



# ANNUAL **REPORT**

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# 2018



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# ANNUAL **REPORT**

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# 2018

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# ABBREVIATIONS AND ACRONYMS

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<b>ACC</b>	African Centre for Cities
<b>ACCSF</b>	African Capital Cities Sustainability Forum
<b>BNG</b>	Breaking New Ground
<b>CDS</b>	City Development Strategy
<b>COGTA</b>	Ministry of Cooperative Governance and Traditional Affairs
<b>CSP</b>	City Support Programme
<b>DBSA</b>	Development Bank of Southern Africa
<b>DEA</b>	Department of Environmental Affairs
<b>D_ZA</b>	Designing South Africa
<b>EPWP</b>	Expanded Public Works Programme
<b>ERLN</b>	Economic Regions Learning Network
<b>IBSA</b>	India, Brazil and South Africa
<b>IUDF</b>	Integrated Urban Development Framework
<b>KMRG</b>	Knowledge Management Reference Group
<b>LGSETA</b>	Local Government Sector Education and Training Authority
<b>PEFA</b>	Public Expenditure and Financial Accountability
<b>PICC</b>	Presidential Infrastructure Coordinating Commission
<b>SACN</b>	South African Cities Network
<b>SALGA</b>	South African Local Government Association
<b>SECO</b>	Swiss State Secretariat for Economic Affairs
<b>SOCR</b>	State of Cities Report
<b>SPLUMA</b>	Spatial Planning and Land Use Management Act
<b>USRG</b>	Urban Safety Reference Group





# ABOUT **SACN**





# MISSION AND VISION

## The South African Cities Network (SACN) is:

- An established network of South African cities and partners that encourages the exchange of information, experience and best practices on urban development and city management.
- An initiative of the Minister for Cooperative Governance and Traditional Affairs (COGTA) and eight city municipalities, in partnership with the South African Local Government Association (SALGA)

## The goals of the SACN are to:

- Promote good governance and management of South African cities.
- Analyse strategic challenges facing South African cities, particularly in the context of global economic integration and national development.
- Collect, collate, analyse, disseminate and apply the experience of large city government in a South African context.
- Promote a shared-learning partnership between different spheres of government to support the governance of South African cities.



# MEMBERS AND PARTNERS



## Members

- Buffalo City Metropolitan Municipality
- City of Johannesburg Metropolitan Municipality
- City of Tshwane Metropolitan Municipality
- Ekurhuleni Metropolitan Municipality
- eThekweni Metropolitan Municipality
- Mangaung Metropolitan Municipality
- Msunduzi Local Municipality
- Nelson Mandela Bay Metropolitan Municipality

## Partners

- Department of Cooperative Governance
- Department of Public Works
- Department of Transport
- Department of Human Settlements
- Department of Environmental Affairs
- South African Local Government Association

## Secretariat

- Sithole Mbanga
- Stacey-Leigh Joseph
- Luncedo NjezulaYolisa Dambuza
- Sadhna Bhana
- Geoffrey Bickford
- Dangalira Mughogho
- Liteboho Makhele
- Lebohang Mabala
- Khumo Sello
- Mayleen Vincent – Bester
- Shaun Watson
- Makhosazane Nxumalo
- Fleshia Mokwana
- Clement Mhlekwa
- Chuma Mbambo
- Noluthando Mthimkulu

## Board of Directors

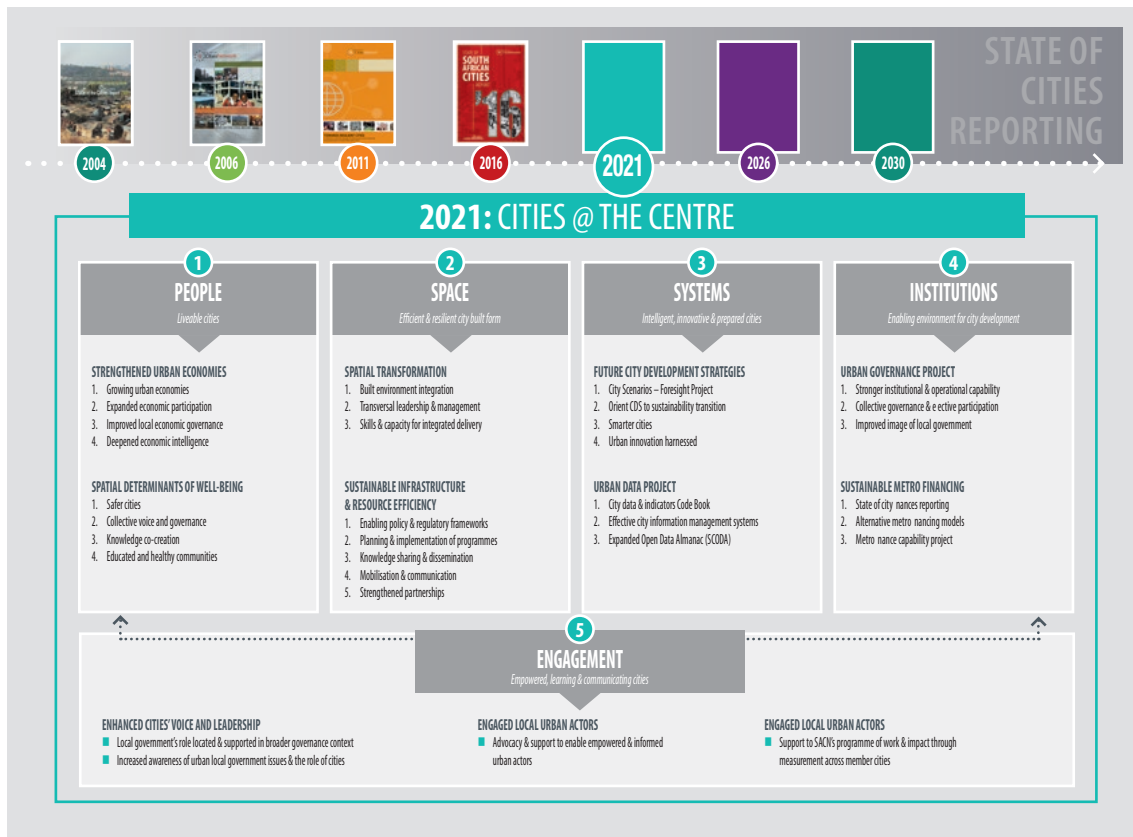
- Shiva Makotoko
- Nellie Lester
- Sithole Mbanga





# CHAIRPERSON'S **REPORT**

Over the course of 2017/18, the SACN has remained committed to implementing its five-year strategic plan (2016–2021) under the theme of “Cities at the Centre of South Africa’s Development”. This theme guides our research agenda and has the following sub-themes:



SACN’s research typically takes place over a five-year period and culminates in the flagship *State of South African Cities Report* (SOCR). The 2016 SOCR, together with the SACN Strategic Plan for 2016–2021, inform the organisation’s strategic areas for the current five-year phase of work.

This year, delays in securing the financial and strategic commitment of the SACN Council Organisations meant fewer resources were available for project-related work, which negatively affected our outputs and content work.

As alluded to in our 2017 annual report, the SACN has expanded its core functions in order to strengthen the support offered to its member cities. Greater emphasis is placed on strengthening governance, research and knowledge application, and operations. Another important lever has been influencing the discourse on city and urban development issues, by improving our communications and stakeholder engagements. In broadening our scope, we have kept staff expansion to the minimum, as we value the utility of being a small and agile organisation.

## Governance framework and funding

This year, we continued the work started in 2016/17 of defining a new governance model for the SACN. This included ensuring that our governance architecture is aligned to relevant legislation. A new Board of Directors was constituted, charged with directing the affairs of the organisation and inaugurating a Strategic Governance Council (the “SACN Council”) responsible for determining the SACN’s strategic research agenda and its implementation. To reflect these changes, we amended our Memorandum of Incorporation and lodged it with the Companies and Intellectual Property Commission. During the same period, we improved our risk management efficiency and effectiveness, by taking a realistic approach to risk planning, addressing the question of operational risks, and organising management training.

The SACN’s secured budget is primarily made up of a grant from the Department of Cooperative Governance and subscription fees received from Council Organisations. Our unsecured budget varies annually and depends on the organisation securing external work for a fee, on members, external stakeholders, and other related parties. We enter into funding partnerships with municipalities, national government departments and private organisations to carry out specific research work that is relevant to both the network and the funding partners.

Some of the SACN’s Council Organisations have been going through financial challenges, which has compromised our financial stability, as funding did not reach the organisation in time or, in some cases, was not paid. The company relies on funding from Council Organisations for its operations and the execution of its strategic plan, and so the lack of funding has had a negative impact on the organisation’s ability to execute its mandate. In response to this situation, the Secretariat, in collaboration with the Board, has been re-strategising and looking at other possible funding models for the organisation.

Sound financial management is one of our imperatives for the business cycle 2016–2021. This year, we continued to strive to achieve and maintain professional standards and public accounting principles, and in so doing build member confidence in the organisation.

## Support to cities

A key element of SACN's work is enabling cities to respond to local challenges and global initiatives by facilitating ways of working together, learning from each other and strengthening their collective voice. We support cities by producing rigorous, empirical and practical research that they can use. A case in point is the work we are doing to support cities in their efforts to implement the Integrated Urban Development Framework and the National Development Plan, and to attain global policy programmes such as the New Urban Agenda (NUA) and Sustainable Development Goals (SDGs), among others.

Despite the financial challenges experienced during the past year, the SACN remains a going concern, resilient and in good hands, as evidenced by its financial position. We will continue to build on this basis, with the support of the SACN Council Organisations who, we are sure, will play their part and honour their commitments towards the SACN.

I would like to end by thanking the SACN Council and the Board of Directors for their counsel during the past financial year. I must also express my appreciation of the SACN Secretariat for their hard work and dedication to the cause of promoting good governance and management of South African cities. The task of transforming our cities into inclusive, productive, sustainable and well-governed spaces requires cities to play an activist role in the unfolding change paradigm, and the SACN presents the perfect platform to exercise that activism for the benefit of society.



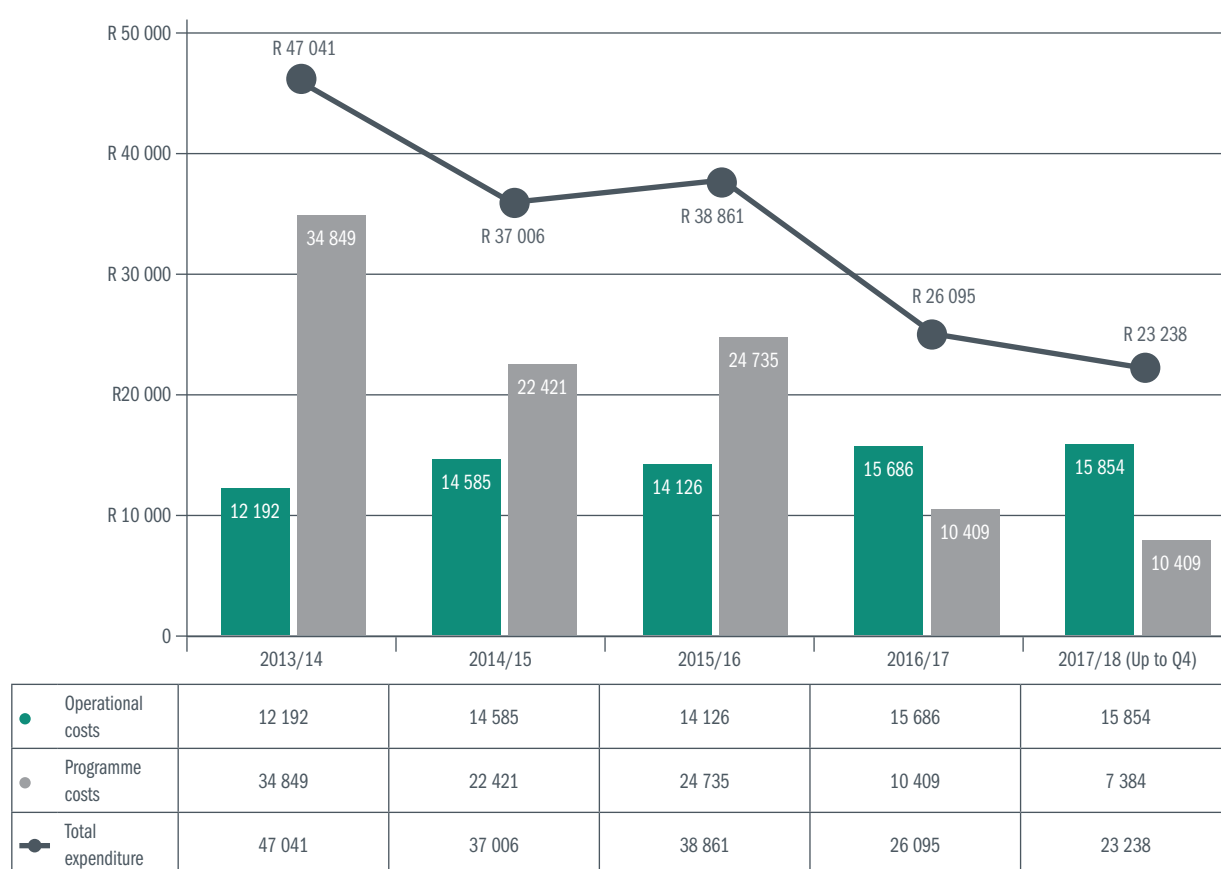


# THE CEO'S **REPORT**

## Expenditure Performance

Figure 1 shows the year-on-year expenditure between 2013/14 and 2017/18. Over the past two years, SACN's expenditure has declined significantly. After the 2016 local government elections, the Secretariat went through a process of revising its Memorandum of Incorporation, to align with relevant changes in municipal legislation. The process included negotiating long-term financial support from its members and partners, and took two years. It had a significant impact on the resources of the organisation, as payments were only received once the changes were successfully completed. The situation has stabilised, and most members and partners have confirmed their ongoing support of the work of the SACN.

