



ANNUAL REPORT

2019

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ABBREVIATIONS AND ACRONYMS

ACC	African Centre for Cities
ACCSF	African Capital Cities Sustainability Forum
BNG	Breaking New Ground
CDS	City Development Strategy
COGTA	Ministry of Cooperative Governance and Traditional Affairs
CSP	City Support Programme
DBSA	Development Bank of Southern Africa
DEA	Department of Environmental Affairs
D_ZA	Designing South Africa
EPWP	Expanded Public Works Programme
ERLN	Economic Regions Learning Network
IBSA	India, Brazil and South Africa
IUDF	Integrated Urban Development Framework
KMRG	Knowledge Management Reference Group
LGSETA	Local Government Sector Education and Training Authority
PEFA	Public Expenditure and Financial Accountability
PICC	Presidential Infrastructure Coordinating Commission
SACN	South African Cities Network
SALGA	South African Local Government Association
SECO	Swiss State Secretariat for Economic Affairs
SOCR	State of Cities Report
SPLUMA	Spatial Planning and Land Use Management Act
USRG	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 Njezula
- Yolisa Dambuza
- Sadhna Bhana
- Geoffrey Bickford
- Dangalira Mughogho
- Liteboho Makhele
- Nomfundo Dlamini
- Siphhelele Ngobese
- Jean Chang
- Ziyaad Mayet
- Thuletho Zwane
- Shaun Watson
- Makhosazane Nxumalo
- Fleshia Mkwana
- Clement Mhleka
- Chuma Mbambo

Board of Directors

- Shiva Makotoko
- Nellie Lester
- Sithole Mbanga





CHAIRPERSON'S **REPORT**

In recent years, cities have been acknowledged as important levers for national economic growth. Nothing amplifies this truth more than the decision by UN-Habitat to adopt the New Urban Agenda (NUA) policy framework in November 2016. The NUA formally recognises the important role that cities should be playing in national and societal development and positions the local sphere of government as the hands, feet and eyes of service delivery.

Cities ought to adopt a posture that complements the effort of their national governments. To be able to do this efficiently, it is crucial that cities have a better understanding of themselves and their challenges, and that they act in unison to tackle the difficult task of managing local affairs. South African cities are characterised by a young and often unemployed population. This is further complicated by the challenge of climate change, which not only negatively affects the fabric of society, but also places undue pressure on cities to change the (water, energy, transport, human settlement) infrastructure.

The South African Cities Network (SACN) is in the business of understanding cities by conducting bespoke and relevant research that contributes impactful knowledge about the good governance and management of cities. This is a difficult task to undertake, especially given the volatile and unstable environments in which our cities operate. We recently completed an in-depth analysis that attempts to understand the interface between the political arm and the administrative face of our cities. The report highlights the stress levels under which personal relations have become strained, at the expense of basic service delivery and strong institutional municipal form and function. This is an increasing phenomenon that must be uprooted vigorously and as a matter of urgency.

Our research work also focuses on the safety of urban spaces, within the context of societal vulnerability levels that have increased to unacceptable levels. We have conducted and linked this work with fraternal organisations under the auspices of the African Forum for Urban Safety (AFUS) for purposes of equitable comparability. In so doing, we have also managed to recalibrate our institutional set-up, so that we can respond more holistically to the research needs of member cities and users of our research work. For instance, we have re-engineered the SACN research working groups, which were popularly known as Reference Groups, that brought together city practitioners and research institutions along sector issues. Today, several sector-based Reference Groups are grouped together in order to strengthen focus on a thematic basis. One example is the Built Environment Task Team, which merges land use management, transport and human settlement into one group.

In 2021, SACN will turn 20 years old, the next local government elections will take place and the fifth edition of the State of Cities Report (SOCR V) will be published. The SOCR V has been conceptualised differently from previous versions, involving other important stakeholders for city governance, notably the business sector, the innovation sector and civil society. Its production will be strongly driven by process rather than content alone. To support this reconceptualisation, we have bolstered our organisational governance capacity and communication function, to help in our quest to improve our knowledge dissemination and knowledge application.

To strengthen the organisation further, in the coming year, the SACN will constitute an independent Board of Directors that will be tasked to, among others, (1) provide strategic direction and support to the Secretariat, (2) ensure good governance of the SACN, and (3) secure organisational and financial sustainability.

There is no doubt that SACN has set itself on the correct path, but several fundamentals still need to be put in place to cement our new foundation. We will also need to ensure that we improve our knowledge application, so that we can keep alive and make real our contributions to, for instance, the Integrated Urban Development Framework (IUDF).



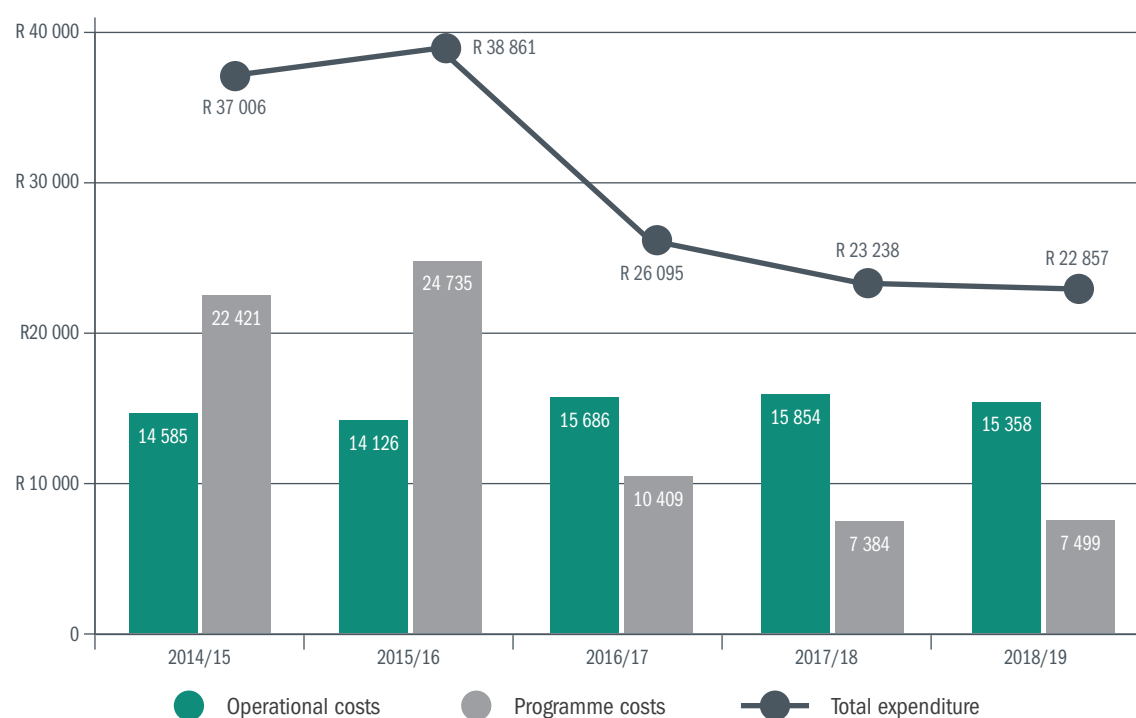


THE CEO'S **REPORT**

Expenditure Performance

Figure 1 shows the year-on-year expenditure since 2014/15. Over time, expenditure has fluctuated because of the irregularity in SACN's funding sources. Expenditure patterns are therefore largely influenced by the number of externally funded projects secured in each financial year, leading to fluctuations in expenditure.

FIGURE 1: Year-on-Year expenditure (2014/15-2018/19)



In 2018/19, the SACN had to reduce its programmatic work due to a lack of funding. The reduced programmatic expenditure had a negative effect on the overhead ratio and the number of outputs. While the SACN strives to maintain a 1:3 expenditure ratio between operations and programmes, in 2018/19 this ratio was effectively inversed, as a result of having a stable operating cost but a reduced budget available for implementation of projects, which led to many planned projects being shelved.

Procurement

The SACN is committed to contributing to building industry capacity and transformation in line with national objectives. In 2018/19, procurement was split fairly evenly among small companies, individual experts and large companies, with the majority of service providers being black owned or institutions. Progress was made on gender representation – over one third of service providers were female owned. In keeping with the SACN's mandate and core objective, the bulk of the contracts were for research and production services.

