

ANNUAL REPORT

2019

2020



SOUTH AFRICAN LOCAL
GOVERNMENT ASSOCIATION

SALGA

Inspiring service delivery



CONTENTS

| | |
|---|---|
| Registered Information | 2 |
| Presentation of the SALGA Annual Report 2019/20 | 3 |
| Highlights 2019/20 | 4 |

PART A GENERAL INFORMATION

| | |
|--|----|
| • SALGA Profile..... | 7 |
| • Organisational Structure (Organogram)..... | 14 |

PART B EXECUTIVE OVERVIEW

| | |
|--|----|
| • Foreword by the President..... | 18 |
| • Overview by the Chief Executive Officer..... | 21 |

PART C STRATEGIC OVERVIEW

| | |
|------------------------------------|----|
| • Strategic Framework..... | 25 |
| • Annual Performance Planning..... | 27 |

PART D PERFORMANCE INFORMATION

| | |
|---|----|
| • Statement of Responsibility for Performance Information..... | 30 |
| • Performance against Strategic Goals 2019/20..... | 33 |
| • Goal 1: Sustainable Inclusive Economic Growth and Spatial Transformation..... | 34 |
| • Goal 2: Good Governance and Resilient Municipal Institutions..... | 43 |
| • Goal 3: Financial Sustainability of Local Government and Greater Fiscal Equity..... | 48 |

PART E HUMAN RESOURCE AND CORPORATE SERVICES

| | |
|-----------------------------------|----|
| • Managing Our Human Capital..... | 53 |
| • Corporate Services | 62 |

PART F GOVERNANCE

| | |
|---|----|
| • Governance Framework..... | 64 |
| • Report of the Audit and Risk Committee | 71 |
| • Report of the Performance Management and Remuneration Committee | 75 |
| • Review by the Chief Financial Officer..... | 80 |

PART G FINANCIAL INFORMATION

| | |
|--|----|
| • Report of the Auditor-General of South Africa | 91 |
| • Accounting Authority's Responsibility and Approval | 94 |
| • Annual Financial Statements | 95 |

PART H APPENDICES

| | |
|--|-----|
| Appendix A: Performance against predetermined objectives 2019/2020 | 169 |
| Appendix B: SALGA Employee Wellness Interventions 2019/20..... | 188 |
| Appendix C: SALGA Governance Structures and Purpose | 189 |
| Appendix D: SALGA Governance Structure Meetings 2019/2020..... | 191 |
| Appendix E: NEC Member Attendance at Governance Structure Sitings..... | 192 |

REGISTERED INFORMATION

| | |
|--------------------------|---|
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| External auditors | Auditor-General of South Africa |
| Bankers | ABSA |

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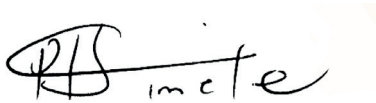
PRESENTATION OF THE SALGA ANNUAL REPORT

On behalf of the South African Local Government Association (SALGA) and in terms of the SALGA Constitution and governance framework, adopted in March 2008 by the National Member's Assembly, we present the SALGA Annual Report for the period 1 April 2019 to 31 March 2020 to the Parliament of South Africa, SALGA stakeholders and other interested and affected parties.

This report reviews SALGA's pursuit of its developmental mandate and performance during the past financial year in addressing the challenges within local government in South Africa.

The Auditor-General of South Africa has audited the performance information and annual financial statements in this report, which is endorsed by the National Executive Committee based on the assurance of accuracy by SALGA's management and internal audit function.

SALGA remains committed to strengthening the transformation of local government to improve the well-being of all South Africans, stimulate economic growth and contribute to a new growth path for the country in the years ahead.