**FIGURE 1:** Year-on-year expenditure (2013/14-2017/18)



In 2016/17, the programme spend of 99% of the budget reflects the successful The impact of delays in receiving funding from SACN's members and, in some instances, not receiving funding at all, is reflected in Figure 1. Where funds were received towards the end of the financial year, some projects were delayed, resulting in roll-overs of these projects to the 2018/19 financial year. While the SACN strives to maintain a 1 : 3 expenditure ratio between operations and programmes, the delayed funding resulted in a skewed ratio for 2017/18. However, the organisation still managed to maintain the same level of outputs as the previous year (see Figure 2) by doing some of the planned work internally.



# Procurement

The SACN is committed to ensuring that its service providers are diverse and representative of society. Close to 60% of its service providers are black owned, but gender representation remains a challenge, and future procurement processes should take this into consideration. Most of the services procured are in the research area, which aligns with the mandate and core work of the organisation.

The rest of this report considers the extent to which the SACN has met expectations by:

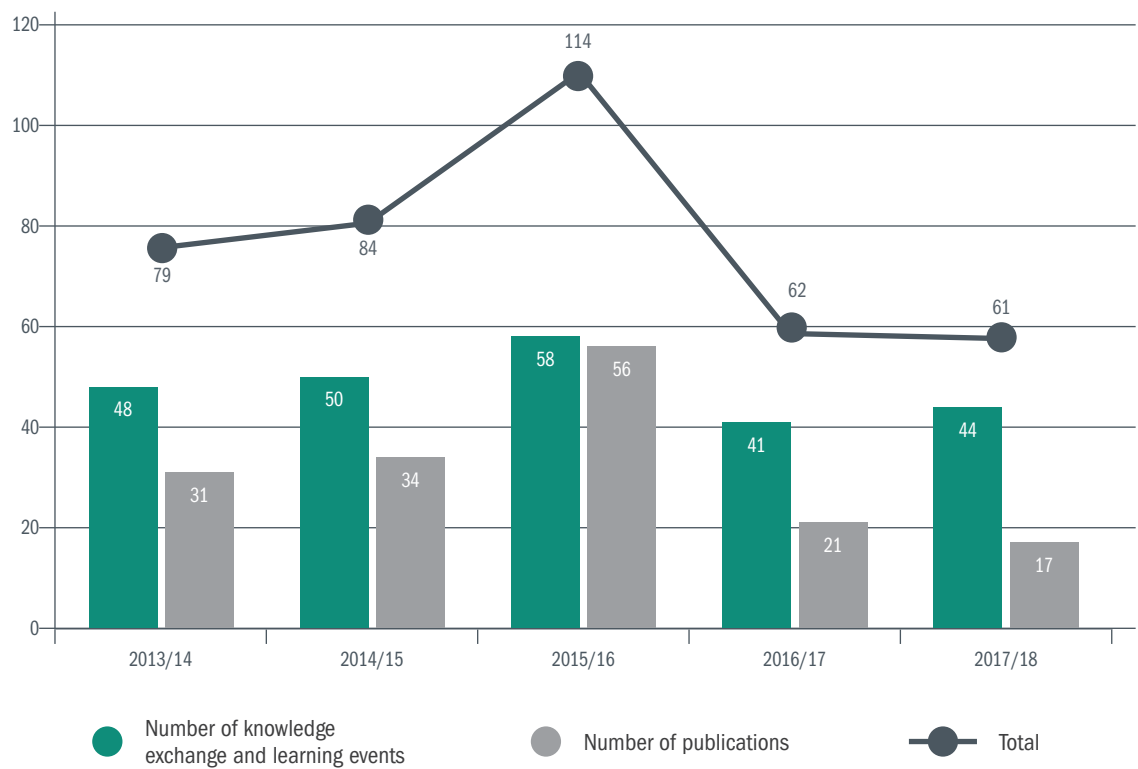
- measuring outputs delivered against targets defined in the 2017/18 business plan,
- considering the quality of outputs and outcomes achieved,
- reflecting on the lessons learned in the period, and
- outlining the way forward.

## Programmatic Performance

The SACN defines two primary categories of outputs: **learning events** (which are outputs of the knowledge sharing and dissemination function), and **publications** (which are outputs of the knowledge generation function).

Figure 2 shows SACN's outputs over the past five years. Performance in 2017/18 was poor and on a par with the previous year. While budget limitations meant that fewer publications were produced, more learning events were held compared to the previous year.

FIGURE 2: Summary of outputs delivered since 2013/14



## Output analysis

A cumulative list of the knowledge products and events achieved during this period is presented as Annexes I and II of this report. The distribution of outputs by SACN theme during 2017/18 is reflected in Table 1.

**TABLE 1:** Summary of outputs by theme (2017/18)

OUTPUTS	CDS	INCLUSIVE CITIES	PRODUCTIVE CITIES	SUSTAINABLE CITIES	WELL-GOVERNED CITIES	OTHER	TOTAL
No of learning events	15	7	6	5	8	3	44
No of publications	4	3	4	3	3		17
Total number of outputs	19	10	10	8	11	3	61

Outputs were highest in the City Development Strategy (CDS) thematic area and fairly evenly spread across the other themes. With an increase in finances in 2018/19, the Secretariat anticipates higher outputs, at a level reminiscent of previous years. In particular, the release of the State of City Finances and the State of Urban Safety in South Africa Reports in 2018/19 will likely result in significant renewed interest in and energy around the work of the SACN.

## Communications Performance

The past year has seen an increase in positive sentiment towards SACN as a source of urban local government content, despite the lower number of outputs. SACN's social media following and interaction with our content has grown steadily. This is the result of active engagement and communications on social media platforms, and regular posting of content that is relevant and of interest to our online audience.

Overall, our social media platforms saw an increase in engagement, posts and reach, reflecting a greater and more effective interaction with our online community. The social media targets started from a weak base and – although not all reached – will serve as a baseline for the setting of future targets. In 2017/18, the SACN will fully establish and capacitate its communications team, which will ensure consistent attention is paid to the various platforms.

**TABLE 2:** Summary of SACN communication reach (2017/18)

COMMUNICATION OUTPUTS	TARGETS	ACTUALS
<b>Broadcast</b>		
Radio interviews	20	18
TV interviews	16	2
<b>Print &amp; Online</b>		
Articles	40	57
Op-eds/ Thought pieces	12	3
<b>Facebook</b>		
Likes	52 000	16 983
Engagement Rate	1 950	2 800
Posts Reach	22 000	83 809
Page Views	1 200	1 540
Actions on Page	140	16
<b>LinkedIn</b>		
Number of followers	–	1 917
Number of visitors	–	903
<b>Twitter</b>		
Number of followers	15 800	15 918
Number of tweets posted	400	470
Retweets	–	1 233
Number of mentions / reach	520	2 694
Impressions	370 000	479 700
<b>Website</b>		
Visitors	17 800	13 502
New visitors	n/a	8 361
Bounce rate	50%	56,49%
Return visitors	9 000	5 816
Sessions	20 000	19 216

SACN's platforms are clearly considered useful sources of information. These figures should grow substantially in 2018/19, as the planned new products will increase interest and engagement on social platforms.

## Analysis of the Quality of Outputs

The quality of SACN's outputs is measured through a sample survey of the views of participants at learning events and by considering informal and anecdotal feedback received from partners and members. Participants are asked to rate the event on a scale of 1–5 (from “bad” to “good”) based on the following aspects:

1. Did you learn something new today?
2. Did the information you received inspire you to do something new or different in your work?
3. Will the information you received help you to do your job better?
4. Invitation quality.
5. Preparatory information.
6. Venue and catering quality.

During 2017/18, the event survey was administered at 22 events (up from 16 events in 2016/17), which 609 participants attended. Of these participants, 40% completed a survey.

**TABLE 3:** Results of quality surveys completed for SACN learning events (2017/18)

EVENT NAME	DATE	THEME	TOTAL NO. OF PARTICIPANTS	NUMBER OF RESPONDENTS	A LITTLE BAD (1–2)	A LOT GOOD (3–5)
Knowledge Management Reference Group Meeting	05-Jul-17	CDS	20	5	7%	93%
EPWP Reference Group Meeting	19-Jul-17	Productive Cities	30	11	5%	95%
Scenarios Workshop 1 of 3: Future of Planning for Urban Governance	04-Aug-17	CDS	19	11	12%	88%
Urban Indicators Reference Group Meeting	14-Aug-17	CDS	15	9	13%	87%
Built Environment Integration Task Team Meeting	29-Aug-17	Inclusive Cities	16	10	32%	68%
Infrastructure Dialogues: Industry, Innovation and Infrastructure	31-Aug-17	Productive Cities	34	12	18%	82%
International Relations Forum	07-Sep-17	Other	14	9	11%	89%
Knowledge Management Reference Group Meeting	29-Oct-17	CDS	15	7	12%	88%
International Relations Forum	31-Oct-17	Sustainable Cities	21	8	19%	81%
Infrastructure Dialogues: Black Construction/BE Professionals Companies	16-Nov-17	Productive Cities	35	16	14%	86%
EPWP Reference Group Meeting	30-Nov-17	Productive Cities	24	9	15%	85%
Strategic Conversation: SACN Cities Debate	30-Jan-18	CDS	98	25	11%	89%
International Relations Forum	31-Jan-18	Other	18	9	2%	98%
Urban Indicators Reference Group Meeting	14-Feb-18	CDS	19	14	8%	92%
Infrastructure Dialogues: Building for the Future in South Africa's Cities	15-Feb-18	Well-Governed Cities	45	9	9%	91%
EPWP Reference Group Meeting	01-Mar-18	Productive Cities	39	17	7%	93%
5th International Relations Forum	28-Mar-18	Other	18	8	6%	94%
Advances in Mapping and Planning for Accessibility in Cities	09-Apr-18	Inclusive Cities	31	20	9%	91%
Urban Safety Reference Group Meeting	18-Apr-18	Well-Governed Cities	25	15	23%	77%
Knowledge Management Reference Group Meeting	10-May-18	CDS	18	3	6%	94%
Built Environment Integration Task Team Meeting	16-May-18	Inclusive Cities	15	6	3%	97%
Infrastructure Dialogues: Intermediate Cities as Destinations for Investment	17-May-18	Well-Governed Cities	40	10	15%	85%
<b>Totals/average</b>			<b>609</b>	<b>243</b>	<b>12%</b>	<b>88%</b>

As Table 3 shows, the SACN continues to maintain a high standard of quality, with 88% of participants rating the events at 3 or higher. It is important that the Secretariat is able to illustrate value and relevance of its work to its members and partners. This will be a core focus for the coming financial year and the rest of the five-year Business Plan.

## Analysis of Outcomes

Performance outcomes for SACN are measured in terms of the number of people reached, the profile of people reached, and networking outcomes.

### Profile of people reached through learning events

As Figure 3 shows, a third of participants were SACN member cities, followed by the rest of government and the knowledge sector. This is important, as the Secretariat has often made the case that all sectors of society have a role to play to achieve the urban vision of South Africa. The 2018/19 financial year's plans include a focus on improving the engagement and attendance of civil society.