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

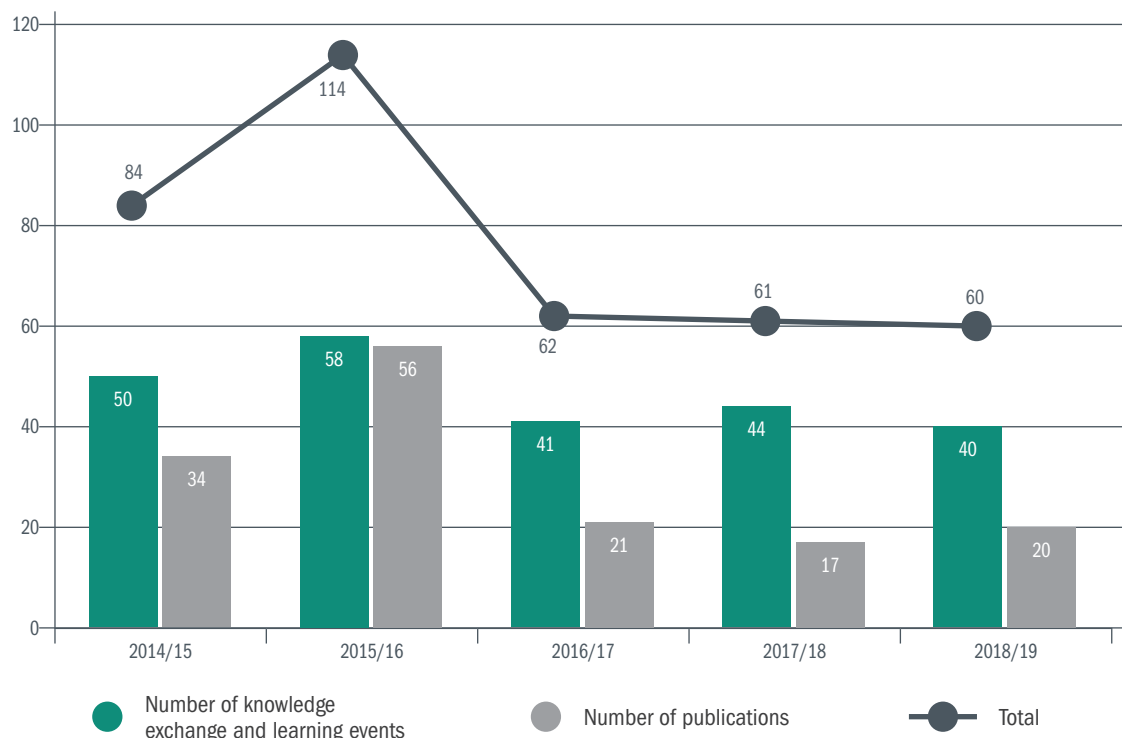
- measuring outputs delivered against targets defined in the 2018/19 business plan,
- considering the quality of outputs and outcomes achieved, and
- reflecting on the lessons learned in the period.

Programmatic Performance

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

More than half of the SACN's member cities paid their prescriptions before the end of the financial year, which enabled the team to complete some of the prioritised work. During the year, it was decided not to start any new projects with funds received after the second quarter of the year, but rather to roll over these funds to the 2019/20 financial year. An unintended – and largely positive – consequence was that programme team were more focused and strategic in deciding which projects to undertake. The limited funds forced the organisation to think more deliberately about conceptualising work for the remainder of this five-year period.

FIGURE 2: Summary of outputs delivered since 2014/15



Output analysis

A cumulative listing of the knowledge products and events achieved during this period are presented as Annexes I and II of this report. The distribution of outputs by SACN theme during 2018/19 is reflected in Table 1.

TABLE 1: Summary of outputs by theme (2018/19)

OUTPUTS	CDS	INCLUSIVE CITIES	PRODUCTIVE CITIES	SUSTAINABLE CITIES	WELL-GOVERNED CITIES	OTHER	TOTAL
No of learning events	7	15	7	5	5	1	40
No of publications	2	8	1	4	5		20
Total number of outputs	9	23	8	9	10	3	60

Outputs were highest in the Inclusive Cities theme, mainly because of the work of the Built Environment Task Team and the Urban Safety Reference Group. Over the past year, the programmes team has been strategically revising its projects, looking at how to ensure better absorption and application of the knowledge produced. As a result, and also because of the reduced financial resources, the SACN has focused more on events and peer-learning platforms, to encourage better uptake and use of its work. This approach will also be reflected in the design and conceptualisation of the State of Cities V project, which takes off in the 2019/20 financial year.

Communications Performance

Print and broadcast media coverage, and social media growth and engagements were the highest during the last quarter of the year. This was due to the release of one of SACN's flagship publication, the State of Urban Safety in South African Cities, as well as the People's Guide to the State of City Finances. The Township Economies workshops and Youth and City Space workshops held towards the end of the financial year also contributed to the media interest. The uploading of these publications to SACN's website resulted in higher visitor figures.

As Table 2 shows, the fastest growth and engagements were on Twitter, followed by Facebook, while LinkedIn also received much engagement and growth due to the sharing of relevant content for that specific audience.

TABLE 2: Summary of SACN Communication reach (2017/18 and 2018/19)

COMMUNICATION OUTPUTS	2017/18	2018/19
Broadcast		
Radio interviews	18	21
TV interviews	2	9
Print & Online		
Articles	57	42
Op-eds/ Thought pieces	3	4
Facebook		
Likes	16 983	18
Engagement Rate	0	9 195
Posts Reach	0	89 668
Page Views	2 800	3 099
Actions on Page	83 809	21
Twitter		
Number of followers	4 204	20 491
Number of tweets posted	16	427
Retweets	15 918	1 400
Number of mentions / reach	470	4 026
Impressions	1 233	452 500
Website		
Visitors	13 502	18 892
New visitors	8 361	17 193
Bounce rate	56,49%	60,82%
Return visitors	5 816	3 632
Sessions	19 216	25 673

Traffic to the SACN's website always increases following the release of publications, as explained earlier. The challenge is to maintain consistent traffic to the website through more effective communication. Therefore, in the coming financial year, a revamp of the website is planned with the aim of improving traffic and engagement, and significantly extending the SACN's reach. The need for a revamp of the website emerged from a full assessment of the organisation's platforms undertaken this year.

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 2018/19, the event survey was administered at 24 events (up from 22 events in 2017/18), attended by 1028 participants. Of these participants, about a third completed a survey.

TABLE 3: Results of quality surveys completed for SACN learning events (2018/2019)

EVENT NAME	DATE	THEME	TOTAL NO. OF PARTICIPANTS	NUMBER OF RESPONDENTS	A LITTLE BAD (1–2)	A LOT GOOD (3–5)
Water Resilient Cities Learning Event	11-Jul-18	Sustainable Cities	48	17	8%	92%
EPWP Reference Group Meeting	23-Jul-18	Productive Cities	24	13	19%	81%
Youth and City Space II: A Meaningful Role for Youth to Influence Urban Development	31-Jul-18	Inclusive Cities	42	26	12%	88%
SACN Built Environment Integration Task Team	15-Aug-18	Inclusive Cities	16	10	2%	98%
Infrastructure Dialogues: Failing Forward	16-Aug-18	Well-Governed Cities	22	6	14%	86%
EPWP Reference Group Meeting	11-Oct-18	Productive Cities	25	12	4%	96%
SACN Built Environment Integration Task Team	29-Oct-18	Inclusive Cities	15	10	3%	97%
SOCF 2018 Report Launch	29-Oct-18	Well-Governed Cities	86	24	6%	94%
South African Urban Conference 2018	30-Oct-18	CDS	395	85	9%	91%
Infrastructure Dialogues- Financing Municipal Infrastructure	15-Nov-18	Well-Governed Cities	30	10	23%	77%
Waste Management by-laws & Waste separation at source workshop	28-Nov-18	Sustainable Cities	24	15	0%	100%
6th International Relations Forum	23-Jan-19	Other	21	11	5%	95%
EPWP Reference Group Meeting	14-Feb-19	Productive Cities	21	12	4%	96%
Water Resilient Reference group meeting	18-Mar-19	Sustainable Cities	66	2	0%	100%
SACN Built Environment Integration Task Team	19-Mar-19	Inclusive Cities	13	10	3%	97%
Urban Safety Reference Group Meeting	10-Apr-19	Inclusive Cities	17	7	2%	98%
Infrastructure Dialogues - Inner City Housing	11-Apr-19	Well-Governed Cities	21	12	31%	69%
State of City Finances - The People's Guide	24-Apr-19	Well-Governed Cities	21	4	4%	96%
Youth and City Space II - Workshop 1	24-Apr-19	Inclusive Cities	24	16	15%	85%
International Relations Forum	25-Apr-19	CDS	16	9	4%	96%
Youth and City space - Workshop II	24-May-19	Inclusive Cities	32	19	12%	88%
EPWP Reference Group Meeting	6-Jun-19	Productive Cities	34	8	0%	100%
SACN-IUDF Youth and City Space II	19-Jun-19	Inclusive Cities	15	7	10%	90%
Totals/average			1 028	345	17%	92%

As Table 3 shows, the SACN continues to maintain and increase its quality standard: 92% of participants rating the learning events at 3 or higher, an increase from 88% last year. This illustrates how, despite the lack of funding and the difficult environment in which the SACN has operated during this financial year, those who engage with the work continue to find learning and value in what the SACN does.