Councillor Thembi Nkadimeng

SALGA President

13 August 2020



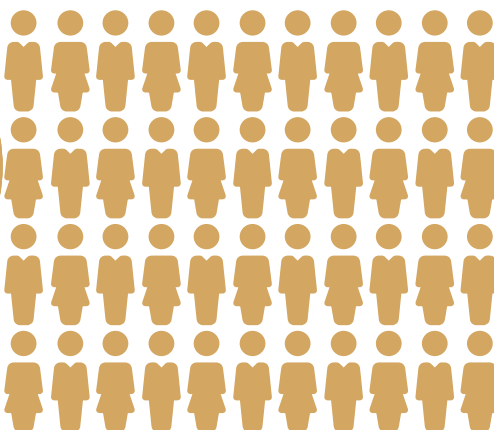
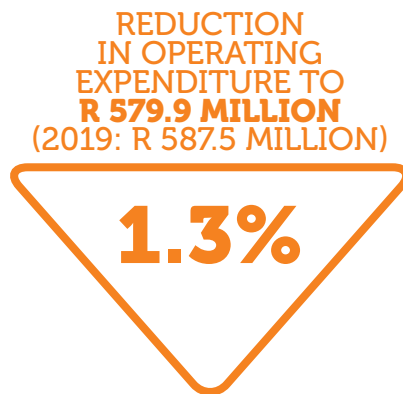
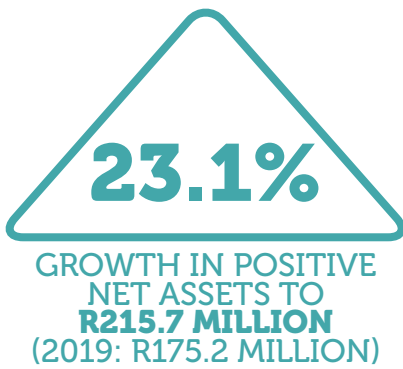
ACTIVELY PARTICIPATED
IN PROCESSING THE AMENDMENT BILLS FOR
THE MUNICIPAL SYSTEMS ACT, 32 OF 2000 AND
THE MUNICIPAL STRUCTURES ACT, 117 OF 1998



LOBBIED FOR LOCAL GOVERNMENT
CONCERNS TO BE ADDRESSED IN THE
MUNICIPAL COST CONTAINMENT
REGULATIONS REVIEW



ADVISED MUNICIPALITIES ON THE
IMPLICATIONS OF THE CONSTITUTIONAL
COURT ORDER THAT DECLARED THE MUNICIPAL
SYSTEMS AMENDMENT ACT, 7 OF 2011, INVALID