**FIGURE 3:** Breakdown of participants at SACN learning events (2017/18)

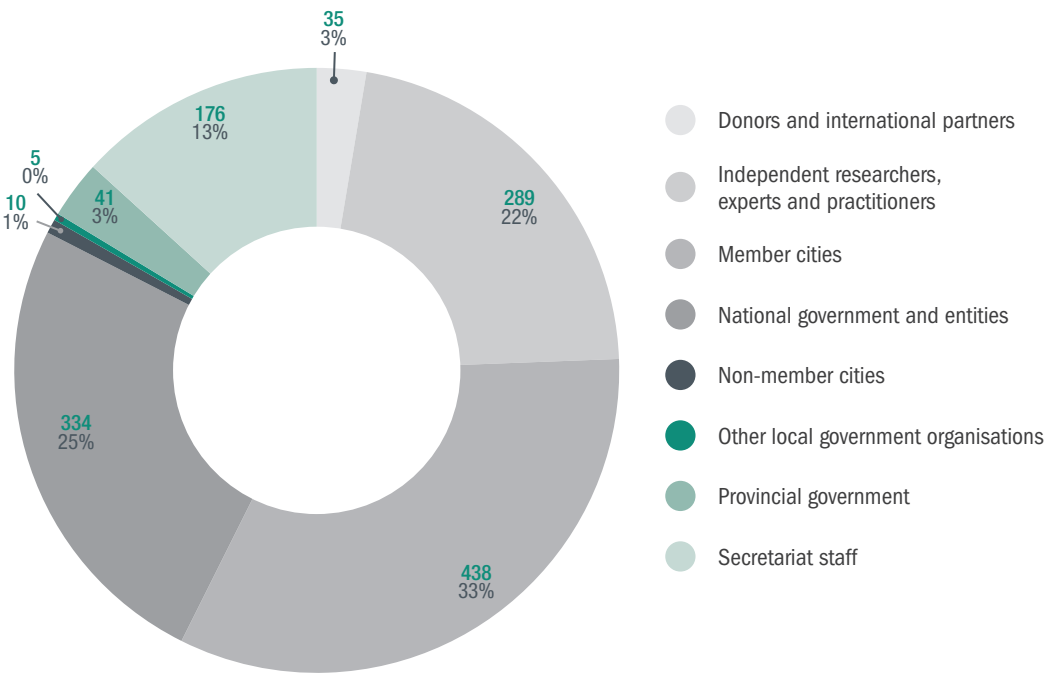
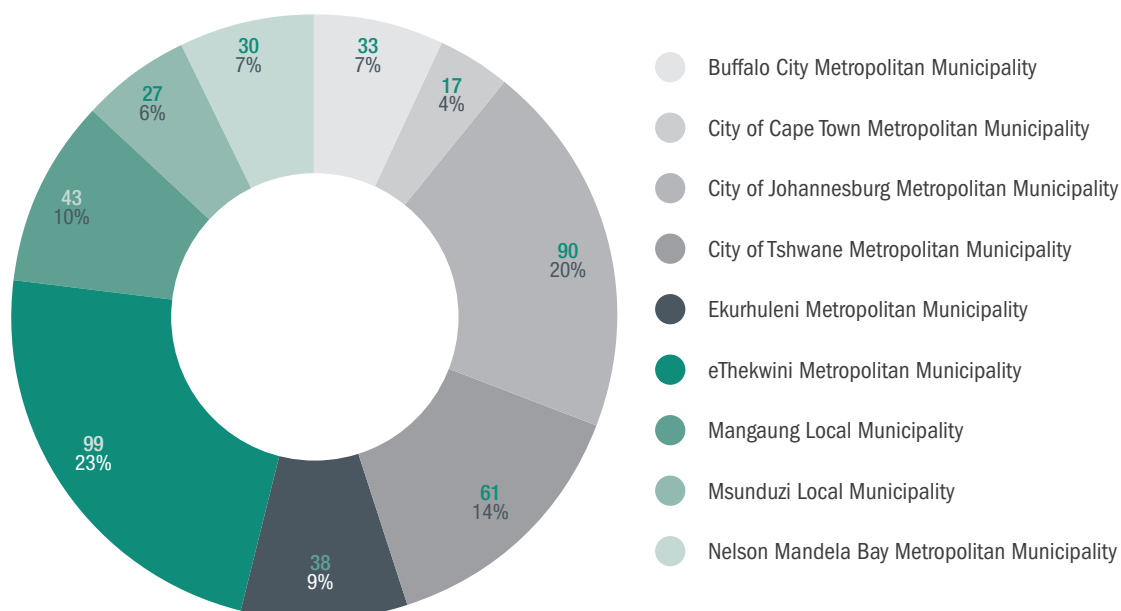


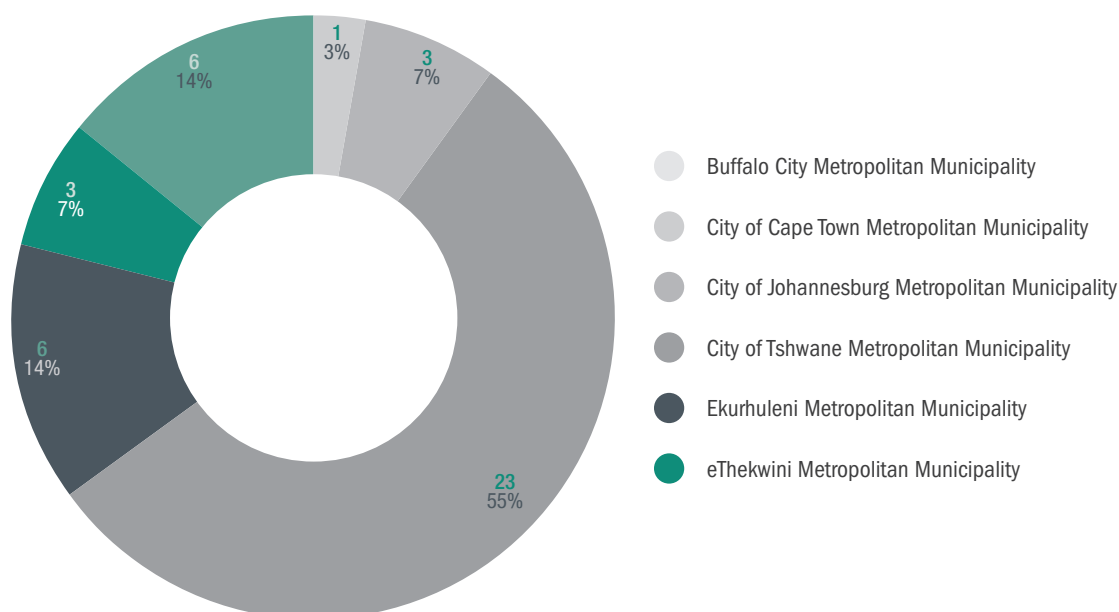
Figure 4 shows that over 40% of participants came from Johannesburg and eThekweni, and that participation was fairly evenly spread across the other member cities. An encouraging development was the increase in participation by the smaller cities, such as Mangaung.

**FIGURE 4:** Breakdown of participation at SACN learning events by member city (2017/18)



The Secretariat continues to distribute events and activities across the member cities, as far as possible, although cost considerations do result in the majority of events being held in Johannesburg.

**FIGURE 5:** Location of learning events (2017/18)



## Profile of people reached through other networking

SACN staff continue to be in high demand to attend and present at various events and forums. The tracking of these engagements will be presented in the next financial year, when the new MIS system is introduced.

## Learning and Policy Impacts

The policy and learning impacts that emerged during the year were:

- Ongoing maintenance of SACN's learning platforms, especially on topical issues such as the future of SA cities and the urban land question;
- Maintaining a level of media and stakeholder presence despite reduced knowledge outputs;
- Ongoing engagement with members and partners to ensure support and resources for the work of the Secretariat.

## Important Action items for the Next Financial Year

Key points for future attention are:

- To use the new MIS and monitoring systems.
- To focus on increasing research outputs and implementing the remainder of the 2021 Business Plan.
- To tighten financial commitments with members and partners in order to carry out planned work.
- To develop the plan and required research outputs for the 2021 State of Cities Report.







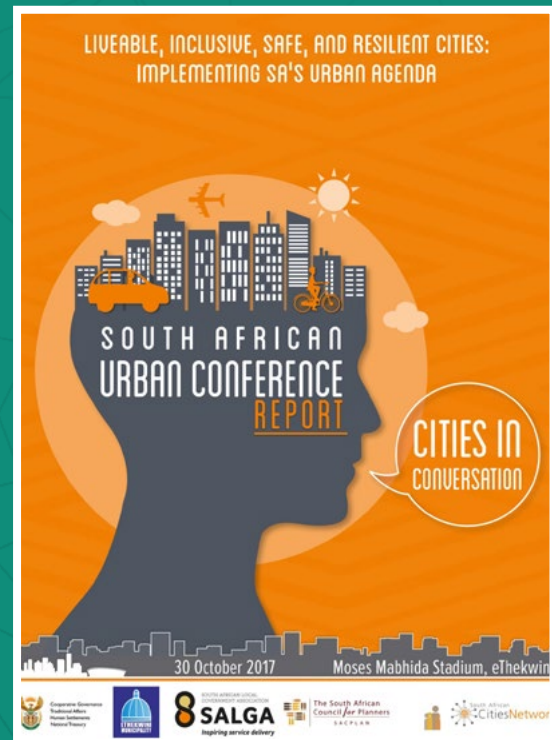
# PROGRAMME **HIGHLIGHTS**

The South African Cities Network (SACN) has a dedicated Programmes team that focuses on research and knowledge production for cities. Its work is guided by the Strategic Framework, which underpins the content developed and collated for the State of Cities Report that is published every five years. The Framework is influenced by various global and local development agendas, including the Sustainable Development Goals (SDGs), the New Urban Agenda (NUA), the Africa Agenda 2063, the National Development Plan (NDP), the Integrated Urban Development Plan (IUDF) and the SACN's City Development Strategy (CDS). The projects highlighted in this annual report were undertaken by the Programmes team in line with the Strategic Framework 2017/2018 to promote best practice on urban development and good governance.

## Urban Conference 2017

The second Urban Conference took place at Moses Mabida, eThekweni, on 30 October 2017. It was informed by the IUDF vision of building “liveable, safe, integrated, economically inclusive, and globally competitive cities”, which is closely aligned to SDG 11: “Making cities and human settlements inclusive, safe, resilient and sustainable”. The conference provided an opportunity to evaluate the policy drivers in the IUDF and their impact on sustainable urban development. Conference partners included the Department of Human Settlements (DHS), the Department of Cooperative Governance (DCOG), National Treasury, the South African Local Government Association (SALGA), the South African Council for Planners (SACPLAN), and the eThekweni Municipality.

The conference's objectives were communication, coordination, and intelligence. It sought to improve awareness and a common understanding, and to share strategies and insights among government actors and partners in South Africa's urban development network. Based on the IUDF strategic goals, the discussions revolved around four sub-themes: **inclusive growth**; **urban land** and **spatial integration**; **inclusion and access** and **urban governance**. A summary of the intense discussions, critical questions, and theoretical and evidence-based inputs can be found in the conference report [here](#).



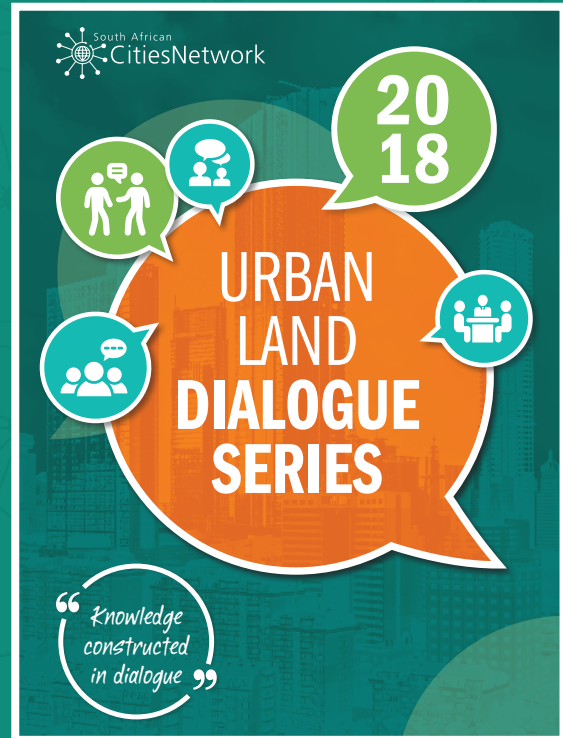
The conference was also an opportunity for participants to celebrate SACN's 15 years of existence, and to highlight the intelligence and work that the organisation has consistently contributed to the urban knowledge space.