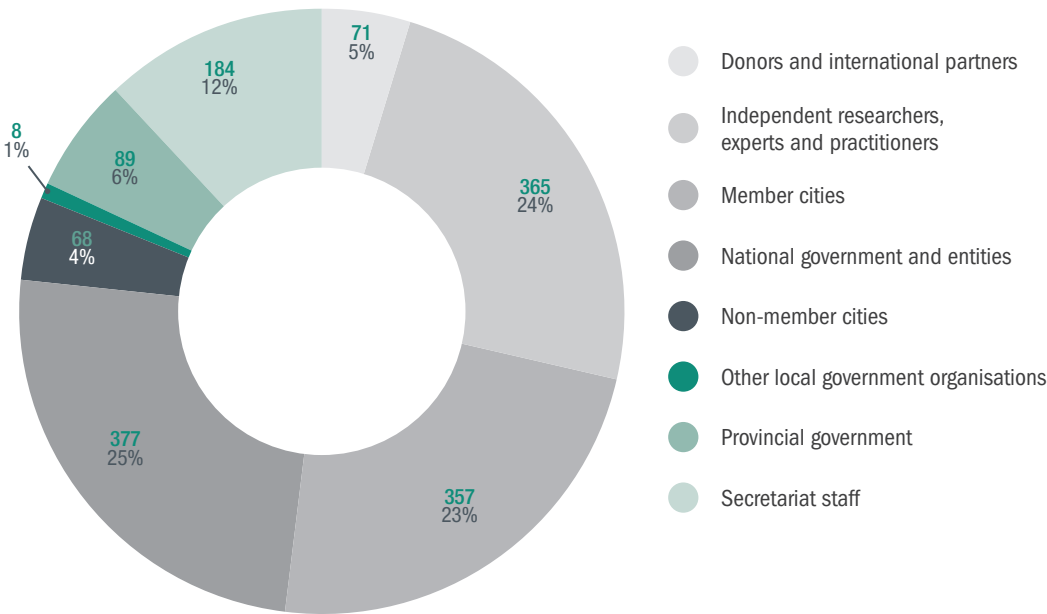
Analysis of Outcomes

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

In 2018/19, the SACN hosted 40 learning events. A positive development was the consistent participation of member municipalities within a difficult political and administrative climate. There was a more even spread of participants across member cities, as well as an increase in participation by non-member cities. This is encouraging, as by participating regularly and actively, cities can derive value and benefit from the work of the SACN, and be able to more effectively drive a collective urban agenda.

FIGURE 3: Breakdown of participants at SACN learning events(2018/19)



As Figure 4 shows, over half of the participants came from the three Gauteng member cities, which is because most events were held in Johannesburg (see Figure 5), and participation was fairly evenly spread across the other member cities.

FIGURE 4: Breakdown of participation at SACN learning events by member city (2018/19)

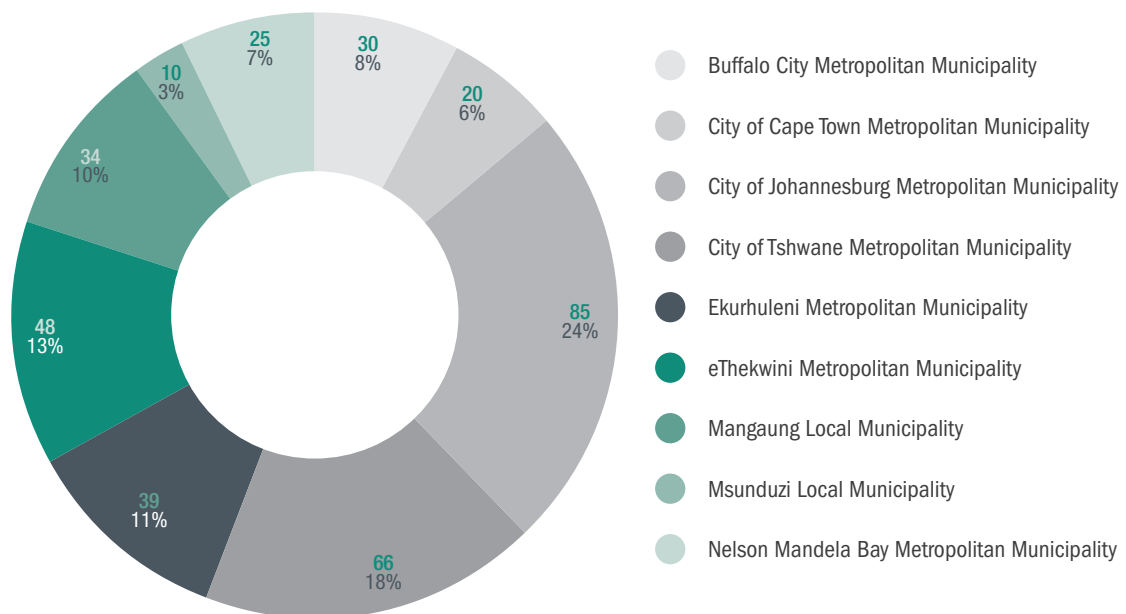
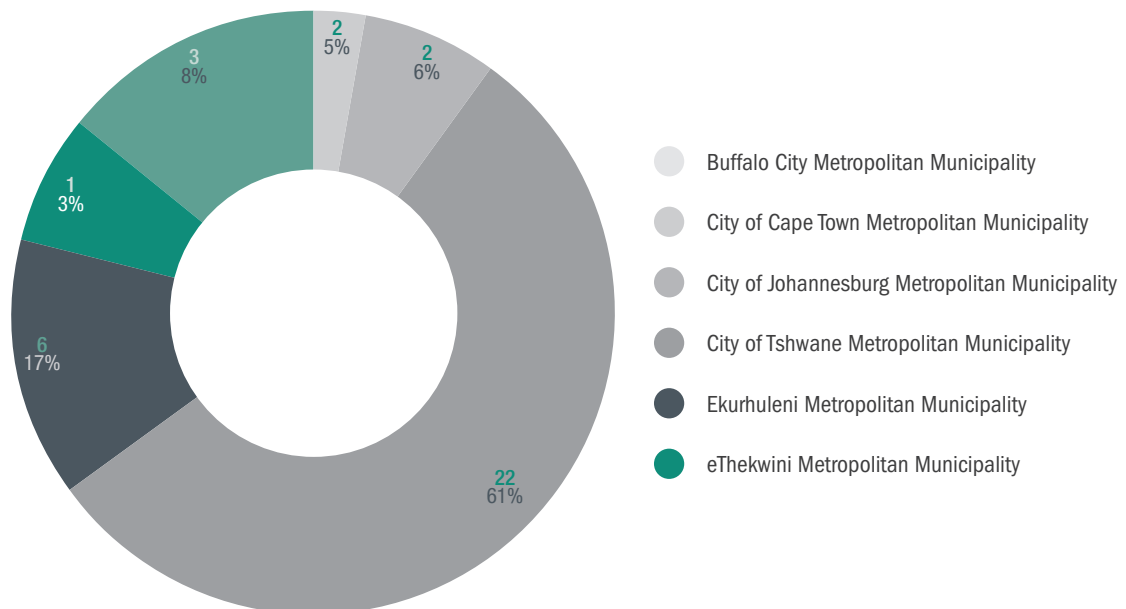


FIGURE 5: Location of learning events (2018/19)



In 2018/19, most events were hosted in Johannesburg due to cost considerations. Nevertheless, the Secretariat continues to strive to distribute events and activities across member cities, so that the network is seen as owned by all cities and there is broader access to a wider range of city stakeholders.

Learning and Policy Impacts

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

- The organisation needs to focus ongoingly on ensuring regular, relevant and accessible research is produced.
- The above helps to sustain regular media and stakeholder presence that allows the organisation to effectively communicate its core work to its member cities and beyond.
- Working much closer with member cities, to understand their contexts and challenges, is crucial to SACN being able to produce products and processes that are of value to its members and extended audiences, and to support transformative governance that improves the lives of urban residents.

Important Action items for the Next Financial Year

Key points for future attention are:

- To ensure that projects are strategically designed and focused to achieve the mandate of the organisation and particularly to produce the State of Cities Report 2021 in 2019/20.
- To upgrade our media platforms to support better and more effective communications.
- To garner support and commitment from member cities (in particular) and partners in order to be able to deliver on our mandate.





PROGRAMME **HIGHLIGHTS**

The SACN's dedicated Programmes team 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 SOCR that is published every five years. The projects highlighted in this report were undertaken by the Programmes team in line with the Strategic Framework 2018/19 to promote best practice on urban development and good governance.

Urban Conference 2018

The theme of the second South African Urban Conference, held in 2018, was: Activating an All-of-Society Approach to Implementing the Urban Agenda. It was hosted with support from COGTA, DHS, National Treasury, SALGA, SACPLAN, ICLEI and the Gauteng Provincial Government. The conference was a continuation of the dialogue at the 2017 conference, where awareness and knowledge about the IUDF was discussed in the context of South African Metropolitan municipalities. The IUDF is a national policy that emphasises South Africa's National Development Plan and the global New Urban Agenda.

The IUDF recognises that successful implementation requires an all-of society approach. Therefore, starting from the premise that reaping the urban dividend requires the involvement of all urban role-players, the conference's aim was to engage and mobilise other urban actors who play a role in the development of towns and cities.

The objective was to map the urban environment in order to engage and draw on the different experiences of a variety of urban actors and to identify opportunities for collaboration and co-producing effective urban responses. The multi stakeholder engagements sought to mobilise urban actors to talk, plan and act on coherent and coordinated actions to achieve short- and long-term urban goals. The conference also became a platform for benchmarking the country's progress and determining the qualitative and quantitative measures for progress and success in implementing the urban agenda.

Read the complete report [here](#).