HOSTED THE
LARGEST
GATHERING
OF LOCAL
GOVERNMENT
LEADERS FROM
ACROSS THE
GLOBE: **THE
UCLG WORLD
CONGRESS**

4 625
OFFICIALS

BENEFITTED FROM
SALGA CAPACITY
BUILDING
PROGRAMMES
DURING
2019/20



3 842
COUNCILLORS

1 090
OFFICIALS AND
COUNCILLORS

BENEFITTED
FROM CONTINUOUS
DEVELOPMENT
PROGRAMMES



✓
2012
2013

✓
2013
2014

✓
2014
2015

✓
2015
2016

✓
2016
2017

✓
2017
2018

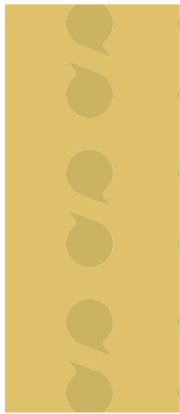
✓
2018
2019

✓
2019
2020

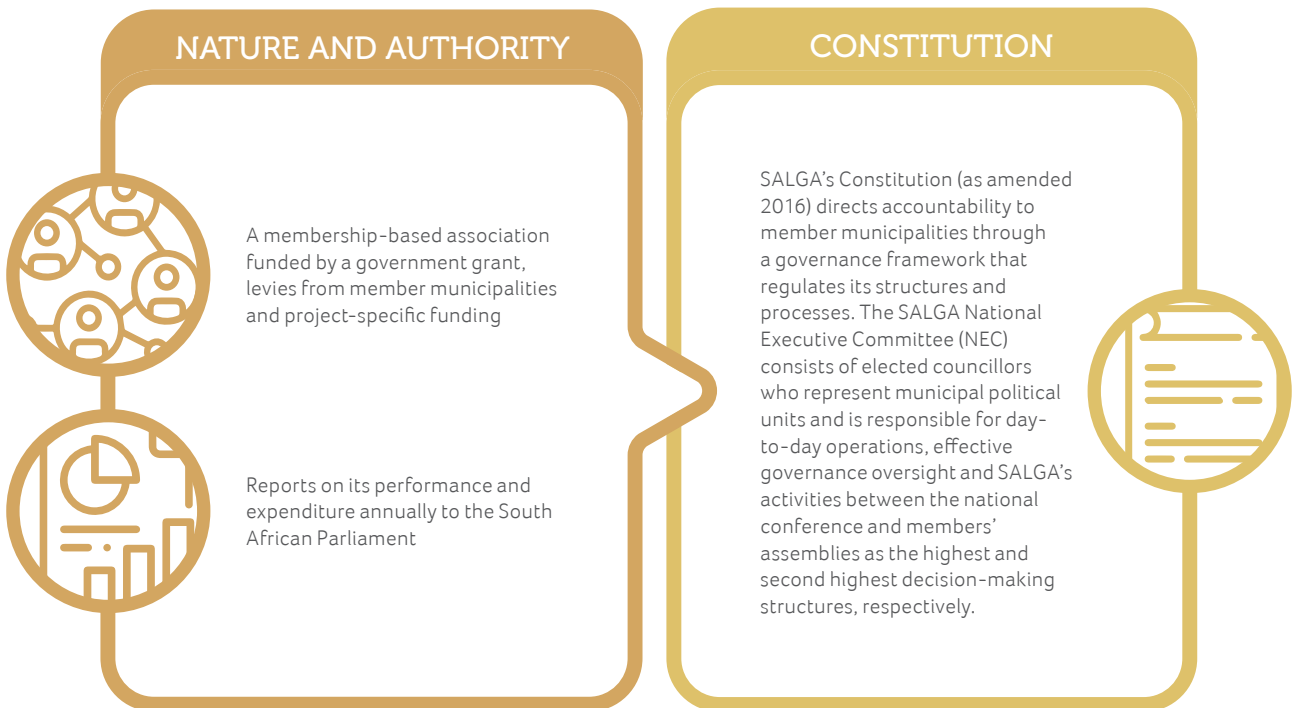
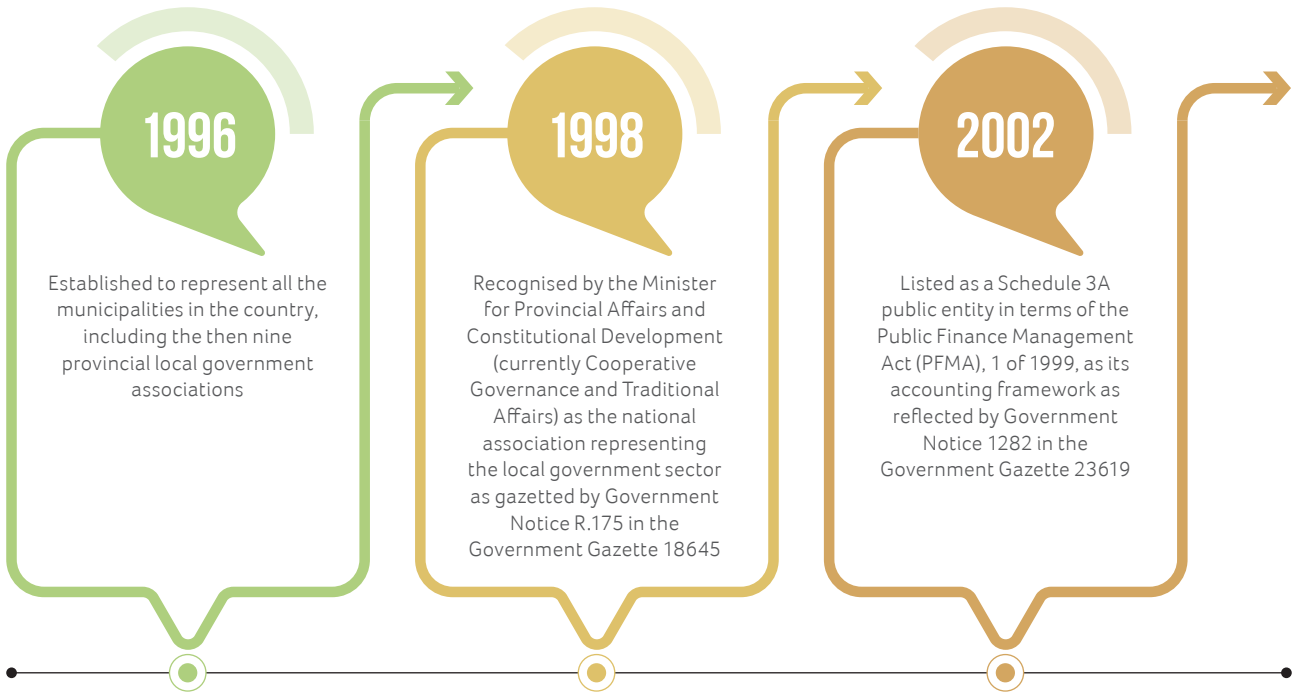
CLEAN AUDIT FOR EIGHT CONSECUTIVE YEARS