## Urban Land Series

The Urban Land Series is guided by the IUDF. As part of this series, in 2018, SACN organised urban land dialogues in three provinces: Gauteng, Eastern Cape and Western Cape. Under the overarching theme of inclusive urban land transformation, the aim of these dialogues was to build better shared understandings of the many issues that underpin urban land relationships and, in so doing, develop and progress ideas for transforming South African cities. Urban areas are where inequality is most pronounced and economic activities are most concentrated. Cities are also where most dispossession and injustice have occurred.

The dialogues raised a number of pressing urban land reform issues. The report provides a synthesis of the common tensions and issues that emerged from the dialogues, but also highlights some region-specific urban land issues that were raised across the country. What emerges from the Urban Land Series is that dialogue – sharing and listening to each other – shifts perspectives and leads to the building of a collective view of the way forward, as required by the IUDF. In looking at the way forward, the series asks some critical questions, one of which is: *What will it take for the wealthy, powerful few to give up the right to define what the future looks like on terms that benefit the few and exclude the many?*

Read the complete report [here](#).



In March 2018, the South African Cities Network (SACN) held its second Urban Land Dialogues Series, in the provinces of Gauteng, Eastern Cape and Western Cape.

The dialogues took place during a week when land was receiving widespread attention, as all eyes were on the Gordon Institute of Business Science in Illovo where the President had convened a Summit to discuss details of agrarian land expropriation without compensation policy.

Under the overarching theme of inclusive urban land transformation, the aim of these dialogues was to build better shared understandings of the many issues that underpin urban land relationships and, in so doing, develop and progress ideas for transforming South African cities. Urban areas are where inequality is most pronounced and economic activities are most concentrated. Cities are also where most dispossession and injustice occurred – 82% of the land claims were in urban areas, but few were successfully resolved.

Each dialogue focused on a sub-theme

MONDAY 26 MARCH	TUESDAY 27 MARCH	WEDNESDAY 28 MARCH
Transforming our cities – what about urban land expropriation,	Giving meaning to equitable urban land redistribution – towards a land commission	Unlocking access to urban land – creating affordable housing solutions in the private sector

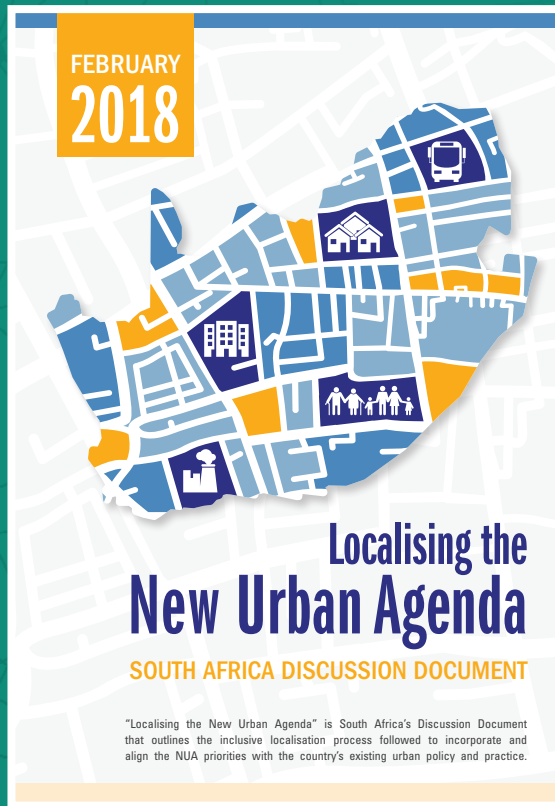
Informed by the Integrated Urban Development Framework (IUDF), which promotes an all-of-society approach to transforming South Africa's cities and towns, the dialogues were arranged in partnership with organisations that carry out urban land work and research, to ensure a broad representation of voices. The three dialogues, in three provinces, highlighted the importance of enabling diverse voices to be heard.

What emerged clearly was that dialogue – sharing and listening to each other – shifts perspectives and leads to the building of a collective view of the way forward, as required by the IUDF.

*“Young people want to move around. If we [the millennials] can have comfort, dignity and economic viability without owning land. If we can establish economic identity through different ways, then we don't need to own land/property.”*

2 URBAN LAND DIALOGUE SERIES 2018

# Localising the New Urban Agenda

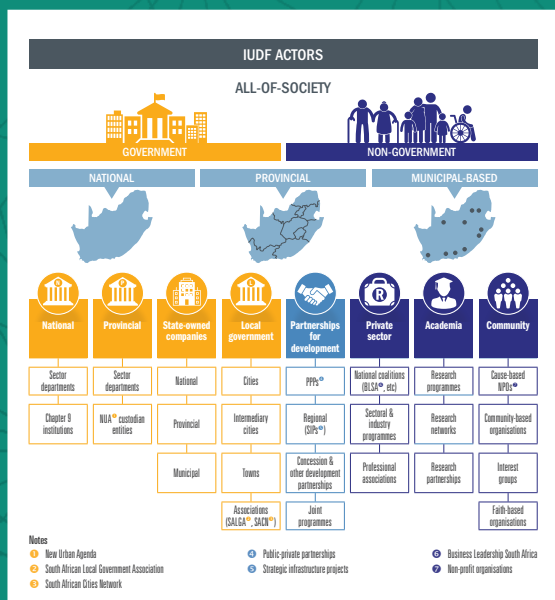


The United Nations adopted the New Urban Agenda (NUA) to provide guidance for planning and managing cities. It represents a shared vision for a better and more sustainable future – one in which all people have equal rights and access to the benefits and opportunities that cities can offer, and in which the international community reconsiders the urban systems and physical form of our urban spaces. It is a response to the rapid urbanisation taking place in cities and the mitigative actions that can be taken to reduce the implications of urbanisation.

Localising the New Urban Agenda is South Africa's response to the global initiative. This discussion document outlines an all-of-society localisation framework to incorporate and align the NUA and its priorities with the country's existing urban policy and practice. The localisation framework aligns the NUA to the IUDF with the aim of unifying the global, continental and national directives into an actionable programme for South Africa and its all-of-society approach. The report provides a framework for taking this work forward and is made up of three stages: Awareness and Alignment, Association and Actors, and Activities.

The report identifies the need for IUDF communication and outreach, the development of undated IUDF implementation plans (IUDF- IP+), stakeholder mapping and clear accountability frameworks. The report was presented by a South African delegation at the the 9th session of the World Urban Forum (WUF9) in 2018.

Read the complete report [here](#).





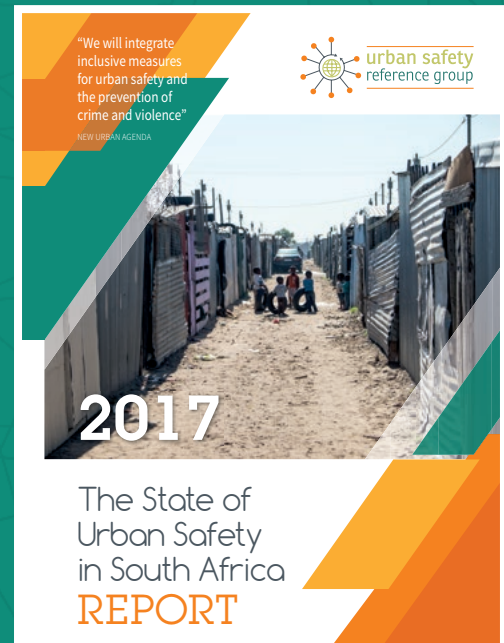
# State of Urban Safety in South Africa Report

Statistics show that cities are places not only of opportunity but also of inequality and high levels of violence and crime. The second edition of the State of Urban Safety in South Africa Report unpacks the state of crime and violence in South Africa's major cities. Annual urban safety reports provide an incremental update on the state of safety, crime and violence in the nine major municipalities. This particular report presents data taken from national crime statistics for the year 2016/17 and aggregates them to city level. By showing a city-level picture of crime trends, the reports aim to fill a reporting gap, as national crime statistics obscure the true distribution of crime. City-level data enables cities to tailor crime prevention strategies and target interventions where they are needed.

Overall, the reports seek to be a credible resource for all decision-makers and practitioners involved in different aspects of making cities safer. In advancing the agenda for integrated approaches to safety promotion, the reports are meant to strengthen the case for improved fiscal allocations to city urban safety functions (which hitherto remain unfunded mandates). The research responds more directly to the dearth of city-level crime data and the readability of police data by overlaying subjective data such as crime victims' perceptions, household income, education, geography and employment.

The urban safety project is done through the Urban Safety Reference Group (USRG) hosted by the SACN with support from the GIZ-Inclusive Violence and Crime Prevention (VCP) Programme. The work of the USRG aligns with the principles of the NUA and SDGs whose priorities place cities as central actors in sustainable development. The reporting actively explores the substance of "a city's role" and what value can be added to the existing work of local authorities to bring about safer cities. It is essential to understand, through an evidence-based approach, the institutional, structural and systemic gaps, and how they could be addressed, in addition to promoting outreach and advocacy among partners and audiences that can champion the safer cities agenda.

Read the complete report [here](#).



# Infrastructure Dialogue Compendium

Encouraging shared learning is one of the objectives of the SACN. The Infrastructure Dialogues provide a platform for discussions around how infrastructure in South Africa can be improved. The forum provides various stakeholders including senior government, private sector and civil society stakeholders with an opportunity for shared views and perspectives on critical issues affecting the infrastructure sector. The Compendium for 2017/2018 reflects on the four dialogues that took place and highlights the key themes that emerged. The dialogues covered are: Crowding in Infrastructure Investment, Industry, Innovation and Infrastructure, Black Participation and Transformation in the Infrastructure Sector, and Building for the Future.

Five common themes emerged from the dialogues: Use the existing system more effectively, do business differently, start small and local, change mindsets and find innovative funding arrangements. These themes showed some continuity with the previous year's themes, but the emphasis evolved and expanded. For example, the need for skills development and capacity building remained important but was not one of this year's main themes. The theme of shared understanding and commitment evolved to changing mindsets, while people at the centre expanded to the need to start small and local, and two new themes emerged: do business differently and find innovative funding arrangements. Overall, the dialogues highlight the importance of robust discussions and of encouraging more collaboration, shared learning and conversations to build bridges among stakeholders.

Read the complete report [here](#).





# The State of the Expanded Public Works Programme

Cities are the growth engine of the country's economy. However, in the third quarter of 2017, the unemployment rate in South Africa stood at 27.7%. More concerning is the unemployment rate among youth aged 15 to 34 years, which was at 38.6%. The public employment programmes (PEPs) respond to these statistics and continue to play a pivotal role in creating jobs, especially for the youth, women and people with disabilities. The Expanded Public Works Programme (EPWP) is at the centre of the PEPs for South Africa. Since 2004, it has created over 8.5 million jobs and, in its third phase of implementation, is targeting 55% for youth and women and 2% for people with disabilities. This demonstrates the programme's potential to reduce unemployment and alleviate poverty in South Africa, while contributing to economic growth.

The State of the Expanded Public Works Programme in South African Cities Report 2016/17 is the seventh publication in the series of reports produced by the SACN. The report outlines the progress and implementation of the EPWP by the cities in 2016/17, which was the third year of Phase III of the EPWP. The main body of the report gives an overview of EPWP Phase III targets, institutional arrangements, implementation, and challenges faced. The report also delves into case studies from the different cities and the impacts of the EPWP in a contextual setting.

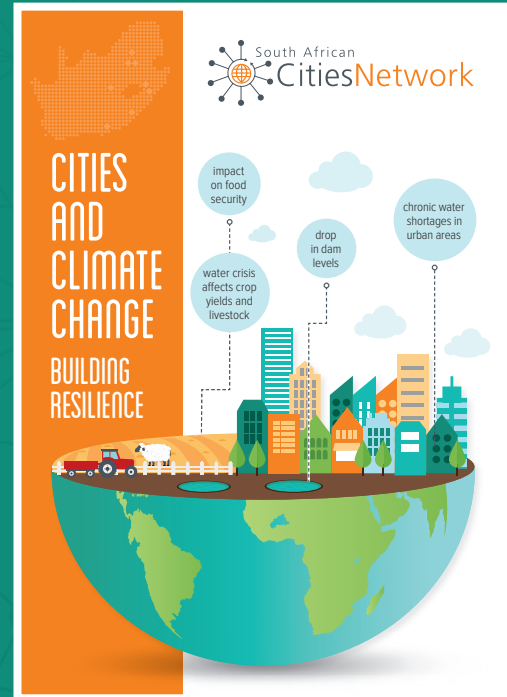
Read the complete report [here](#).