Built Environment Integration Task Team (BEITT)

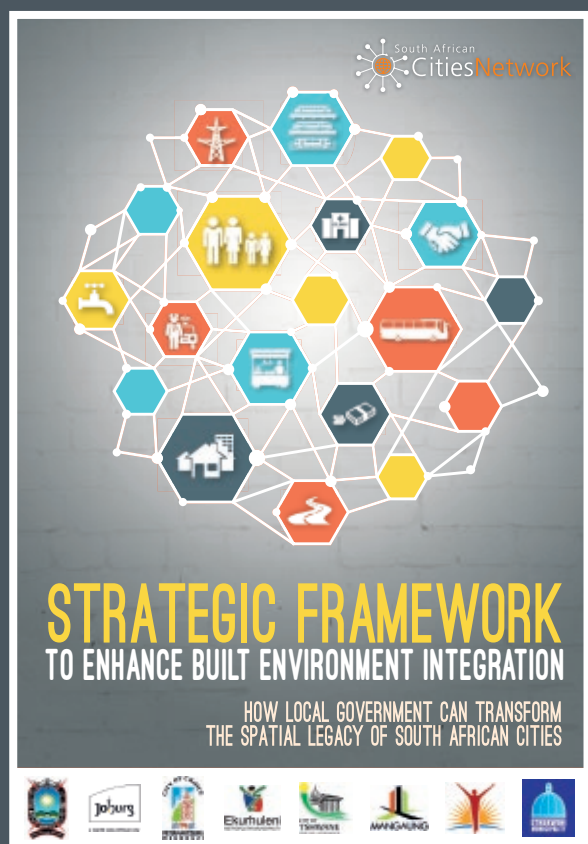
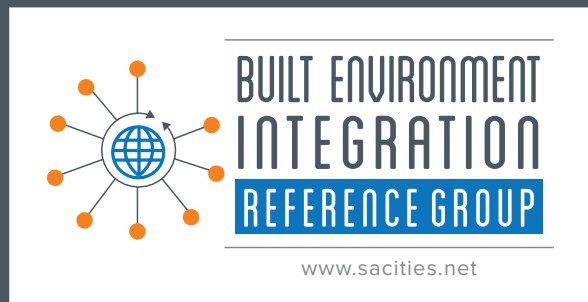
This task team seeks to deal collectively with practical issues around spatial transformation from the perspective and lived experiences of city practitioners. It brings together a community of practitioners who are willing to listen, learn from each other and share knowledge, as well as to reflect on the objective of changing the institutions tasked with transforming our cities.

The BEITT consolidated the findings of its research in a report entitled *Cities Political Administrative Interface in the Built Environment* that as aimed at providing insights into the political/administrative interface in South African cities in relation to the building environment. The research looked at the themes of power and politics, city institutions and intergovernmental relations, and management and capacity.

Under the themes of instability, coalitions, changes in government as well as political connections of officials, the report's findings demonstrate the highly politicised and unstable environments within which spatial transformation is meant to take place.

It provides examples of built environment projects where the political executive shaped the budget allocations, stakeholder consultation and affected the timeframe of project execution. It also documents the various strategies used by officials to navigate this system, detailing the tactics they apply to manoeuvre an everchanging political environment, in which intergovernmental politics and personality clashes put additional strain on the political-administrative interface, often obstructing the spatial transformation agenda.

Read the complete report [here](#).



State of City Finances Report 2018

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](#).

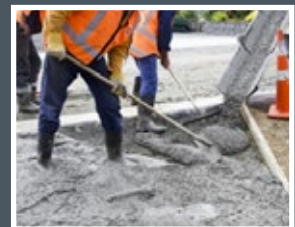


Expanded Public Works Annual Report

Since 2014, South Africa has seen a marked decline in economic growth. In a stagnant economy plagued by high unemployment and growing inequality, the idea of inclusive development is more challenging and elusive. The Expanded Public Works Programme (EPWP) has been a response to the growing need for jobs, especially in the urban environment. Through this programme over 9.4 million jobs have been created. The SACN, through its EPWP Reference Group, continues to champion the important role that cities play in addressing socio-economic challenges through collaborative action with other partners. The EPWP Reference Group is a peer-based platform, comprising key city officials responsible for implementing the EPWP in their respective cities, that plays a key role in knowledge sharing and the identifying best practices for inclusive and productive development in cities.

The annual report highlights the progress and implementation of the EPWP by the cities. The 2017/18 report focuses on Phase III of the EPWP, providing an overview of Phase III targets, the institutional arrangements, and the continuing implementation challenges. The report also contains individual city reports that highlight the key challenges and successes of implementing the EPWP, as well as case studies from SACN participating cities for the purposes of shared learning.

Read the complete report [here](#).

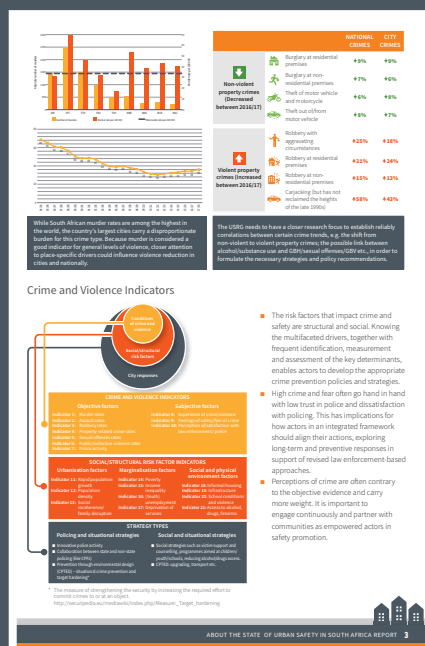


The State of Urban Safety in South African Cities 2018/19

The third edition of this annual report examining the state of urban cities was developed by the Urban Safety Reference Group (USRG), which is convened by the SACN and GIZ-Inclusive Violence and Crime prevention programme. The report provides a longitudinal study of city-level crime trends in South Africa's major cities. It gives an overview of the USRG knowledge sharing and learning activities and showcases current city practices related to urban safety. The report's overarching aim is to contribute to improved efforts to prevent and respond to crime and violence, and to create safer communities in the country's urban centres. The USRG stands on the basis that a whole-of-society approach is needed to address violence and crime, as per the White Paper on Safety and Security.

The 2018/19 report calls for the global and national development goals to be aligned with the strategic priorities of cities. It emphasises the need to jointly explore support mechanisms that assist municipalities to assume their central role in development and to increase their performance in building safer communities. The report builds on an evidence base that may inform policy and practice, and strengthens the case for integrated approaches to city urban safety functions. The statistics presented highlight the fact that cities are locations where violence and criminal activities are disproportionately prevalent.

Read the complete report [here](#).



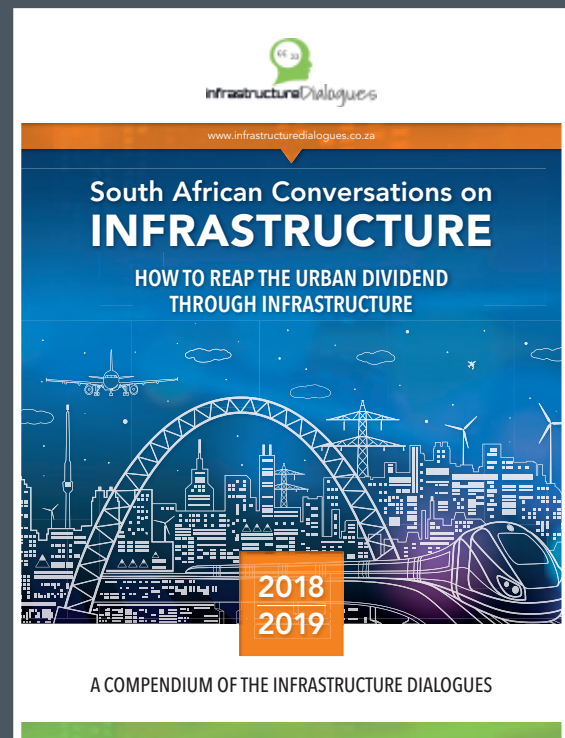
South African Conversations on Infrastructure

The sixth annual Compendium of the Infrastructure Dialogues provides an overview of the themes that emerged from the four dialogues held between May 2018 and April 2019. The overall theme of the Compendium is “Reaping the Urban Dividend through Infrastructure”, which reflects the importance of cities to South Africa’s economy and development. It was fitting that for the 50th Dialogue – a significant milestone that took place in April 2019 – the topic under discussion was “Spatial Transformation and the Inclusive Economy: A focus on inner-city housing”. Other dialogues during the year looked at supporting intermediate cities, tackling corruption, bridging the funding gap for municipal infrastructure.

Initiated in 2009, the Infrastructure Dialogues platform provides a forum for senior government, private sector and civil society stakeholders to share views and perspectives on critical issues affecting the infrastructure sector. Over the past 10 years, the platform has explored themes ranging from municipal infrastructure financing and asset management, to transport, electricity and water infrastructure, as well as innovation and transformation in the sector.

The Infrastructure Dialogues are hosted by the Development Bank of Southern Africa (DBSA), in partnership with the South African Cities Network (SACN), the National Business Initiative (NBI), the Economic Development Department (EDD) and the Department of Planning Monitoring and Evaluation (DPME) in the Presidency, with Engineering News as Media Partner. Topics for the dialogues are the result of suggestions from the partners, input from participants in the dialogues and discussion forums on the website.

Read the complete report [here](#).



Water Resilient Cities 2019

In 2018, the SACN, South African Local Government Association, GIZ's international Water Stewardship Programme, and the USAID Water Sanitation and Hygiene Finance Programme partnered to host the 2nd Water Resilient Cities: innovative solutions and responses to water security challenges learning event.

