Health Services	10 422 865	100 576 467	(90 153 602)	(101 709 839)	9 090 989	70 397 562	(61 306 573)
City Engineer: Roads and							
Storm water	8 740 093	428 314 128	(419 574 035)	(415 546 096)	7 226 295	353 572 148	(346 345 853)
Waste Management	0	67 985 274	(67 985 274)	(68 076 805)	0	53 642 126	(53 642 126)
Administrative Services							
(Secretariat)	1 189 975	32 409 767	(31 219 792)	(42 642 976)	4 510 046	43 342 614	(38 832 568)
Legal Services	6 943	47 933 209	(47 926 266)	(54 322 176)	7 591	34 614 746	(34 607 155)
Community Safety	13 940	38 017 821	(38 003 881)	(41 236 667)	12 210	14 010 549	(13 998 339)
Disaster Management	0	6 205 648	(6 205 648)	(6 080 640)	0	5 351 632	(5 351 632)
Metropolitan Police services	108 062 686	344 592 228	(236 529 542)	(207 688 584)	105 089 449	302 296 937	(197 207 488)
Human Resources	10 367 249	91 279 205	(80 911 956)	(92 430 900)	12 137 452	75 362 934	(63 225 482)
Resource Utilization	0	22 997	(22 997)	(22 998)	0	6 663 076	(6 663 076)
Educational services	154 712	8 788 157	(8 633 445)	(9 624 731)	112 976	7 500 987	(7 388 011)
Events and Special Projects	1 238	3 311 462	(3 310 224)	(4 702 352)	145 119	3 848 695	(3 703 576)
Customer Care	0	16 815 904	(16 815 904)	(11 167 877)	0	7 818 025	(7 818 025)
Urban Development Projects	0	47 221 509	(47 221 509)	(50 994 699)	0	23 741 908	(23 741 908)
Munitoria	1 564 071	7 895 522	(6 331 451)	(11 212 120)	1 789 650	11 788 322	(9 998 672)
Property Services	17 548 768	13 271 570	4 277 198	(11 257 793)	36 084	8 660 498	(8 624 414)
Economic Development	1 863 623	51 185 286	(49 321 663)	(49 022 656)	321 501	49 612 587	(49 291 086)
Office of the Municipal Manager	0	6 545 381	(6 545 381)	(9 329 664)	0	9 793 436	(9 793 436)
Finance	10 834 080	126 736 456	(115 902 376)	(117 381 151)	7 461 331	104 969 124	(97 507 793)
Logistical Services	241	17 336 115	(17 335 874)	(16 805 320)	413 224	3 136 722	(2 723 498)
Mechanical Maintenance	374 074	26 024 938	(25 650 864)	(16 325 616)	119 375	30 495 181	(30 375 806)
Building Management	0	13 811 469	(13 811 469)	(11 256 706)	0	11 773 985	(11 773 985)
Provisioning Services	11 412 239	25 980 420	(14 568 181)	(17 578 642)	9 559 640	27 011 614	(17 451 974)
Property Valuation	30 200	6 659 638	(6 629 438)	(6 951 886)	77 750	7 109 771	(7 032 021)
City Planning	35 250 631	105 994 479	(70 743 848)	(84 749 582)	24 508 903	79 179 298	(54 670 395)
Property Management - Administration	2 214	9 341 918	(9 339 704)	(11 129 150)	14 764 974	25 256 999	(10 492 025)
Subsidised Services	47 761 572	499 785 077	(452 023 505)	(436 619 568)	40 605 771	454 269 183	(413 663 412)
Emergency Medical services	24 881 413	37 484 157	(12 602 744)	(8 979 533)	24 142 313	137 323 270	(113 180 957)
Fire services	3 690 548	97 401 685	(93 711 137)	(93 652 626)	0	0	0
Libraries	4 061 931	47 892 820	(43 830 889)	(45 942 298)	3 829 732	45 127 771	(41 298 039)
Culture (Museums)	587 490	15 416 595	(14 829 105)	(13 723 498)	308 206	8 086 482	(7 778 276)
Culture and Recreation	774 587	42 273 509	(41 498 922)	(35 815 772)	79 494	49 436 225	(49 356 731)
Horticulture	902 502	139 706 026	(138 803 524)	(140 046 962)	716 621	116 705 812	(115 989 191)
Conservation and resorts	5 512 224	42 150 513	(36 638 289)	(35 160 044)	5 062 427	34 585 609	(29 523 182)
Cemeteries	6 226 930	21 325 269	(15 098 339)	(12 373 073)	5 840 475	16 547 294	(10 706 819)
Sport and Recreation	988 877	52 558 873	(51 569 996)	(48 254 782)	378 442	43 223 067	(42 844 625)
Catering Services	0	990 661	(990 661)	(1 220 969)	0	1 153 962	(1 153 962)
Education and Development	135 070	2 584 969	(2 449 899)	(1 450 011)	248 061	2 079 691	(1 831 630)
Economic Services	393 956 402	335 849 163	58 107 239	192 087 114	439 057 273	306 358 544	132 698 729
City Engineer:							
Waste Water treatment	1 682 278	92 681 699	(90 999 421)	(93 869 774)	1 526 122	85 628 583	(84 102 461)
City Engineer:							
Waste Water collection	185 523 466	70 954 145	114 569 321	188 189 367	259 573 149	64 063 562	195 509 587
Solid Waste	206 750 658	172 213 319	34 537 339	97 767 521	177 958 002	156 666 399	21 291 603