# Climate Change, Energy Efficiency and Waste Management

Previous SACN reports were repurposed into a brochure and two posters that highlight the challenges of climate change, the importance of energy efficiency and the need for more sustainable means of waste disposal.

In the South African context, the impact of climate change manifests in the form of powerful storms, flash floods, different rainfall and weather patterns, extreme temperatures and droughts that plague parts of the country. This brochure illustrates the impact of climate change on food security, transportation and water provision, and offers some guidance on how cities can respond to climate change. It also aims to contribute to the climate change response and call to action by local government, by identifying the building blocks for a municipal resilience system and key actions that a city can take to strengthen its resilience capacity. See the complete document [here](#).



## IMPACTS OF CLIMATE CHANGE

South Africa is a water-scarce country with a highly variable climate. Climate change is making the situation worse, causing severe storms, flash floods, changing rainfall and weather patterns, extreme temperatures and droughts. These climate change impacts are affecting food security, transportation and water provision, among others. Food security is highly dependent on the water and transport sectors, and this interlinkage emphasises the integrated nature of climate change.

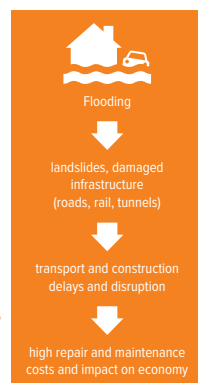


### FOOD SECURITY

Social upliftment and the creation of healthy and sustainable communities rely heavily on the capacity of a community to source or produce food locally. Climate change threatens both large-scale food production and local-level urban agriculture, which depend on favourable weather patterns to thrive. The reduced ability to produce food locally forces communities to access food from supermarkets, which may be costly for vulnerable households.

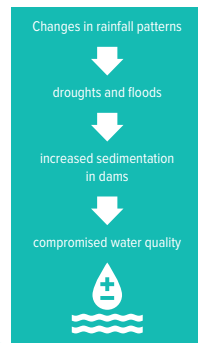
### TRANSPORTATION

Flooding negatively affects the road infrastructure and is exacerbated by poor and aging storm-water drainage. Yet across cities budgeting for and spending on maintaining infrastructure remain low. In addition, flooding has socio-economic impacts, as it disrupts mobility especially in low-lying and inappropriately located settlements, resulting in lost income.

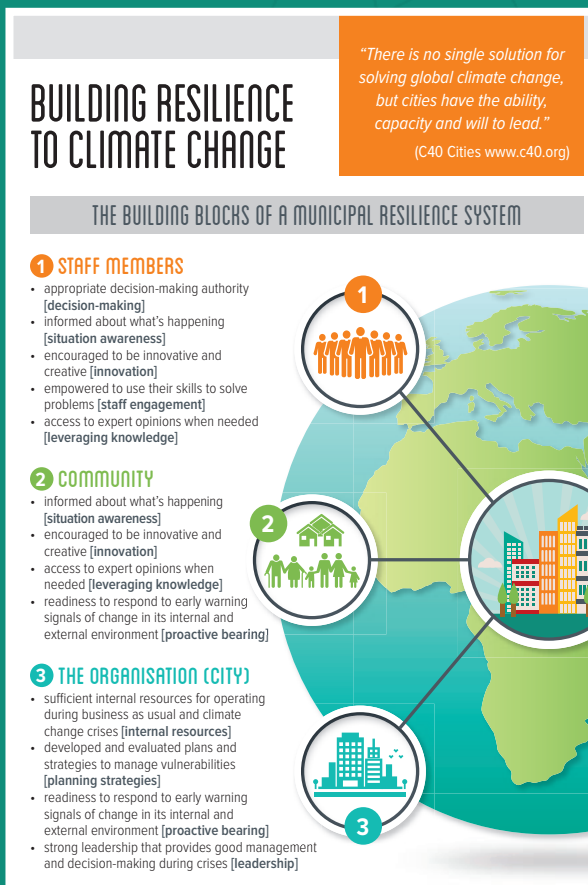
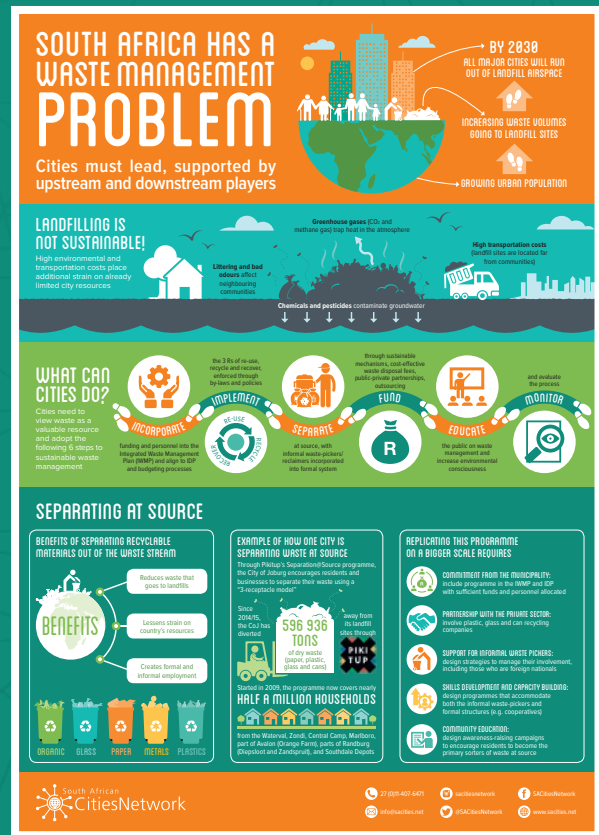
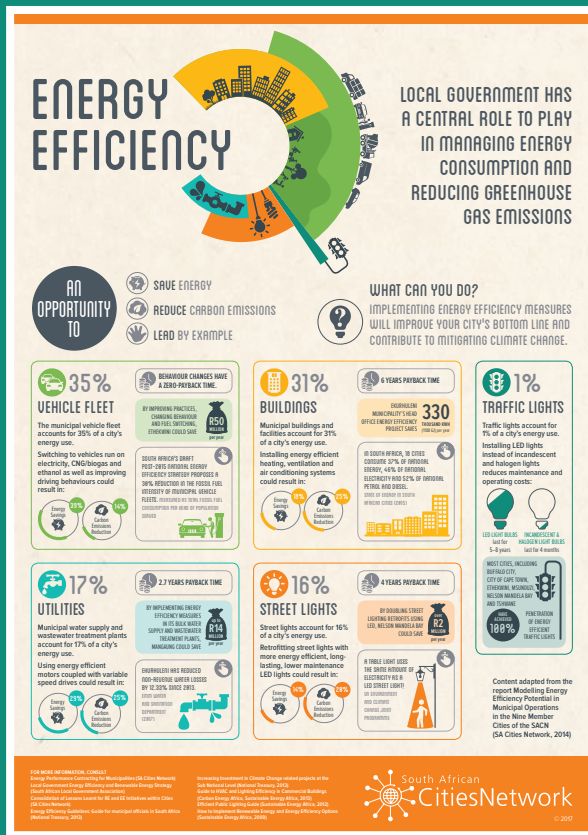


### WATER PROVISION

South Africa's water system is already under severe stress, which will be worsened by the increased climate variability. Common to all three cities is the high risk facing water provision, as increased temperatures imply increased water usage, which places pressure on existing city water reserves. At the same time, reduced rainfall and drought may result in shrinking dams and reservoir water levels, affecting agriculture, society and overall economy.







Local government has a central role to play in managing energy consumption and reducing greenhouse gas emissions. The main objective of the energy efficiency poster is to encourage further uptake of energy efficiency initiatives across city operations. One of the highlights is showing how implementing energy efficiency measures not only is an opportunity to mitigate climate change but also results in tangible monetary savings that can be used for other municipal projects.

South Africa is facing a solid waste management crisis. Landfill space is running out in cities, but landfilling remains a dominant method of solid waste disposal; hence the need to step up the call to action towards more sustainable waste management practices. This poster highlights the need for waste separation at source and shows that households have a crucial role to play in sustainable waste management.

## Conclusion

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The above reports and poster content reflect on the work done over the 2017/2018 financial year. The outputs developed and disseminated by the SACN show diversity in research content. They exemplify the diverse challenges that affect cities and the imminent need to respond to them through the support of strong evidence- and action-based research. This annual report also begins to collate some of the research that can be considered valuable for the forthcoming State of Cities Report.



# ANNEXES

## I. Output Detail: Learning Events

The following learning events were held in 2017/18:

	EVENT NAME	DATE	EVENT OBJECTIVE	THEME	EVENT TYPE	TOTAL NO. OF PARTICIPANTS
1	Second SCODA and Demographic Projections Training Workshop	03-Jul-17	To present progress to date on the South African Open Data Almanac (SCODA) and associated data projections.	CDS	Training Course	10
2	Knowledge Management Reference Group (KMRG)	05-Jul-17	To share experiences and methods of knowledge management among cities, supported by an online platform for continual sharing and exchange.	CDS	Reference Group	20
3	Third SCODA and Demographic Projections Training Workshop	07-Jul-17	To present progress to date on the South African Open Data Almanac (SCODA) and associated data projections.	CDS	Training Course	14
4	The Spatial Transformation of Intermediary Cities: Second Stakeholder Workshop	10-Jul-17	To share information about SACN's partnership with the University of Free State following our three prior exploratory projects about secondary cities; and to invite knowledge sharing to enable awareness and possible cooperation/leverage for the benefit of all.	CDS	Workshop	20
5	Fourth SCODA and Demographic Projections Training Workshop	17-Jul-17	To present progress to date on the South African Open Data Almanac (SCODA) and associated data projections.	CDS	Training Course	14
6	EPWP Reference Group Meeting	19-Jul-17	To share lessons among cities.	Productive Cities		30
7	SACN State of City Finances 2018: First Authors' Workshop	02-Aug-17	To have an inception meeting with the content managers of the project, Cornerstone Economic Research.	Well-Governed Cities	Workshop	14
8	Scenarios Workshop 1 of 3: Future of Planning for Urban Governance	04-Aug-17	To explore the manner in which contextual issues will shape the future governance environment and processes of cities, through an interactive process for creating future scenarios.	CDS	Workshop	19
9	7th Urban Indicators Reference Group Meeting	14-Aug-17	To improve data quality, exchange and coordination within cities; to improve and rationalise city reporting with external role-players; to focus on different data-related issues.	CDS	Reference Group	15
10	SEA-SALGA-SACN Urban Energy Network	16-Aug-17	To discuss electricity planning and energy efficiency, energy and transport linkages, micro-grids and financing sustainable energy development.	Sustainable Cities	Reference Group	74
11	Urban Safety Reference Group (USRG) Meeting	22-Aug-17	To continue peer-to-peer knowledge sharing among practitioners; to review and approve annual reference group work-plans; to learn urban safety and violence prevention context and approaches from the host city.	Well-Governed Cities	Reference Group	17
12	Launch: The State of Urban Safety in South Africa Report 2017	23-Aug-17	To launch The State of Urban Safety in South Africa Report 2017.	Well-Governed Cities		25
13	Inclusive City Economies Workshop	25-Aug-17	To discuss the framework for thinking about and measuring inclusive economies devised by the Rockefeller Foundation, and whether or not this framework provides a helpful provocation and entry point into the inclusive growth debate in South Africa.	Productive Cities	Workshop	
14	Built Environment Integration Task Team meeting	29-Aug-17	To inform, support and champion the work of the integrated built environment programme of the SACN to 2021; to learn together, "fail forward" and reflect on how to change the institutions tasked with transforming our cities.	Inclusive Cities	Meeting	16
15	Cocktail event: Launch of the SACN-AFD-DBSA Built Environment Integration research partnership	29-Aug-17	To provide an opportunity for cities to hear about the purpose and basis of the partnership; to generate awareness about the SACN Built Environment Programme of work; to provide an opportunity for partners to network with member cities' senior officials and political principles.	Inclusive Cities	Launch	28