South Africa is a water-stressed country due to a semi-arid environment, heavy reliance on outside sources for water and challenges implementing the integrated water resource management legislative framework. Addressing these challenges requires building resilience not only in cities' physical infrastructure, but also in their social fabric, governance structures, financial systems, and ecosystems. Responding to these challenges was the aim of 2nd Water Resilient Cities learning forum.



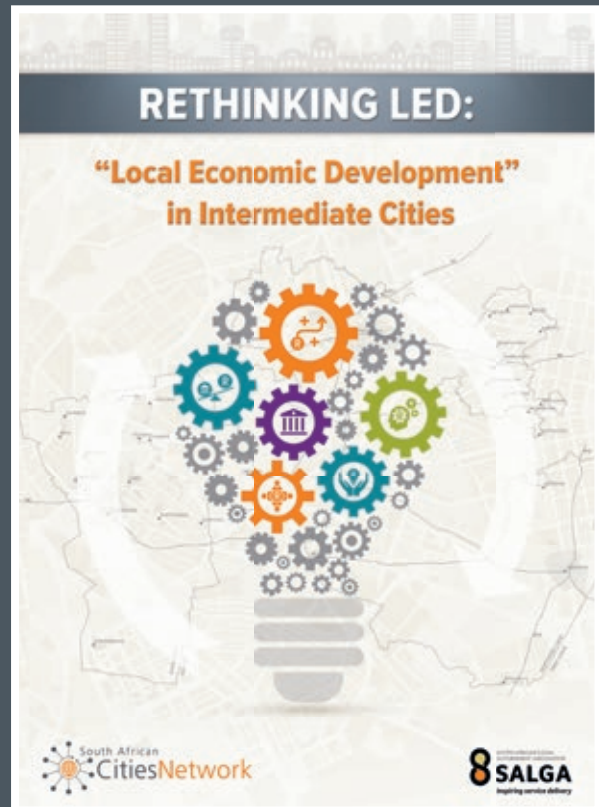
The purpose of the event was to encourage networking among participants, with the aim of creating a community of practice in water resilience. As urban resilience takes centre stage, cities will be required to enhance their water systems to perform in volatile and unpredictable environments and optimise performance under foreseen and unforeseen changes. Following this, the 3rd Water Resilient Cities two-part learning event aimed at discussing how local economic development can be spurred by investment in water resources, highlighting the approaches that can improve revenue for utilities and cities, putting a spotlight on the role of disruptive technology and encouraging peer-to-peer learning and knowledge sharing across the region and beyond.

Rethinking LED: Local Economic Development in Intermediate Cities

Rethinking Doing “LED” in Intermediate Cities is the fifth volume in a series of exploratory studies on the differentiated approach to governance that focus on intermediate cities.

The series has become an important and consistent reference point for building national attention and understanding about intermediate cities. This fifth study follows the series’ tradition of responding both to emerging themes from previous studies and to cues from the urban policy environment. Specifically, this report picks up on the observation from the fourth study that more needs to be done to address the inherent economic vulnerability of intermediate cities, including diversifying the economy and strengthening municipal capacities. In addition, this study was formulated during a period of dire economic climate, making the economy a focal point for the country. The study continued in the tradition of using case studies, but also focused on an action-research approach, inviting and privileging the experience and perspectives of municipal practitioners and politicians on their role in local economic development (LED).

Read the complete report [here](#).



3 Three Municipal LED Case Studies

Three cities, Mangaung, Sol Plaatje and Rustenburg, participated in the workshop. The fourth city, Mthahabeng, was unable to participate, but some comparison to this city is included in the Rustenburg profile.

MANGAUNG

Mangaung, is a Category A or metropolitan municipality, and its main urban centre is Bloemfontein. It has a population of 800 000 and an average population growth of 1.5% per year (1996–2016).

- 1848 Bloemfontein is established as a trading post.
- 1898 Bloemfontein becomes capital of the Orange Free State Province (from 1904, the Free State Province).
- 1948-1954 Bloemfontein is the judicial capital of South Africa and seat of the Supreme Court of Appeal.
- 1996 Most people moved to Tloane Nchu.
- 1978 All Sotho-speaking people moved to Botshabelo, and all Setswana people moved to Tloane Nchu.
- 2007 Bloemfontein, Botshabelo and Tloane Nchu amalgamated to form Mangaung Local Municipality.

Main economic function

Today, Mangaung continues to focus on trade and government. As the main urban centre in the Free State and central South Africa, the city has expanded its regional services function across the province, into neighbouring provinces and even into Lesotho. It is home to higher-order trading spaces, an airport, two universities and a Further Education and Training college, numerous boarding schools, some private and public hospitals, and the regional offices of financial institutions. International economic links are limited, but national economic links include the Supreme Court of Appeal, numerous sports teams that represent the city, quality sports infrastructure and a small manufacturing industry.

RUSTENBURG

Originally a regional services town providing services to the surrounding agricultural communities, Rustenburg is the heart of platinum mining. It has a population of well over 600 000 and an average population growth of 3.6% per year (1996–2016).

- 1936 Platinum is discovered.
- 1960s Relatively large-scale mining operations begin.
- 2000s Big mining boom after European countries and the USA commit to reducing CO₂ emissions from vehicles, which created a huge market for catalytic converters made from platinum. Previously, platinum had mostly been used for commercial jewellery and the construction industry. Platinum became the new gold.
- 2012-2017 Marikana massacre and strike by miners.

Main economic function

Rustenburg is the heart of the platinum industry in South Africa. However, the future of the platinum mines is uncertain: globally, there is an oversupply of platinum, as demand is dropping with the move to electric vehicles that do not need catalytic converters. In addition, the new open-cast mines that depend on technology and mechanisation are not being developed in Rustenburg, while most of the mining companies have not made profits in the past five years. The Royal Bafokeng Nation has a substantial shareholding in many of the platinum mines, as it owns much of the land, which was originally bought by the Bafokeng from the Zulu-Athlankwa Republic, disposed of under apartheid and then the title restored post-democracy.

SOL PLAATJE

Historically closely associated with diamond mining, the city is the provincial capital of the Northern Cape. Its population is approximately 250 000, and population growth has been slow, at about 11% per year (1996–2016).

- 1860s The start of diamond mining – in 1868, Rhodes, Bertrams and others founded the De Beers Mining Company in Kimberley.
- 1860-1866 De Beers moves its head office out of Sol Plaatje.
- 2014 Sol Plaatje University opens, the first university to be established in the Northern Cape Province.
- 2015 De Beers sets off its mining rights in Kimberley.

Main economic function

Two external factors saved the economy of what would otherwise be a dying mining town: the establishment of Sol Plaatje as the capital of the sparsely populated Northern Cape Province and the opening of a new regional university five years ago. The city's capital status ensured that large numbers of public servants settled in the city, helping to maintain the housing market and creating demand for office space, and served to direct government spending on hospitals and other public services. This in turn expanded the regional services function of the city. For the last 25 years, diamond mining stimulated the economy, but this is no longer the case. A large artisanal mining sector has developed in Sol Plaatje that remains unregulated and illegal, despite attempts to formalise these activities. Over the last two years, the economy has changed, and economic development officials are concerned by the loss of large numbers of businesses. Overall, the city struggles with political instability, but water supply and basic service delivery problems.





ANNEXES

I. Output Detail: Learning Events

The following learning events were held in 2018/19:

	EVENT NAME	DATE	EVENT OBJECTIVE	THEME	EVENT TYPE	TOTAL NO. OF PARTICIPANTS
1	Water Resilient Cities Learning Event	11-Jul-18	To provide a platform for the sharing of national and international good practices, innovative solutions and responses to water security challenges.	Sustainable Cities	Meeting	48
2	EPWP Reference Group Meeting	23-Jul-18	To share lessons among cities	Productive Cities	Reference Group	24
3	Youth and City Space II: A meaningful role for youth to influence urban development	31-Jul-18	To unpack and demystify urban governance systems; to identify the relevant people/ departments and existing channels for engagements (are they responsive, inclusive, agile, youth friendly or too technocratic?).	Inclusive Cities	Meeting	42
4	SACN Built Environment Integration Task Team (BEITT)	15-Aug-18	To bring together a community of practitioners who are willing to listen to each other, be in generative conversation with each other, learn together, fail forward and reflect on how we can change the institutions tasked with transforming our cities.	Inclusive Cities	Reference Group	16
5	Infrastructure Dialogues: Failing Forward	16-Aug-18	To explore how corruption has manifested between the private sector and local government, what has been done to address this, and what needs to be in place to support meaningful collaboration for improved service delivery.	Well-Governed Cities	Working Session	22
6	Intermediate Cities and Their Economies – Research Project	20-Aug-18	To understand the relationship between municipalities, their economies and their municipal strategies.	CDS	Workshop	21
7	Intermediate Cities and Their Economies – Research Project	10-Sep-18	To understand the relationship between municipalities, their economies and their municipal strategies.	CDS	Workshop	16
8	Trilateral Exchange	12-Sep-18	Trilateral exchange between the SACN-Urban Safety Reference Group, the Canadian Municipal Network on Crime Prevention (CMNCP) and the German Forum for Urban Security (DEFUS).	Inclusive Cities	Forum	12
9	Urban Safety Reference Group (USRG) Strategic Review Workshop	05-Sep-18	Reflect and discuss the Why, the How and the What of the Urban Safety Reference Group. Utilizing the findings and recommendation of the review conducted by Southern Hemisphere.	Inclusive Cities	Workshop	23
10	USRG Meeting	07-Sep-18	To continue peer-to-peer knowledge sharing among practitioners; to review and approve annual reference group work-plans; to learn from host city urban safety and violence prevention context and approaches.	Inclusive Cities	Reference Group	23
11	SEA-SALGA-SACN Urban Energy Network Meeting	26-Sep-18	To explore the move towards 'Net Zero Carbon' (NZC) cities in South Africa and how NZC fits into the Integrated Urban Development Framework; to share current initiatives, policy and technical developments that relate to achieving this pathway; to discuss the context in which such work is taking place – the realities of urban in-migration, service delivery protests, national power utility crisis, etc.; to provide an update on the SALGA Energy Summit Action Plan post the March 2018 summit and a first municipal discussion on the recently published Integrated Resource Strategy that is out for public comment.	Sustainable Cities	Workshop	49
12	EPWP Reference Group Meeting	11-Oct-18	To share lessons among cities	Productive Cities	Reference Group	25
13	SACN BEITT	29-Oct-18	To engage and champion city driven initiatives to improve the practice of built environment integration; to establish an annual programme of work for the group.	Inclusive Cities	Reference Group	15