PART A
GENERAL
INFORMATION



SALGA ESTABLISHMENT TIMELINE



STRATEGIC INTENT

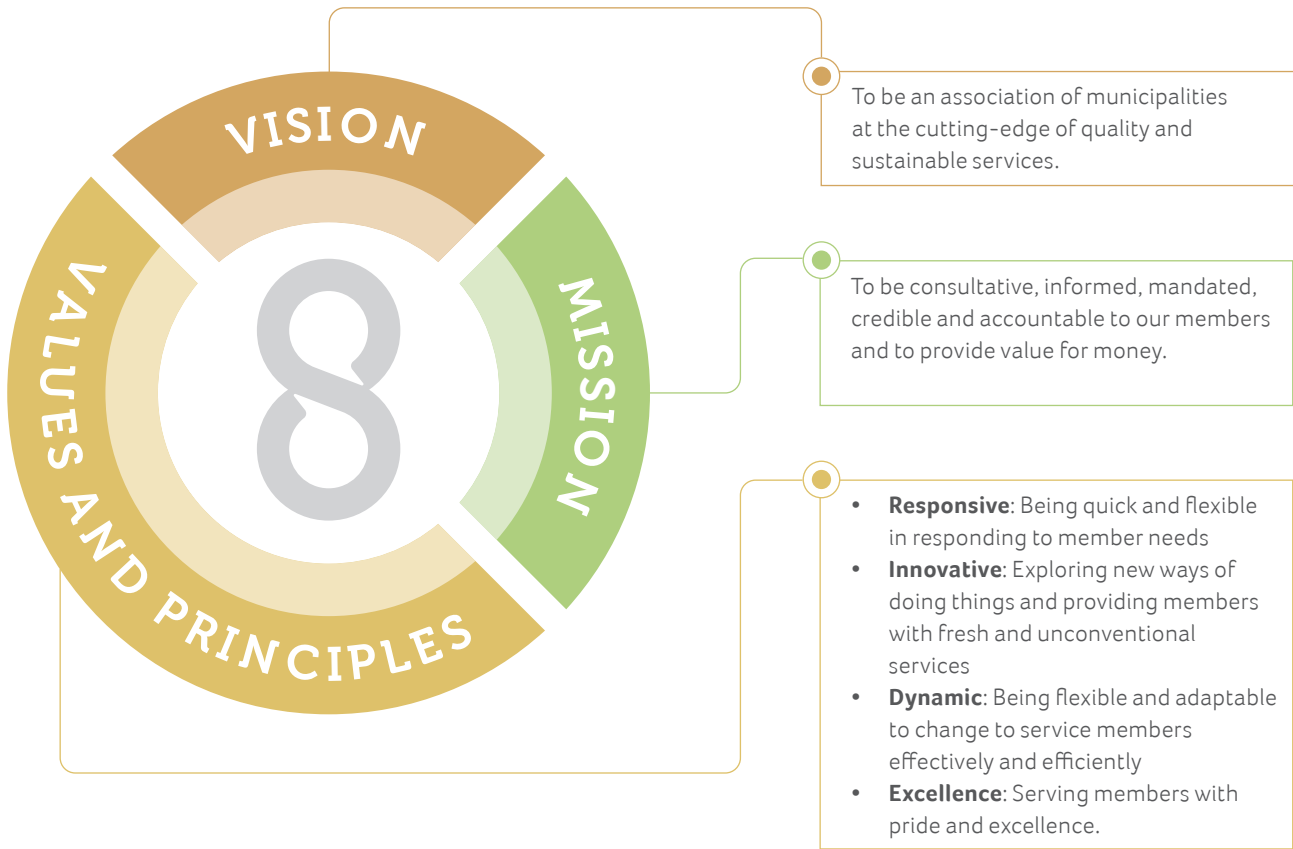


Figure 1: Vision, mission and values.

MANDATES



Figure 2: SALGA Mandate.