	EVENT NAME	DATE	EVENT OBJECTIVE	THEME	EVENT TYPE	TOTAL NO. OF PARTICIPANTS
16	Scenarios Workshop 2 of 3: Future of Urban Economies	30-Aug-17	To explore the future of urban economies, through an interactive process aimed at creating future scenarios.	CDS	Workshop	15
17	Infrastructure Dialogues: Industry, Innovation and Infrastructure	31-Aug-17	To examine innovative ways of delivering and financing infrastructure; to discuss the barriers to innovation and ideas for improving collaboration and developing common roadmaps.	Productive Cities	Workshop	34
18	2nd International Relations (IR) Forum	07-Sep-17	To determine what cities are currently doing in the international relations space and their existing networks with continental and international counterparts; to establish an advocacy framework with the view of building an international content-driven agenda for South African cities; to drive and implement the advocacy framework; to consider strengthening and expanding existing networks with African cities to forward an Africa-centric cities agenda.	Other		14
19	Scenarios Workshop 3 of 3: Future of Urban Spatial Form	18-Sep-17	To explore the future of urban spatial form, through an interactive process aimed at creating future scenarios.	CDS	Workshop	34
20	Workshop on roadmap for cities transition to sustainable development	21-Sep-17	To co-create an operational implementation tool for transitioning to sustainable cities (SC); to workshop the broader framework from which cities can build their own SC models; to identify selected key indicators for M&E.	Sustainable Cities	Workshop	14
21	Workshop on roadmap for cities' transition to Sustainable Development	18-Oct-17	To develop a framework/model for sustainable cities.	Sustainable Cities	Reference Group	14
22	KMRG	29-Oct-17	To share experiences and methods of knowledge management among cities, supported by an online platform for continual sharing and exchange.	CDS	Reference Group	15
23	South African Urban Conference	30-Oct-17	To assess the IUDF policy drivers for sustainable urban development; to look at how the country's current policies and programmes may assist and guide the implementation of SDG11 and NUA; to provide a stimulating platform for urban partners and stakeholders to learn and exchange knowledge.	CDS	Conference	211
24	3rd International Relations Forum	31-Oct-17	To determine what cities are currently doing in the international relations space and their existing networks with continental and international counterparts; to establish an advocacy framework with the view of building an international content-driven agenda for South African cities; to drive and implement the advocacy framework; to consider strengthening and expanding existing networks with African cities to forward an Africa-centric cities agenda.	Sustainable Cities	Forum	21
25	Infrastructure Dialogue: Black Participation and Transformation in the Infrastructure Sector	16-Nov-17	To reflect on the lack of transformation in the infrastructure sector, the missed opportunities and practical challenges facing the construction and property sectors, in particular for black-owned companies.	Productive Cities		35
26	Session Brief: Dinner conversation on Urban Safety	20-Nov-17	To enable USRG members and practitioners from the three spheres of government to interact in a relaxed atmosphere with principals from relevant national departments and convening partner institutions.	Well-Governed Cities	Working Session	36



	EVENT NAME	DATE	EVENT OBJECTIVE	THEME	EVENT TYPE	TOTAL NO. OF PARTICIPANTS
27	2nd SOCF Writer's Workshop	27-Nov-17	To discuss progress on the publication with the content managers of the project, Cornerstone Economic Research.	Well-Governed Cities	Workshop	9
28	EPWP Reference Group Meeting	30-Nov-17	To share lessons among cities.	Productive Cities	Reference Group	24
29	Strategic Conversation: SACN Cities Debate	30-Jan-18	To debate what needs to be done to achieve the NDP 2030 objectives and the Global Agenda 2030 goals – who must take the lead and on what, which actors need to be involved and what is required from them.	CDS	Meeting	98
30	4th International Relations Forum	31-Jan-18	To determine what cities are currently doing in the international relations space and their existing networks with continental and international counterparts; to establish an advocacy framework with the view of building an international content-driven agenda for South African cities; to drive and implement the advocacy framework; to consider strengthening and expanding existing networks with African cities to forward an Africa-centric cities agenda.	Other	Seminar	18
31	8th Urban Indicators Reference Group Meeting	14-Feb-18	To improve data quality, exchange and coordination within cities; to improve and rationalise city reporting with external role-players; to focus on different data-related issues.	CDS	Reference Group	19
32	Infrastructure Dialogues: Building for the Future in South Africa's Cities	15-Feb-18	To explore what should be considered when building for the future in South African cities, given the city infrastructure legacies, digital infrastructure and the role of development finance institutions.	Well-Governed Cities	Forum	45
33	EPWP Reference Group Meeting	01-Mar-18	To share lessons among cities.	Productive Cities	Reference Group Meeting	39
34	Urban Land Dialogue Series 2018 – Gauteng	26-Mar-18	To provide constructive insight into land transformation through expropriation in an urban context.	Inclusive Cities	Workshop	47
35	Urban and Dialogue Series 2018 – Eastern Cape	27-Mar-18	To debate the practicalities and substance of establishing an urban land commission that will provide the appropriate institutional response to land distribution in cities.	Inclusive Cities	Workshop	42
36	Urban Land Dialogue Series 2018 – Western Cape	28-Mar-18	To build consensus around the meaning of "affordable" housing; to untangle some of the economic, political, social and policy barriers to unlocking functional inclusive housing for all on well-located land.	Inclusive Cities	Workshop	64
37	5th International Relations Forum	28-Mar-18	To determine what cities are currently doing in the international relations space and their existing networks with continental and international counterparts; to establish an advocacy framework with the view of building an international content-driven agenda for South African cities; to drive and implement the advocacy framework; to consider strengthening and expanding existing networks with African cities to forward an Africa-centric cities agenda.	Other	Forum	18
38	City Water Managers Forum	27-Mar-18	To share experiences on what cities are doing to address water security and share lessons on drought management strategies; to discuss ways in which innovation and technology are being or can be used by cities to address water security, resilience and drought management; to review the National Treasury's Reporting Reforms Initiative Report and assess the Water and Sanitation Performance Indicators.	Sustainable Cities	Forum	20

	EVENT NAME	DATE	EVENT OBJECTIVE	THEME	EVENT TYPE	TOTAL NO. OF PARTICIPANTS
39	Advances in Mapping and Planning for Accessibility in Cities	09-Apr-18	To present recent advances in the measurement and mapping of accessibility (or reachability) based on land use and transport data; to consider the relevance of these techniques when planning for more connected and inclusive cities.	Inclusive Cities	Seminar	31
40	USRG Meeting	18-Apr-18	To continue peer-to-peer knowledge sharing among practitioners; to review and approve annual reference group work-plans; to learn urban safety and violence prevention context and approaches from the host city.	Well-Governed Cities	Reference Group Meeting	25
41	KMRG	10-May-18	To share experiences and methods of knowledge management among cities, supported by an online platform for continual sharing and exchange.	CDS	Reference Group	18
4	Built Environment Integration Task Team	16-May-18	To inform, support and champion the work of the integrated built environment programme of the SACN to 2021; to learn together, fail forward and reflect on how to change the institutions tasked with transforming our cities.	Inclusive Cities	Reference Group Meeting	15
43	Infrastructure Dialogues: Intermediate Cities (ICMs) as Destinations for Investment	17-May-18	To discuss how to manage the development of ICMs, so that the urban dividend can be reaped, as well as the infrastructure needs and investment opportunities present in ICMs.	Well-Governed Cities	Forum	40
44	SACN Roundtable with Prof. Toni Griffin: Developing effective city strategies through co-production and design – Lessons from Detroit	30-May-18	To share Prof. Griffin's experience with a small group of invited participants; to reflect on participants' experience of long-term inclusive strategy design in their cities.	CDS	Workshop	33

## II. Output Detail: Publications

The following publications were completed in 2017/18:

	PUBLICATION NAME	DATE	PUBLICATION OBJECTIVE	THEME
1	Common Data Framework for Cities Business Plan	31-Jul-17	This document defines the strategy that SACN is taking in relation to city data and indicators for the period 2017–2021. It defines the Common Data Framework for cities, highlighting the main projects and associated budgets, to be undertaken by the organisation on behalf of member cities.	CDS
2	Ekhaya Residential City Improvement on Economic Development for Inclusive Cities	31-Jul-17	The poster and its content was presented at Metropolis World Congress 2017 and is a collaboration between SACN, Gauteng City-Region Observatory and the Johannesburg Development Agency.	Inclusive Cities
3	The State of Urban Safety in South Africa Report - 2017	01-Aug-17	This report is an update of the state of crime and violence in South Africa's major cities, and a review of knowledge generation and sharing among city safety practitioners over the past year. It is the second in a series of annual reports that aim to present, analyse and assess city-level trends incrementally, to enable better urban safety planning and strategy development.	Well-Governed Cities
4	The State of Urban Safety in South Africa 2017 - Flyer	01-Aug-17	This flyer gives an overview of the global, regional and national evolution of urban safety topics, and an update of the African Forum for Urban Safety (AFUS) as a new platform for advancing a city's role at a continental level.	Well-Governed Cities
5	Infrastructure Dialogues: Industry, Innovation and Infrastructure	31-Aug-17	A report that captures the key ideas and discussion at the 44th Infrastructure Dialogue, which examined innovative ways of delivering and financing infrastructure, and discussed the barriers to innovation and ideas for improving collaboration and developing common roadmaps.	Productive Cities
6	The Urban Land Paper Series: Vol 2 (Draft papers)	01-Sep-17	This series of papers uses a transit oriented development lens to understand issues of urban land. The draft papers are presented for discussion and conversation to inform a wider debate on the issue of urban land.	Inclusive Cities
7	Spatial Transformation: Are Intermediate Cities Different?	01-Oct-17	The fourth in a series of differentiation studies by SACN and the University of Free State (I Secondary Cities; II Outside the Core; III Hidden Urbanities). This volume uses 11 case studies to explore the question of whether or not the IUDF's spatial transformation concept is somehow unique in the case of intermediate cities.	CDS
8	The State of the Expanded Public Works Programme in South African Cities Report 2016-2017	01-Nov-17	The seventh of this annual reporting series, the report outlines the progress and implementation of the EPWP by the cities in 2016/17, which was the third year of Phase III of the EPWP. The main body of the report gives an overview of EPWP Phase III targets, institutional arrangements, implementation, and challenges faced. This is followed by individual city reports (Part III) that focus on the progress made and key successes in implementing the EPWP. Part IV describes some best-practice case studies that have been documented by the EPWP Reference Group, to support shared learning from experience.	Productive Cities
9	Infrastructure Dialogue: Black Participation and Transformation in the Infrastructure Sector	16-Nov-17	A report that captures the key ideas and discussions at the 45th Infrastructure Dialogue, which reflected on the lack of transformation in the infrastructure sector, the missed opportunities and practical challenges facing the construction and property sectors, in particular for black-owned companies.	Productive Cities
10	SA Urban Conference 2017 Report	01-Nov-17	This report provides an overview of the SA Urban Conference, which was hosted by SACN in collaboration with the Departments of Human Settlements (DHS) and Cooperative Governance (DCOG), the National Treasury, the South African Local Government Association (SALGA), South African Council for Planners (SACPLAN), and the eThekweni Municipality.	CDS
11	Energy Efficiency	01-Dec-17	A poster that demonstrates what cities can do to implement energy efficiency measures and the benefits thereof.	Sustainable Cities
12	Climate Change	01-Dec-17	A brochure that illustrates the impact of climate change on food security, transportation and water provision, and provides some guidance on how cities can build resilience to climate change.	Sustainable Cities
13	Waste Management	01-Dec-17	A poster that encourages cities to take the lead on sustainable waste management.	Sustainable Cities



	PUBLICATION NAME	DATE	PUBLICATION OBJECTIVE	THEME
14	Localising the New Urban Agenda (NUA)	01-Feb-18	A report that outlines the crafting and realising of a NUA Localisation Framework for South Africa, through the progressive implementation of the IUDF. It contains an overview of the NUA and IUDF, a description of South Africa's design approach and the analysis undertaken, and South Africa's draft localisation framework for the NUA.	CDS
15	Infrastructure Dialogues: Building for the Future in South Africa's Cities	15-Feb-18	A report that captures the key ideas and discussions from the 46th Infrastructure Dialogue, which explored what should be considered when building for the future in South African cities, given the city infrastructure legacies, digital infrastructure and the role of development finance institutions.	Well-Governed Cities
16	Infrastructure Dialogues: Intermediate Cities as Destinations for Investment	17-May-18	A report that captures the key ideas and discussions from the 47th Infrastructure Dialogue, which discussed how to manage the development of ICMs, so that the urban dividend can be reaped, and the infrastructure needs and investment opportunities present in ICM.	Productive Cities
17	Urban Land Dialogue Series	01-Jun-18	A report that captures the conversations that took place at the urban land dialogues held in Gauteng, Eastern Cape and Western Cape, and provides a set of emerging questions to inform future discussions.	Inclusive Cities





# **ANNUAL**

## FINANCIAL STATEMENTS

For the Year Ended 30 June 2018

## General Information

<b>Country of incorporation and domicile</b>	South Africa
<b>Nature of business and principal activities</b>	Rendering of professional services to government agencies and municipalities to promote good governance and management in South African cities.
<b>Directors</b>	<div>M.P. Tau</div> <div>J. Ngobeni</div> <div>S.M.M. Mbanga</div> <div>T. Mea</div> <div>A. Nel</div> <div>J. Mettler</div> <div>C.X. George</div> <div>K. Ngema</div> <div>J.P. Cronin</div> <div>A. Mtsi</div> <div>Z.A. Kota-Fredericks</div> <div>M. Mokoena</div> <div>S. Sithole</div> <div>C. Ndlela</div>
<b>Registered office</b>	<div>Joburg Metro Building</div> <div>158 Civic Boulevard street</div> <div>Braamfontein</div> <div>Johannesburg</div> <div>2017</div>
<b>Business address</b>	<div>Joburg Metro Building</div> <div>158 Civic Boulevard street</div> <div>Braamfontein</div> <div>Johannesburg</div> <div>2017</div>
<b>Postal address</b>	<div>P.O. Box 32160</div> <div>Braamfontein</div> <div>Johannesburg</div> <div>2017</div>
<b>Company Registration Number</b>	2002/031754/08
<b>Non-Profit Company Number</b>	032-488-NPO
<b>Auditors</b>	<div>PKF Octagon Inc.</div> <div>Registered Auditors</div>
<b>Level of assurance</b>	These financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.