APPENDIX E (continued)

DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2004 (continued)

SERVICE	2004				2003		
	Actual Income	Actual Expenditure	Surplus/ (Deficit)	Original Budget Surplus/ (Deficit)	Actual Income	Actual Expenditure	Surplus/ (Deficit)
	R	R	R	R	R	R	R
HOUSING SERVICES	13 366 560	81 202 616	(67 836 056)	(75 345 032)	18 194 111	70 775 775	(52 581 664)
Administration	2 175 229	40 416 047	(38 240 818)	(42 032 765)	8 472 492	33 924 803	(25 452 311)
Letting Schemes:							
Sub-economical (Assisted)	2 610 728	6 957 504	(4 346 776)	(3 000 101)	2 413 600	2 514 377	(100 777)
Letting Schemes: Economical	4 941 207	9 875 623	(4 934 416)	(2 891 230)	4 215 003	9 578 175	(5 363 172)
Hostels	413 138	413 138	0	(27 322 584)	2 891 860	24 557 264	(21 665 404)
Selling Schemes	3 226 258	23 540 304	(20 314 046)	(98 352)	201 156	201 156	0
TRADING SERVICES	3 095 467 391	2 933 629 317	161 838 074	300 598 325	2 931 827 855	2 628 675 038	303 152 817
Electricity	2 223 481 910	1 959 025 176	264 456 734	344 773 551	2 099 374 573	1 760 454 932	338 919 641
Water	743 334 702	811 209 705	(67 875 003)	14 741 850	727 250 210	731 701 807	(4 451 597)
Fresh-produce Market	65 284 994	43 340 072	21 944 922	(7 853 921)	62 779 600	41 869 657	20 909 943
Parking Garages and Areas	974 989	465 097	509 892	448 025	789 784	388 808	400 976
Transport Services	45 077 701	99 535 007	(54 457 306)	(46 522 628)	41 633 688	93 470 111	(51 836 423)
Airport	17 313 095	20 054 260	(2 741 165)	(4 988 552)	0	789 723	(789 723)
TOTAL	<u>5 890 425 858</u>	<u>5 866 352 356</u>	<u>24 073 502</u>	<u>(7 027 594)</u>	<u>5 566 519 721</u>	<u>5 189 509 339</u>	<u>377 010 382</u>
Appropriations for the year (Refer to note 16)			(44 883 222)				16 872 780
Net Surplus/(deficit) for the year			(20 809 720)				393 883 162
Accumulated surplus/(deficit) at the beginning of the year			50 455 919				(343 427 243)
ACCUMULATED SURPLUS END OF THE YEAR			<u>29 646 199</u>				<u>50 455 919</u>