	EVENT NAME	DATE	EVENT OBJECTIVE	THEME	EVENT TYPE	TOTAL NO. OF PARTICIPANTS
14	SOCF 2018 Report Launch	29-Oct-18	To launch the State of Cities Finances, which has the theme that citizens and cities are in crisis.	Well-Governed Cities	Launch	86
15	South African Urban Conference 2018	30-Oct-18	To further embed the IUDF agenda by focusing on what implementation means in practice; to allow space for collectively thinking through what practical implementation of the IUDF means for the various actors, sectors, and the spheres of government.	CDS	Conference	395
16	Intermediate Cities and Their Economies – Research Project	05-Nov-18	To understand the relationship between municipalities, their economies and their municipal strategies.	CDS	Workshop	15
17	Infrastructure Dialogues – Financing Municipal Infrastructure	15-Nov-18	To discuss the financing of infrastructure in South Africa from various perspectives: financiers and developers in search of investment opportunities, and planners and engineers tasked with creating and maintaining the infrastructure over the course of its working life.	Well-Governed Cities	Workshop	30
18	Waste Management by-laws & Waste Separation at Source Workshop	28-Nov-18	To identify high impact initiatives that would create new jobs, contribute to GDP growth and reduce the harmful impacts of chemicals and waste on the economy; to support metropolitan municipalities in reviewing their waste management bylaws in order to make waste S@S mandatory.	Sustainable Cities	Reference Group	24
19	6th International Relations Forum	23-Jan-19	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 establish an International Relations Forum to drive and implement the above advocacy framework; to consider strengthening and expanding existing networks with African Cities to forward an Africa-centric cities agenda.	Other	Forum	21
20	EPWP Reference Group Meeting	14-Feb-19	To share lessons among cities.	Productive Cities	Reference Group	21
21	SACN Urban Indicators Reference Group Meeting	27-Feb-19	To improve data quality and 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	25
22	Water Resilient Reference Group Meeting	18-Mar-19	To provide proven tools for improving water resilience and financing the needed investments; to showcase a variety of partners, programs, and projects seeking to build water resilience in South African municipalities.	Sustainable Cities	Reference Group	66
23	Buffalo City: Working Together on Mdantsane	18-Mar-19	To strengthen implementation capacity of existing work and conceptual projects; to identify and address integration challenges; to learn from other cities also implementing integrated built environment projects.	Inclusive Cities	Working Session	13
24	SACN BEITT	19-Mar-19	To engage and champion city driven initiatives to improve the practice of built environment integration.	Inclusive Cities	Reference Group	13
25	Strengthening Urban Economies: Writers Workshop	04-Apr-19	To review the current literature on the roles of cities in driving economic inclusion and diagnostic and analysis of urban infrastructure review.	Productive Cities	Workshop	15
26	USRG Meeting	10-Apr-19	To share knowledge; to raise the profile of the urban safety agenda through policy engagement and dissemination of its knowledge products; to reflect on the current Phase III and the immediate next steps for the USRG (Phase IV) in terms of the configuration of the platform itself and what the programme of activities should entail.	Inclusive Cities	Meeting	17

	EVENT NAME	DATE	EVENT OBJECTIVE	THEME	EVENT TYPE	TOTAL NO. OF PARTICIPANTS
27	The State of Urban Safety in South Africa Launch	11-Apr-19	To launch the annual State of Urban Safety in South African Cities Report, which provides an incremental update on the state of crime, violence and safety in South Africa's 9 metros.	Inclusive Cities	Launch	49
28	Infrastructure Dialogues – Inner City Housing	11-Apr-19	To discuss inner-city housing as an important component of spatial transformation; to explore problems and opportunities faced by residents, job seekers, property owners and developers, financiers and government at the local provincial and national spheres.	Well-Governed Cities	Workshop	21
29	IUDF Workshop	15-Apr-19	To take stock and learn from IUDF implementation effort to date; to develop an IUDF partnering framework; to co-develop a joint IUDF workplan and roadmap.	CDS	Workshop	67
30	State of City Finances – The People's Guide	24-Apr-19	To launch the People's Guide to the State of Cities Finances Report.	Well-Governed Cities	Launch	21
31	Youth and City Space II – Workshop 1	24-Apr-19	To introduce concepts and approaches to urban planning and governance, including city development strategies, precinct planning, and community participation, placemaking etc.	Inclusive Cities	Workshop	24
32	International Relations Forum	25-Apr-19	To help cities draw insights from each other, and to encourage shared-learning on matters of international relations; to assist individual cities, and the collective (of cities) to formulate a unified international relations vision, strategic goals and objectives.	CDS	Forum	16
33	Township Economic Development Policy and Regulatory workshop	15-May-19	To produce a Provincial Policy Framework and Legislative Package on Township Economic Development, an Academic Responsive Agenda and a Road Map for Effective Implementation and Partnership	Productive Cities	Workshop	39
34	Youth and City Space Workshop	24-May-19	To brainstorm and write proposals based on concepts and ideas introduced previously; to learn how to apply them when thinking about a project on intervention to solve a problem.	Inclusive Cities	Workshop	32
35	Strengthening Urban Economies: Second Writers Workshop	27-May-19	To review current literature on the roles of cities in driving economic inclusion and diagnostic and analysis of urban infrastructure review.	Productive Cities	Workshop	14
36	Township Economies Development: Second Workshop	31-May-19	To produce a Provincial Policy Framework and Legislative Package on Township Economic Development, an Academic Responsive Agenda and a Road Map for Effective Implementation and Partnership	Productive Cities	Workshop	33
37	EPWP Reference Group Meeting	06-Jun-19	To share lessons among cities.	Productive Cities	Workshop	34
38	SEA-SALGA-SACN Urban Energy Network Meeting	13-Jun-19	To explore the space of distributed generation in the context of power reform and electricity supply constraints; to facilitate the sharing of current initiatives under way, policy and technical developments that relate to sustainable EDI development; to draw out the context in which such work is taking place – the challenge of service delivery in the context of distributed generation, national power utility crisis, etc.	Sustainable Cities	Meeting	65
39	SACN-IUDF Youth and City Space Workshop	19-Jun-19	To empower youth as actors and influencers in urban systems.	Inclusive Cities	Workshop	15
40	Cities Political Administrative interface in the Built Environment	26-Jun-19	To unpack the findings of the research commissioned by the BEITT into how the current political administrative interface in South African cities really influences the way practitioners in cities go about their work.	Inclusive Cities	Working Session	18

II. Output Detail: Publications

The following publications were completed in 2018/19:

	PUBLICATION NAME	DATE	PUBLICATION OBJECTIVE	THEME
1	Infrastructure Dialogues – Failing Forward: How we turn mistakes into stepping stones	16-Aug-18	A report that captures the discussions how corruption has manifested between the private sector and local government and what has been done to address this. It will also explore through facilitated discussion what needs to be in place to support meaningful collaboration for improved service delivery.	Well-Governed Cities
2	State of City Finances 2018	29-Oct-18	The theme of this year's State of City Finance Report is that citizens and cities are in financial crisis. Immediate challenges to municipal financial health include inadequate finance for delivering required infrastructure and services, and the affordability of municipal services for consumers in a worsening macro-economic environment. This report offers some recommendations and innovative suggestions for tackling the challenges facing cities, especially systemic issues. Cities need to be more assertive about their role in planning and directing investments in the urban space, if they are going to drive the country's development.	Well-Governed Cities
3	Infrastructure Dialogues – Financing Municipal Infrastructure	15-Nov-18	This report captures the discussions at the 49th Infrastructure Dialogue, which discussed the financing of infrastructure in South Africa from various perspectives: financiers and developers searching for investment opportunities, and planners and engineers seeking to create and maintain infrastructure over the course of its working life. The discussion was situated within the context of the SACN's State of City Finances report published in October 2018, in particular the financing of infrastructure required for spatial transformation of cities.	Well-Governed Cities
4	SACN Urban Conference Report	30-Oct-18	This report captures the main discussion at the 2018 Urban Conference, which included various other urban actors who play a role in designing and implementing urban policies and interventions, including intermediate cities. In addition to sustaining continuity of the convening as the major annual urban event convened by the "whole of government", the objectives of the 2018 conference are to: Harvest, Engage, Mobilise and Monitor. These goals are being retained as the conference themes so that we may provide evidence over time of progress towards achieving the goals of the national urban framework.	CDS
5	By-laws as a tool for urban safety regulation in South African cities	21-Jan-19	This Urban Safety Brief looks at ways in which cities can use by-laws as a tool for urban safety promotion. The SA Cities Urban Safety Reference Group's Briefs Series is designed to distil the state of current knowledge on urban safety-related topics for a policy and planning audience. Urban Safety Briefs are biannual/quarterly products of the USRG, presented to various platforms for dissemination of key messages on the subject. They are designed to distil the state of current knowledge on urban safety-related topics for a policy and planning audience.	Inclusive Cities
6	Built Environment Integration Task Team Meeting Report: Political-Administrative Interface	12-Feb-19	The report pulls together the discussion and outcomes of the BEITT meeting on discussions surrounding the political-administrative interface and its impact on built environment work in cities. The reality is that cities are political institutions and politics and politicians are an important component of municipal work. The report highlights some of the growing concerns practitioners are raising but also presents insights into what can be done to improve the effectiveness of the political administrative interface to advance spatial transformation.	Inclusive Cities
7	The State of the Expanded Public Works Programme in South African cities 2017-18	14-Feb-19	The aim of this report is to highlight the progress and implementation of the EPWP by the cities in the 2017/18 year of Phase III of the EPWP. The main body of the report provides an overview of EPWP Phase III targets, the institutional arrangements that are in place, and the continuing challenges faced during implementation. This is followed by individual city reports (Annexure 1), in which the focus is on progress made as well as the key obstacles and successes in implementing the EPWP. The final part of the report, Annexure II, describes some best-practice case studies in selected member cities that have been documented by the EPWP Reference Group (RG), in an effort to support shared learning from experience.	Productive Cities

	PUBLICATION NAME	DATE	PUBLICATION OBJECTIVE	THEME
8	Political-Administrative Interface in the Built Environment	15-Feb-19	The Political-Administrative Interface in the Built Environment Report provides practitioner accounts of what it means to operate in a municipal environment where it is critically important for politicians and administrators to work together to achieve development and service delivery. The report draws on practitioners and politicians who have worked in city government within the last decade. The report highlights many of the challenges and possibilities that exist in working in the current political-administrative interface in cities.	Inclusive Cities
9	Urban Conference 2018 Report	20-Feb-19	The Urban Conference 2018 report documents the annual National Urban Conference proceedings. Activating an all-of-society approach was the conference theme and the report covers the key messages that emerged during the event.	CDS
10	Working Together on Mdantsane	04-Apr-19	The report distils the outcomes of a workshop held with the BEPP task team in Buffalo City. The workshop was intended to facilitate a discussion between BCM practitioners on how they understand and can begin to address the issues facing the Mdantsane Urban Hub.	Inclusive Cities
11	Infrastructure Dialogues: Inner City housing	11-Apr-19	The report captures the key discussions at the 50th Infrastructure Dialogue partnership, which focused on inner-city housing as an important component of spatial transformation, exploring problems and opportunities faced by residents, job seekers, property owners and developers, financiers and government at the local provincial and national spheres.	Well-Governed Cities
12	State of Urban Safety in South Africa 2018/19	11-Apr-19	This report is the third in a series of incremental updates on the state of crime, violence and safety in South African cities. The Report updates on crime statistics aggregated to the city level, policy developments as well as good and exemplary practices South African cities are engaging in, to edge closer to safer and inclusive cities.	Inclusive Cities
13	Built Environment Integration Task Team Meeting Report: How Institutions Shape Behaviour	12-Apr-19	The report pulls together the discussion and outcomes of the BEITT meeting on discussions about the nature of city institutions and how it impacts built environment practice. The institutional dimension of municipal work often features an anecdotal analysis. One of the ongoing target issues of the Built Environment Integration Task Team (BEITT) is to understand how to enable more effective interdepartmental working relationships and practices for integrated project delivery.	Inclusive Cities
14	People's Guide to the State of City Finances 2018	24-Apr-19	The People's Guide to the State of City Finances is a publication intended for a broader, non-specialist audience than the main State of City Finances which was launched in October 2018.	Well-Governed Cities
15	Integrated Urban Development Framework: Capturing hearts for truly inclusive cities.	30-Apr-19	The IUDF workshop report captures the proceedings of the IUDF workshop on capturing hearts for inclusive development. This workshop was a whole-of-government focused event that sought to take stock of IUDF implementation. The report highlights the challenges that the 3 spheres of government has faced in institutionalising the IUDF and provided focus areas that require attention to make progress in implementing the IUDF.	Inclusive Cities
16	Better together: partnership policing for effective urban safety	30-May-19	The Urban Safety Brief considers the imperative of partnership policing for ensuring safer cities in South Africa. It looks at how partnership policing can be used to address the complex crime and safety challenges faced by cities. Urban Safety Briefs are biannual/quarterly products of the USRG, presented to various platforms for dissemination of key messages on the subject. They are designed to distil the state of current knowledge on urban safety-related topics for a policy and planning audience.	Inclusive Cities
17	Water Resilient Cities Learning Event Report	14-Jan-19	Given the water challenges in the urban context, a two-part learning event series (in July and November) was programmed to foster learning and identify innovative solutions and responses to water security and resilience in South African cities. The report is a summary of the event proceedings and key recommendations on what the next learning events should focus on. Together with the SACN, the event organisers include, South African Local Government Association (SALGA), the GlZ's International Water Stewardship Programme (IWaSP) and the USAID Water, Sanitation and Hygiene Finance (WASH-FIN) Program.	Sustainable Cities

	PUBLICATION NAME	DATE	PUBLICATION OBJECTIVE	THEME
18	Energy Reference Group – Urban Energy Network Learning Event Report	13-Jun-19	The report provides a synthesis of the event proceedings and highlights how NZC fits into the Integrated Urban Development Framework, shares current initiatives under way, e.g. policy and technical developments that relate to achieving this pathway within the built environments that form our cities. The event was organised by Sustainable Energy Africa (SEA), South African Local Government Association (SALGA), South African Cities Network (SACN), and South Africa Low Emissions Development Program (SA-LED).	Sustainable Cities
19	Water Resilient Cities Learning Event Report	19-May-19	The report is a summary of the event proceedings with key recommendations on what the next learning events should focus on. Together with the SACN, the event organisers include South African Local Government Association (SALGA), the GIZ's International Water Stewardship Programme (IWaSP) and the USAID Water, Sanitation and Hygiene Finance (WASH-FIN) Program.	Sustainable Cities
20	Energy Reference Group – Urban Energy Network Learning Event Report	14-Jun-19	A report of the second Urban Energy Network learning event, which was organised by Sustainable Energy Africa (SEA), South African Local Government Association (SALGA), South African Cities Network (SACN), and South Africa Low Emissions Development Program (SA-LED). The report summarises the discussions that took place about distributed generation in the context of power sector reform and electricity supply constraints, and draws out the context in which such work is taking place, i.e. the challenge of service delivery in the context of distributed generation, national power utility crisis, etc. The event w.	Sustainable Cities





ANNUAL

FINANCIAL STATEMENTS

For the Year Ended 30 June 2019

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Rendering of professional services to government agencies and municipalities to promote good governance and management in South African cities.
Directors	S.M.M. Mbanga S. Makotoko N. Lester
Registered office	Joburg Metro Building 158 Civic Boulevard street Braamfontein Johannesburg 2017
Business address	Joburg Metro Building 158 Civic Boulevard street Braamfontein Johannesburg 2017
Postal address	P.O. Box 32160 Braamfontein Johannesburg 2017
Company Registration Number	2002/031754/08
Non-Profit Company Number	032-488-NPO
Auditors	PKF Octagon Inc. Registered Auditors
Level of assurance	These financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.

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Certificate by secretary

I confirm that South African Cities Network has complied with all its statutory requirements.



Yolisa Dambuza

COMPANY SECRETARY

Financial statements prepared by:



Yolisa Dambuza

FINANCIAL ACCOUNTANT

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 Standards. 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 Standards 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 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 frameworks 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 ail 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 2020 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 annual financial statements set out on pages 51 to 66 , which have been 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

Report of the Independent Auditor

To the Directors of South African Cities Network (NPC) Report on the Audit of the Financial Statements 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 2019, 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 2019, 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 2019”, 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

Report of the Directors

The Directors have pleasure in submitting their report on the financial statements of South African Cities Network (NPC) for the year ended 30 June 2019.

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 Standards 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 2019 of R21 316 985. This represented an increase from the loss after tax of the prior year of R5 848 552.

Company revenue increased from R28 352 229 in the prior year to R43 728 463 for the year ended 30 June 2019.

Company cash flows from operating activities increased by from R1 596 217 in the prior year to R25 323 093 for the year ended 30 June 2019.

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
S.M.M. Mbanga	Chief Executive Officer	Executive
S. Makotoko	Chairperson	Non-executive
N. Lester	Other	Non-executive

The change in directors are dependant on the change in polictics 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 2019.