## Index

The reports and statements set out below comprise the financial statements presented to the shareholder:

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The following supplementary information does not form part of the financial statements and is unaudited:

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### Level of assurance

These financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.

## Directors' Responsibilities and Approval

The Directors are required by the Companies Act of South Africa, to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standard for Small and Medium-sized Entities. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standard for Small and Medium sized Entities and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the Directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Directors have reviewed the company's cash flow forecast for the year to 30 June 2019 and, in the light of this review and the current financial position, They are satisfied that the company has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the company's financial statements. The financial statements have been examined by the company's external auditors and their report is presented on pages 46 to 48.

The financial statements set out on pages 51 to 66, which have prepared on the going concern basis, were approved by the board of directors on 23 September 2020 and were signed by:



Mpho Parks Tau  
CHAIRPERSON



Mr SM Mbanga  
CHAIRPERSON

## Independent Auditor's Report

### Opinion

We have audited the financial statements of South African Cities Network (NPC) (the company) set out on pages 51 to 66, which comprise the statement of financial position as at 30 June 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of South African Cities Network (NPC) as at 30 June 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report. We are independent of the company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional

Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of Matter

#### Registration for Value Added Tax (VAT)

We draw attention to note 5 to the financial statements which indicates that the company has not complied with certain sections of the Value Added Tax Act for the period 1 June 2006 to date. The company is not yet registered for VAT and did not declare and pay any output VAT to the South Africa Revenue Service (SARS). In 2011 the company obtained an instruction for SARS to register for VAT and declare and pay over VAT. The company completed their application process and is currently waiting for the outcome for the application form SARS. The VAT liability reflected in the statement of financial position included the management estimate of the VAT outstanding amount and the related penalties and interest up to the reporting date.



Accordingly, should SARS demand the company to pay the VAT amount due, the company would need to negotiate a payment strategy with SARS as it does not have enough liquid funds to pay the balance due.

## Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled “South African Cities Network (NPC) financial statements for the year ended 30 June 2018”, which includes the Directors’ Report as required by the Companies Act of South Africa and the Detailed Income Statement, which we obtained prior to the date of this report. The other information does not include the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**PKF OCTAGON**

PKF Octagon Inc.

DIRECTOR: FLORIS SCHALEKAMP

REGISTERED AUDITOR

23 SEPTEMBER 2020

JOHANNESBURG

## Directors' Report

The Directors have pleasure in submitting their report on the financial statements of South African Cities Network (NPC) for the year ended 30 June 2018.

### 1. Main business and operations

South African Cities Network (NPC) was established in 2002 by the South African Minister for Department of Cooperative Governance and Traditional Affairs (former Department of Local Government) in collaboration with the Mayors of South Africa's largest cities and the South African Local Government Association (SALGA), as a non-profit company, with mandate to:

- Promote good governance and management in South African cities;
- Analyse strategic challenges facing South African cities, particularly in the context of global economic integration and national development challenges;
- Collect, collate, analyse, assess, disseminate, and apply the experience of large city government in South African context, and
- Promote shared learning partnerships between different spheres of government to support the management of South African cities.

There have been no material changes to the nature of the company's business from the prior year.

### 2. Review of financial results and activities

The SACN is a not-for-profit voluntary membership organisation. In order to achieve its objectives, the SACN works with a broad range of organisations including national and provincial government, private sector organisations, universities and research institutes, regional and global networks dealing with city and urban issues and other non-governmental organisations. The financial statements have been prepared in accordance with International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa. The accounting policies have been applied consistently compared to the prior year, except for the adoption of new or revised accounting standards as set out in note 17.

The company recorded a profit after tax for the year ended 30 June 2018 of R5 848 552. This represented an increase from the loss after tax of the prior year of R2 665 430.

Company revenue increased from R29 029 034 in the prior year to R28 352 229 for the year ended 30 June 2018.

Company cash flows from operating activities increased by from R4 862 453 in the prior year to R1 596 217 for the year ended 30 June 2018.

Full details of the financial position, results of operations and cash flow of the company are set out in these financial statements.

### 3. Directors

The Directors in office at the date of this report are as follows:

DIRECTORS	OFFICE	DESIGNATION	DIRECTORS	OFFICE	DESIGNATION
M.P. Tau	SALGA	Non-executive	J Ngobeni	City of Tshwane	Non-executive
S.M.M. Mbanga	Chief Executive Officer	Executive	T Mea	Mangaung Municipality	Non-executive
A Nel	Acting Chairperson	Non-executive	J Mettler	Nelson Mandela Metropolitan	Non-executive
C.X. George	SALGA	Non-executive	K Ngema	Ekurhuleni Metropolitan	Non-executive
J.P. Cronin	Department of Public Works	Non-executive	A Mtsi	Buffalo City Municipality	Non-executive
Z.A. Kota-Fredericks	Department of Human Settlements	Non-executive	M Mokoena	City of Johannesburg	Non-executive
S Sithole	eThekweni Metropolitan Municipality	Non-executive	C Ndlela	Msunduzi Municipality	Non-executive

The change in directors are dependent on the change in politics affecting the municipality.

### 4. Events after the reporting period

The Directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

### 5. Going concern

The Directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis. The Directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The Directors are not aware of any new material changes that may adversely impact the company. The Directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company other than the non-compliance with the Value Added Tax Act.

### 6. Auditors

PKF Octagon Inc. was appointed in office as auditors for the company for 2018.

### 7. Secretary

The company secretary is Mrs Yolisa Dambuza.

### 8. Date of authorisation for issue of financial statements

The financial statements have been authorised for issue by the Directors on Wednesday, 09 September 2020. No authority was given to anyone to amend the financial statements after the date of issue.

## Statement of Financial Position

as at 30 June 2018

Figures in Rand	Notes	2018	2017
<b>ASSETS</b>		<b>20 552 784</b>	<b>11 165 146</b>
<b>Non current assets</b>		<b>210 249</b>	<b>563 545</b>
Plant and equipment	2	189 023	563 545
Prepayments		21 226	-
<b>Current assets</b>		<b>20 342 535</b>	<b>10 601 601</b>
Trade and other receivables	3	12 309 048	4 316 029
Cash and cash equivalents	4	8 033 487	6 285 572
<b>Total assets</b>		<b>20 552 784</b>	<b>11 165 146</b>
<b>EQUITY AND LIABILITIES</b>		<b>20 552 784</b>	<b>11 165 146</b>
<b>Equity</b>		<b>(464 211)</b>	<b>(6 312 763)</b>
Accumulated loss		(464 211)	(6 312 763)
<b>Current Liabilities</b>		<b>21 016 995</b>	<b>17 477 909</b>
Trade and other payables	5	12 784 495	14 331 025
Deferred income	6	8 232 500	3 146 884
<b>Total Equity and Liabilities</b>		<b>20 552 784</b>	<b>11 165 146</b>

## Statement of Comprehensive Income

Figures in Rand	Note(s)	2018	2017
Revenue	7	28 352 229	29 029 034
Other income	9	129 071	4 887 441
Operating expenses		(23 097 016)	(31 386 716)
<b>Operating gain (deficit)</b>	11	<b>5 384 284</b>	<b>2 529 759</b>
Investment revenue	10	464 268	135 671
<b>Gain (deficit) for the year</b>		<b>5 848 552</b>	<b>2 665 430</b>
Other comprehensive income		—	—
<b>Total comprehensive gain (deficit) for the year</b>		<b>5 848 552</b>	<b>2 665 430</b>

## Statement of Changes in Equity

Figures in Rand	Retained income	Total equity
<b>Balance at 01 July 2016</b>	<b>(8 978 193)</b>	<b>(8 978 193)</b>
Deficit for the year	2 665 430	2 665 430
Other comprehensive income	—	—
<b>Total comprehensive deficit for the year</b>	<b>2 665 430</b>	<b>2 665 430</b>
<b>Balance at 01 July 2017</b>	<b>(6 312 763)</b>	<b>(6 312 763)</b>
Gain for the year	5 848 552	5 848 552
Other comprehensive income	—	—
<b>Total comprehensive income for the year</b>	<b>5 848 552</b>	<b>5 848 552</b>
<b>Balance at 30 June 2018</b>	<b>(464 211)</b>	<b>(464 211)</b>

## Statement of Cash Flows

Figures in Rand	Note(s)	2018	2017
<b>Cash flows from operating activities</b>			
Cash generated from operations	13	1 131 949	4 726 782
Interest income		464 268	135 671
<b>Net cash from operating activities</b>		<b>1 596 217</b>	<b>4 862 453</b>
<b>Cash flows from investing activities</b>			
Purchase of plant and equipment	2	(44 040)	(374 974)
Sale of plant and equipment	2	195 738	589
<b>Net cash from investing activities</b>		<b>151 698</b>	<b>(374 385)</b>
<b>Total cash movement for the year</b>		<b>1 747 915</b>	<b>4 488 068</b>
Cash at the beginning of the year		6 285 572	1 797 504
<b>Total cash at end of the year</b>	4	<b>8 033 487</b>	<b>6 285 572</b>



## Accounting Policies

### 1. Basis of preparation and summary of significant accounting policies

The financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standard for Small and Medium-sized Entities, and the Companies Act of South Africa. The financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with the previous period, except for the changes set out in note 17- First time adoption of the the International Financial Reporting Standard for Small and Medium sized Entities.

#### 1.1 Significant judgements and sources of estimation uncertainty

##### Critical judgements in applying accounting policies

Management are required to make critical judgements in applying accounting policies from time to time. The judgements, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements, are outlined as follows:

##### Key sources of estimation uncertainty

##### Useful lives of property, plant and equipment

The company reviews the estimated useful lives of property, plant and equipment when changing circumstances indicate that they may have changed since the most recent reporting date. During the current year, the Directors determined that the useful lives of certain items of surveillance equipment should be shortened, due to developments in technology.

##### Impairment testing

The company reviews and tests the carrying value of property, plant and equipment, investment property on the cost model and intangible assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. When such indicators exist, management determine the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs.

##### Value Added Tax

The company is not yet registered for VAT and , as such, did not declare any VAT outputs on income received to date. The VAT amount as reflected on the financial statements is based on management best estimanet of the amount payable including penalties and interest.

## 1.2 Plant and equipment

Plant and equipment are tangible assets which the company holds for its own use or for rental to others and which are expected to be used for more than one period.

Plant and equipment is initially measured at cost.

Cost includes costs incurred initially to acquire or construct an item of plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of plant and equipment, the carrying amount of the replaced part is derecognised.

Expenditure incurred subsequently for major services, additions to or replacements of parts of plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the company and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the period in which they are incurred.

Plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses, except for land which is stated at cost less any accumulated impairment losses.

## 1.2 Plant and equipment (continued)

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the company.

The useful lives of items of plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	6 years
Office equipment	Straight line	5 years
IT equipment	Straight line	3 years

When indicators are present that the useful lives and residual values of items of plant and equipment have changed since the most recent annual reporting date, they are reassessed. Any changes are accounted for prospectively as a change in accounting estimate.

Impairment tests are performed on plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

## 1.3 Financial instruments

### Initial measurement

Financial instruments are initially measured at the transaction price (including transaction costs except in the initial measurement of financial assets and liabilities that are measured at fair value through profit or loss) unless the arrangement constitutes, in effect, a financing transaction in which case it is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

### Financial instruments at amortised cost

These include loans, trade receivables and trade payables. Those debt instruments which meet the criteria in section 11.8(b) of the standard, are subsequently measured at amortised cost using the effective interest method. Debt instruments which are classified as current assets or current liabilities are measured at the undiscounted amount of the cash expected to be received or paid, unless the arrangement effectively constitutes a financing transaction.