APPENDIX F
STATISTICAL INFORMATION

DESCRIPTION	2004	2003
1. GENERAL STATISTICS		
(a) Population	1 985 983	1 985 983
(b) Valuation of properties:		
"Taxable" and "non-taxable" properties (Rand)	18 915 617 802	18 566 987 336
Valuation of Residential properties (Rand)	14 448 677 439	11 688 304 598
Valuation of Other properties (Rand)	4 466 940 363	6 878 682 738
(c) Number of properties:		
Residential	327 736	298 670
Other properties	20 541	27 261
(d) Assessment rates rate: Cent in Rand	11,086 c	10,26 c
(e) Number of employees	13 300	13 636
2. ELECTRICITY STATISTICS		
(a) Total number of consumers (on 30 June)	329 531	317 318
(b) Number of kWh purchased	8 413 155 838	8 023 352 777
(c) Number of kWh sold	7 648 570 798	7 312 140 564
(d) Number of kWh lost in distribution (b - c)	764 585 040	711 212 213
(e) Number of kWh lost in distribution as % of (b)	9,09 %	8,86 %
(f) Cost per kWh purchased and generated	12,21 c	10,97 c
(g) Lost in distribution (d x f)	R 93 355 833,38	R 78 019 979,77
(h) Cost per kWh purchased (operating expenditure ÷ c)	25,64 c	24,08 c
(i) Income per kWh purchased (operating income ÷ c)	29,07 c	28,71 c
3. WATER STATISTICS		
(a) Total number of consumers (30 June)	259 453	259 251
(b) Number of kilolitre purchased and purified	221 068 954	217 250 284
(c) Number of kilolitre sold	168 880 130	177 238 204
(d) Number of kilolitre lost in distribution (b - c)	52 188 824	40 012 080
(e) Number of kilolitre lost in distribution as % of (b)	23,61 %	18,42 %
(f) Cost per kilolitre purchased/purified	251,39 c	230,88 c
(g) Loss in distribution (d x f)	R 131 197 485	R 92 379 890
(h) Cost per kilolitre sold (operating expenditure ÷ c)	482,03 c	412,84 c
(i) Income per kilolitre sold (operating income ÷ c)	440,15 c	409,35 c



APPENDIX F (continued)

STATISTICAL INFORMATION (continued)

DESCRIPTION	2004	2003
4. TRANSPORT STATISTICS		
(a) Number of passengers transported	11 891 158	12 001 056
(b) Number of kilometres travelled	7 458 113	7 361 874
(c) Number of buses	298	289
(d) Cost per kilometre travelled	R14,25	R11,79
(e) Income per kilometre travelled	R5,60	R5,37
5. SUNDRY STATISTICS		
(a) Area in km ²	2 198,64	2 198,64
(b) Elections:		
Number of registered voters	925 884	925 884
Percentage poll	45,60 %	45,60 %
(c) Fire Brigade/Ambulance Services/Metro Policing		
(i) Units (stations)		
- Fire Brigade Stations	15	14
- Ambulance Stations	2	11
- Metro Police	21	8
(ii) Number of employees:		
- Fire Brigade and Ambulance	479	777
- Metro police	1 528	1 571
(d) Building control		
- Total number of building plans approved	7 904	6 710
- Total value of building plans approved	R 3 860 226 450	R 2 777 003 972
- Number of inspections performed	77 876	Not available
(e) Parks and Recreation:		
- Area of developed parks (in km ²)	Not available	Not available
- Number of swimming-baths	20	23
- Number of tennis courts/rugby fields etc	133	668
(f) Licensing Services		
- Number of licences issued:		
- Vehicles	750 550	Not available
- Number of vehicles registered	280 201	247 562
(g) Community Libraries:		
- Number of library books issued	5 087 097	5 273 927
(h) Refuse Removal:		
- Number of refuse removed/dumped (tons per year)	2 996 183	1 644 000
(i) Roads and Works:		
- Number of kilometres built and repaired	1 029	1 126



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By the Chief Financial Officer

I am grateful to

The Executive Mayor,

The Mayoral Committee,

Councillors,

The Municipal Manager,

Strategic Executive Officers and

General Managers

for the support they have given to the Finance Department during the 2003/2004 financial year.

A special word of appreciation is extended to the team from the Financial Accounting Division for the months of hard work, sacrifices and concentrated efforts during the financial year to finalise these financial statements within the prescribed period.