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 2019

	Notes	2019 R	2018 R
Assets		48 056 921	20 552 784
Non current assets		392 968	210 249
Plant and equipment	2	392 968	189 023
Prepayments		–	21 226
Current assets		47 663 953	20 342 535
Trade and other receivables	3	14 936 117	12 309 048
Cash and cash equivalents	4	32 727 836	8 033 487
Total assets		48 056 921	20 552 784
Equity and Liabilities		48 056 921	20 552 784
Equity		20 852 774	(464 211)
Retained income		20 852 774	(464 211)
Current Liabilities		27 204 147	21 016 995
Trade and other payables	5	17 739 636	12 784 495
Deferred income	6	9 464 511	8 232 500
Total Equity and Liabilities		48 056 921	20 552 784

Statement of Comprehensive Income

Figures in Rand	Note(s)	2019	2018
Revenue	7	43 728 463	28 352 229
Other income	9	297 868	129 071
Operating expenses	11	(23 975 193)	(23 097 016)
Operating gain (deficit)		20 051 138	5 384 284
Investment revenue	10	1 265 847	464 268
Gain (deficit) for the year		21 316 985	5 848 552
Other comprehensive income		—	—
Total comprehensive gain (deficit) for the year		21 316 985	5 848 552

Statement of Changes in Equity

Figures in Rand	Retained income	Total equity
Balance at 01 July 2017	(6 312 763)	(6 312 763)
Deficit for the year	5 848 552	5 848 552
Other comprehensive income	—	—
Total comprehensive deficit for the year	5 848 552	5 848 552
Balance at 01 July 2018	(464 211)	(464 211)
Gain for the year	21 316 985	21 316 985
Other comprehensive income	—	—
Total comprehensive income for the year	21 316 985	21 316 985
Balance at 30 June 2019	20 852 774	20 852 774

Statement of Cash Flows

Figures in Rand	Note(s)	2019	2018
Cash flows from operating activities			
Cash generated from operations	13	24 057 246	1 131 949
Interest income		1 265 847	464 268
Net cash from operating activities		25 323 093	1 596 217
Cash flows from investing activities			
Purchase of plant and equipment	2	(628 744)	(44 040)
Sale of plant and equipment	2	–	195 738
Net cash from investing activities		(628 744)	151 698
Cash flows from financing activities		24 694 349	1 747 915
Total cash movement for the year			
Cash at the beginning of the year		8 033 487	6 285 572
Total cash at end of the year	4	32 727 836	8 033 487

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 Standards, 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 estimate 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.

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

	2019			2018		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	171 873	(163 981)	7 892	171 873	(139 003)	32 870
Office equipment	125 146	(112 070)	13 076	111 851	(111 851)	-
IT equipment	715 995	(343 995)	372 000	333 533	(177 380)	156 153
Total	1 013 014	(620 046)	392 968	617 257	(428 234)	189 023

Reconciliation of plant and equipment - 2019

	Opening balance	Additions	Depreciation	Impairment loss	Closing balance
Furniture and fixtures	32 870	-	(24 978)	-	7 892
Office equipment	-	13 295	(219)	-	13 076
IT equipment	156 153	615 449	(166 613)	(232 989)	372 000
Total	189 023	628 744	(191 810)	(232 989)	392 968

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
Total	563 545	44 040	(195 738)	(222 824)	189 023

3. Trade and other receivables

	2019	2018
Trade receivables	14 938 085	12 311 016
Employee costs in advance	(1 968)	(1 968)
Total	14 936 117	12 309 048

4. Cash and cash equivalents

	2019	2018
Cash and cash equivalents consist of:		
Cash on hand	1 500	1 500
Bank balances	640 369	159 409
Investment balances	32 085 967	7 872 578
	32 727 836	8 033 487

5. Trade and other payables

	2019	2018
Trade payables	1 029 212	938 649
VAT	15 041 220	10 776 997
Accrued leave pay	386 020	260 274
Other payables and accruals	587 724	337 739
Employee cost related accruals	695 460	470 836
	17 739 636	12 784 495

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

	2019	2018
Government grants	9 464 511	8 232 500

7. Revenue

Figures in Rand	2019	2018
Buffalo City Municipality	2 762 122	2 376 665
Ekurhuleni Metropolitan Municipality	2 762 122	2 376 665
eThekweni Metropolitan Municipality	2 762 122	2 376 665
City of Johannesburg	2 762 122	2 376 665
Mangaung Municipality	2 762 122	2 376 665
Msunduzi Municipality	2 762 122	2 376 664
Nelson Mandela Metropolitan Municipality	2 762 122	2 376 664
City of Tshwane	2 762 122	2 376 664
Grants	21 631 487	9 338 912
	43 728 463	28 352 229

8. Grants

Figures in Rand	2019	2018
Department of Cooperative Governance and Traditional Affairs	8 035 373	1 864 384
GIZ income	350 000	350 000
Grant Income – DHS	–	500 000
City of Johannesburg – CDS	436 050	382 500
City of Johannesburg – Climate Change	1 103 637	–
Deferred from prior year	–	–
Received	1 103 637	–
Deferred to current year	–	–
Grant Income EPWP	1 000 000	1 000 000
Deferred from prior year	–	–
Received	1 000 000	1 000 000
Deferred to current year	–	–
Grant income – NRF Chairs	5 735 200	1 092 755
Grant income – Step	750 000	656 250
Grant income – SCODA	750 000	656 250
Grant income – International	282 150	247 500
Grant income – Building	200 000	200 000
Grant income – Strengthening	400 000	400 000
Grant income – AFD	–	489 274
Grant income – Spacial	400 000	400 000
Grant income – Coastal Cities	200 000	200 000
Grant income – Future Cities	200 000	200 000
Grant income – Implementing	200 000	200 000
Green Fund – DBSA	21 467	500 000
The South African Council for Planners	32 610	–
The National Treasury	1 500 000	–
Urban Conference	35 000	–
	21 631 487	9 338 912

9. Other income

Figures in Rand	2019	2018
Other income	297 868	129 071

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	2019	2018
Call accounts	1 265 847	464 268

11. Operating gain (deficit)

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

Figures in Rand	2019	2018
Impairment on property, plant and equipment	232 989	–
Depreciation on property, plant and equipment	191 810	222 824
Employee costs	13 673 259	12 681 363
Auditor's remuneration	159 123	150 292
City development strategies	2 092 783	2 641 571
Knowledge mangement and communication	505 402	352 610
Networking and strategic input	143 384	167 420
Office consumables	367 462	558 884
Organisational development	1 411 476	2 503 706
Sustainable cities	1 661 907	871 494
Well governed cities	493 877	1 300 445

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	2019	2018
Gain (deficit) before taxation	21 316 985	5 848 552
Adjustments for:		
Depreciation	191 810	222 824
Interest received	(1 265 847)	(464 268)
Impairment loss	232 989	–
Changes in working capital:		
Trade and other receivables	(2 627 069)	(7 993 019)
Prepayments	21 226	(21 226)
Trade and other payables	4 955 141	(1 546 530)
Deferred income	1 232 011	5 085 616
	24 057 246	1 131 949

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	2019	2018
Grants received	8 035 373	1 864 384
Department of Co-operative Governance and Traditional Affairs	8 035 373	1 864 384
Subscriptions received	22 096 976	19 013 317
Ekhurhuleni Metropolitan Municipality	2 762 122	2 376 665
City of Tshwane	2 762 122	2 376 665
eThekweni Metropolitan Municipality	2 762 122	2 376 665
Buffalo City Municipality	2 762 122	2 376 665
Mangaung Local Municipality	2 762 122	2 376 665
City of Johannesburg	2 762 122	2 376 664
Msunduzi Municipality	2 762 122	2 376 664
Nelson Mandela Metropolitan Municipality	2 762 122	2 376 664
Related party balances and transactions with key management		
Related party balances		
Compensation paid to key management		
J.W Karuri- Sebina	-	758 335
S. Joseph	1 310 152	1 256 789
Y. Dambuza	1 308 441	1 252 510
L. Njezula	1 090 368	-

15. Directors' remuneration

Figures in Rand	2019	2018
Executive		
S.M.M. Mbanga		
Director's fees	2 764 518	2 427 662
Travel allowance	96 000	104 000
Total	2 860 518	2 531 662

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 Standards, for the first time for the 2019 year end. On principle this standard has been applied retrospectively and the 2018 comparatives contained in these financial statements differ from those published in the financial statements published for the year ended 30 June 2018. 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)	2019	2018
Revenue			
Subscriptions received		22 096 976	19 013 317
Government grants		21 631 487	9 338 912
	7	43 728 463	28 352 229
Other income			
Interest received	10	1 265 847	464 268
Other income	9	297 868	129 071
		1 563 715	593 339
Operating expenses			
Auditors remuneration - external auditors		159 123	152 016
City development strategies		2 092 783	2 638 638
Depreciation		424 799	222 824
Employee costs		13 673 259	12 681 363
Financial and legal fees		13 881	6 135
Inclusive cities		772 288	371 474
Information technology		489 788	613 456
Insurance		40 138	68 851
Knowledge management and communications		505 716	360 899
Networking and strategic input		143 384	167 640
Office consumables		384 268	579 573
Organisational development		1 411 476	2 514 951
Placement fees		17 746	–
Productive cities		1 655 846	521 690
Security		–	4 677
Staff welfare		14 811	1 299
Sustainable cities		1 661 907	880 744
Travel - local		20 103	–
Well governed cities		493 877	1 310 786
		23 975 193	23 097 016
Gain (deficit) for the year		21 316 985	5 848 552

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