At each reporting date, the carrying amounts of assets held in this category are reviewed to determine whether there is any objective evidence of impairment. If there is objective evidence, the recoverable amount is estimated and compared with the carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

### Financial instruments at cost

Equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably without undue cost or effort are measured at cost less impairment.

### Financial instruments at fair value

All other financial instruments, including equity instruments that are publicly traded or whose fair value can otherwise be measured reliably, without undue cost or effort, are measured at fair value through profit and loss.

If a reliable measure of fair value is no longer available without undue cost or effort, then the fair value at the last date that such a reliable measure was available is treated as the cost of the instrument. The instrument is then measured at cost less impairment until management are able to measure fair value without undue cost or effort.

## 1.4 Tax

### Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

This entity is a non-profit organisation and, as a result tax is not levied on any profit.

## 1.5 Impairment of assets

The company assesses at each reporting date whether there is any indication that property, plant and equipment or intangible assets or goodwill or investment property on the cost model may be impaired.

If there is any such indication, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (or group of assets) in prior years. A reversal of impairment is recognised immediately in profit or loss.

## 1.6 Revenue: Government grants

Grants that do not impose specified future performance conditions are recognised in income when the grant proceeds are receivable.

Grants that impose specified future performance conditions are recognised in income only when the performance conditions are met.

Grants received before the revenue recognition criteria are satisfied are recognised as a liability.

Grants are measured at the fair value of the asset received or receivable.

## 1.7 Revenue: Subscriptions

Service revenue is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The Stage of completion is determined by surveys of work performed. When the outcome of a transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest is recognised, in profit or loss, using the effective interest rate method.

Deferred income and government grants are recognised until such time as the services is rendered or the grant's performance conditions are met, the grant is recognised as deferred income in the statement of financial position.

## Notes to the Financial Statements

### 2. Plant and equipment

	2018			2017		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	171 873	(139 003)	32 870	187 521	(83 943)	103 578
Office equipment	111 851	(111 851)	–	133 086	(125 592)	7 494
IT equipment	333 533	(177 380)	156 153	921 972	(469 499)	452 473
<b>Total</b>	<b>617 257</b>	<b>(428 234)</b>	<b>189 023</b>	<b>1 242 579</b>	<b>(679 034)</b>	<b>563 545</b>

#### Reconciliation of plant and equipment - 2018

	Opening balance	Additions	Depreciation	Impairment loss	Closing balance
Furniture and fixtures	103 578	–	–	(70 708)	32 870
Office equipment	7 494	–	–	(7 494)	–
IT equipment	452 473	44 040	(195 738)	(144 622)	156 153
<b>Total</b>	<b>563 545</b>	<b>44 040</b>	<b>(195 738)</b>	<b>(222 824)</b>	<b>189 023</b>

#### Reconciliation of plant and equipment - 2017

	Opening balance	Additions	Depreciation	Impairment loss	Closing balance
Furniture and fixtures	122 479	30 516	–	(49 417)	103 578
Office equipment	14 983	–	(7 489)	–	7 494
IT equipment	205 657	344 458	–	(97 642)	452 473
<b>Total</b>	<b>343 119</b>	<b>374 974</b>	<b>(7 489)</b>	<b>(147 059)</b>	<b>563 545</b>

### 3. Trade and other receivables

	2018	2017
Trade receivables	12 309 048	209 885
Accrued income	–	4 106 144
<b>Total</b>	<b>12 309 048</b>	<b>4 316 029</b>

## 4. Cash and cash equivalents

	2018	2017
Cash and cash equivalents consist of:		
Cash on hand	1 500	1 500
Bank balances	159 409	670 135
Short-term deposits	—	66
Investment balances	7 872 578	5 613 871
	<b>8 033 487</b>	<b>6 285 572</b>

## 5. Trade and other payables

	2018	2017
Trade payables	938 649	1 707 549
VAT	10 776 997	11 364 184
Accrued leave pay	260 274	—
Other payables and accruals	337 739	339 608
Employee cost related accruals	470 836	919 684
	<b>12 784 495</b>	<b>14 331 025</b>

### Value added tax

In 2011 the company obtained instruction from the South African Revenue Services (SARS) to be registered for Value Added Tax (VAT). Currently, the company is not yet registered for VAT and, as such, did not declare any VAT outputs on income received to date. In 2011, the company applied for the voluntary disclosure program (VDP) at SARS. Following numerous written and verbal communication, as well as various meetings with SARS, the directors have been informed that the VDP application was still being processed. Due to the delay the directors have escalated the matter with the Ministry and Department of Co-operative Government and Traditional Affairs (COGTA) and are awaiting feedback. The liability reflected in the statement of financial position is based on the calculated VAT amount (capital) as well as the calculated penalties and interest. SARS can at their discretion waive the penalties or they can levy 200% additional taxes as stated in the VAT Act. Refer to the emphasis of matter paragraph in the audit report.

The Directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company other than the non-compliance with the Value Added Tax Act.

## 6. Deferred income

	2018	2017
Government grants	8 232 500	3 146 884

## 7. Revenue

Figures in Rand	2018	2017
Buffalo City Municipality	2 376 665	1 815 000
Ekurhuleni Metropolitan Municipality	2 376 665	1 815 000
eThekweni Metropolitan Municipality	2 376 665	1 815 000
City of Johannesburg	2 376 665	1 815 000
Mangaung Municipality	2 376 665	1 815 000
Msunduzi Municipality	2 376 664	1 815 000
Nelson Mandela Metropolitan Municipality	2 376 664	1 815 000
City of Tshwane	2 376 664	1 815 000
Grants	9 338 912	14 509 034
	<b>28 352 229</b>	<b>29 029 034</b>

## 8. Grants

Figures in Rand	2018	2017
Department of Cooperative Governance and Traditional Affairs	1 864 384	7 266 430
GIZ income	350 000	731 115
Grant Income – DHS	500 000	–
City of Johannesburg – Climate Change	382 500	1 460 144
Deferred from prior year	–	1 172 144
Received	382 500	288 000
Deferred to current year	–	–
City of Johannesburg – Afri-cities	–	153 894
Deferred from prior year	–	2 408 601
Received	–	153 894
Deferred to current year	–	(2 408 601)
Grant Income EPWP	1 000 000	1 084 180
Deferred from prior year	–	184 180
Received	1 000 000	900 000
Deferred to current year	–	–
Grant income – NRF Chairs	1 092 755	–
Grant income – Step	656 250	–
Grant income – SCODA	656 250	–
Grant income – International	247 500	–
Grant income – Building	200 000	–
Grant income – Strengthening	400 000	–
Grant income – AFD	489 274	–
Grant income – Spacial	400 000	–
Grant income – Coastal Cities	200 000	–
Grant income – Future Cities	200 000	–
Grant income – Implementing	200 000	–
United Citiesand Local Government of Africa	–	3 752 013
Green Fund – DBSA	500 000	61 258
	<b>9 338 912</b>	<b>14 509 034</b>



## 9. Other income

Figures in Rand	2018	2017
Other income	129 071	4 887 441

Other income mainly consists of recoveries. These recoveries relate to project management fees, supervision fees and fees for attending meetings

## 10. Investment revenue

Figures in Rand	2018	2017
Call accounts	464 268	135 671

## 11. Investment revenue

Operating gain (deficit) for the year is stated after accounting for the following:

Figures in Rand	2018	2017
Deficit on sale of plant and equipment	–	(6 900)
Depreciation on property, plant and equipment	222 824	147 059
Employee costs	12 681 363	13 384 632
Auditor's remuneration	150 292	204 156
City development strategies	2 641 571	3 835 155
Financial and legal fees	–	2 533 272
Knowledge mangement and communication	352 610	890 520
Networking and strategic input	167 420	3 609 318
Office consumables	558 884	706 242
Organisational development	2 503 706	671 387
Sustainable cities	871 494	3 772 716
Well governed cities	1 300 445	679 804

## 12. Taxation

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

## 13. Cash generated from operations

Figures in Rand	2018	2017
Gain (deficit) before taxation	5 848 552	2 665 430
<b>Adjustments for:</b>		
Depreciation	222 824	147 059
Deficit on sale of assets	—	6 900
Interest received	(464 268)	(135 671)
<b>Changes in working capital:</b>		
Trade and other receivables	(7 993 019)	3 664 661
Prepayments	(21 226)	—
Trade and other payables	(1 546 530)	(1 003 556)
Deferred income	5 085 616	(618 041)
	<b>1 131 949</b>	<b>4 726 782</b>

## 14. Related parties

### Relationships

Partners	Department of Co-operative Governance and Traditional Affairs Local Government Seta Department of Human Settlements Buffalo City Municipality - Municipal Transformation Johannesburg Development Agency Mandela Bay Development Agency
Member cities	Ekurhuleni Metropolitan Municipality City of Tshwane eThekweni Metropolitan Municipality Buffalo City Municipality Mangaung Municipality Nelson Mandela Metropolitan Municipality City of Johannesburg Msunduzi Municipality

## Related party balances and transactions with entities with control, joint control or significant influence over the company

### Related party transactions

Figures in Rand	2018	2017
<b>Grants received</b>	<b>1 864 384</b>	<b>7 266 430</b>
Department of Co-operative Governance and Traditional Affairs	1 864 384	7 266 430
<b>Subscriptions received</b>	<b>19 013 317</b>	<b>14 520 000</b>
Ekhurhuleni Metropolitan Municipality	2 376 665	1 815 000
City of Tshwane	2 376 665	1 815 000
eThekweni Metropolitan Municipality	2 376 665	1 815 000
Buffalo City Municipality	2 376 665	1 815 000
Mangaung Local Municipality	2 376 665	1 815 000
City of Johannesburg	2 376 664	1 815 000
Msunduzi Municipality	2 376 664	1 815 000
Nelson Mandela Metropolitan Municipality	2 376 664	1 815 000
<b>Related party balances and transactions with key management</b>		
<b>Related party balances</b>		
<b>Compensation paid to key management</b>		
J.W Karuri- Sebina	758 335	1 756 425
S. Joseph	1 256 789	1 245 689
Y. Dambuza	1 252 510	1 254 382

## 15. Directors' remuneration

Figures in Rand	2018	2017
<b>Executive</b>		
<b>S.M.M. Mbanga</b>		
Director's fees	2 427 662	2 953 846
Travel allowance	104 000	126 480
<b>Total</b>	<b>2 531 662</b>	<b>3 080 326</b>

## 16. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

## 17. First-time adoption of the International Financial Reporting Standards for Small and Medium-sized Entities.

The company has applied International Financial Reporting Standard for Small and Medium-sized Entities, for the first time for the 2018 year end. On principle this standard has been applied retrospectively and the 2017 comparatives contained in these financial statements differ from those published in the financial statements published for the year ended 30 June 2017. The standard gives certain mandatory exemptions from this principle, and certain optional exemptions which have been detailed below. All adjustments were made to the opening comparative statement of financial position.

The date of transition was 01 July 2016 and there was no effect of the transition on the annual financial statements.

## 18. Transition reserve

The company reconciled its equity in accordance with its previous financial reporting framework (IFRS) to its equity determined in accordance with IFRS for SME's and noted no reconciling balances on the year end. Refer to note 17 for details on the transition.

## Detailed Income Statement

Figures in Rand	Note(s)	2018	2017
<b>Revenue</b>			
Subscriptions received		19 013 317	14 520 000
Government grants		9 338 912	14 509 034
	7	<b>28 352 229</b>	<b>29 029 034</b>
<b>Other income</b>			
Interest received	10	464 268	135 671
Other income	9	129 071	4 887 441
		<b>593 339</b>	<b>5 023 112</b>
<b>Operating expenses</b>			
City development strategies		2 638 638	3 835 155
Depreciation		222 824	147 059
Employee costs		12 681 363	13 384 632
Financial and legal fees		158 151	2 737 428
Inclusive cities		371 474	—
Information technology		613 456	341 404
Knowledge management and communications		360 899	890 520
Loss on sale of plant and equipment		—	6 900
Networking and strategic input		167 640	3 609 318
Office consumables		648 424	706 247
Organisational development		2 514 951	671 387
Penalties and Interest		—	33 241
Productive cities		521 690	570 905
Security		4 677	—
Staff welfare		1 299	—
Sustainable cities		880 744	3 772 716
Well governed cities		1 310 786	679 804
		<b>23 097 016</b>	<b>31 386 716</b>
<b>Gain (deficit) for the year</b>		<b>5 848 552</b>	<b>2 665 430</b>

The supplementary information presented does not form part of the financial statements and is unaudited



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