LEGISLATIVE MANDATES

SALGA's performance is guided by its intergovernmental- and membership-determined mandate and the following legislation:

CONSTITUTION OF THE REPUBLIC OF SOUTH AFRICA, 108 OF 1996

The Constitution entrenches local government as a three-tier, distinct, yet inter-related and interdependent, cooperative governance system. Section 163, Subsections (a) and (b), calls for the legislated establishment of organised local government to represent municipalities in the intergovernmental and cooperative governance system and participate in the National Council of Provinces (NCoP) in matters relating to Section 221 (1) (c).

The legislation sets out additional obligations, including:

ORGANISED LOCAL GOVERNMENT ACT (OLGA), 52 OF 1997

The OLGA established procedures to nominate SALGA representatives to the NCoP and Financial and Fiscal Commission (FFC) and consult with all tiers of government. The Intergovernmental Relations Framework Act (IGRFA), 13 of 2005, recognises SALGA as the sole voice of local government to protect the interests of municipalities and ensure that the sector participates meaningfully in the country's intergovernmental arena.

MUNICIPAL SYSTEMS ACT (MSA), 32 OF 2000 AS AMENDED IN 2003, 2006 AND 2011

The MSA directs all municipalities to comply with and are bound by collective agreements negotiated by SALGA and the Municipal Bargaining Council with the trade unions. In this regard, SALGA must, *inter alia*, develop a common approach for local government; encourage cooperation, assistance and shared resources among municipalities; resolve local government problems and facilitate cooperative government and intragovernmental relations.

INTERGOVERNMENTAL FISCAL RELATIONS ACT (IGFRA), 97 OF 1997, AS AMENDED

The IGFRA promotes intergovernmental relations and dispute resolution at all tiers of government. The public sector budget cycle is a critical intergovernmental planning and coordination tool and SALGA contributes through its participation in the Local Government Budget Forum.

SALGA is cognisant of other legislative directives. These are listed on the SALGA website.

GLOBAL MANDATES

SUSTAINABLE DEVELOPMENT GOALS (SDGs) VISION 2030

SDG 11: Make cities inclusive, safe, resilient and sustainable to create a future in which cities provide opportunities for all, with access to basic services, energy, housing, transportation and more.

Requires local governments to be inclusive, economically productive, environmentally sustainable and resilient to climate change and related risks through, *inter alia*, the use of renewable energy and sustainable provision of water and sanitation for all. SALGA regards SDG Goal 11 as pertinent to the commitment by the organised local government sector to address South Africa's developmental challenges.

PARIS ACCORD ON CLIMATE CHANGE

This accord calls for zero net anthropogenic greenhouse gas emissions by the second half of the 21st century and commits signatories to limiting global warming to 1.5 °C. This will require replacing fossil fuels almost entirely with clean energy in the second half of this century.

AFRICAN UNION AGENDA 2063 – THE AFRICA WE WANT

The agenda advocates structural transformation and economic independence for Africa through agro-based industrialisation, innovation, new technologies and partnerships to provide food security, jobs and cultural reorientation and rejuvenation.

NATIONAL MANDATES

NATIONAL DEVELOPMENT PLAN (NDP) VISION 2030

The NDP aims to eliminate poverty and reduce inequality by 2030. SALGA's strategic priorities are aligned with the critical success factors of the NDP, namely sustainable leadership, institutional reform, resource mobilisation and trade-offs and clarity of responsibility in each area.

MEDIUM-TERM STRATEGIC FRAMEWORK (MSTF) 2019-2024

The priorities of this five-year implementation plan and integrated monitoring framework promotes alignment, coordination and, ultimately, full integration of all development planning instruments into an integrated framework. The MSTF results will be without duplication, role conflict or development contradictions and better coordinated through its district-based delivery model.

Further information on these global and national mandates are available on the SALGA website.

ORGANISED LOCAL GOVERNMENT ROLE

SALGA's strategic role in representing the interests of local government within the overall system of government assists members to fulfil their developmental obligations. SALGA also participates actively in intergovernmental relations to support a partnership policy, voice local government interests and provide solutions to local government challenges.

MEMBERS AND STAKEHOLDERS

SALGA is a membership-based association for all 257 metropolitan, district and local South African municipalities that collectively constitute the independent, interdependent and inter-related sphere of government. Since the business of local government is everyone's business, SALGA partners and collaborates with relevant public and private sector stakeholders to serve and support its members.

MEMBERS

Members range from municipalities in deep rural areas grappling with severe service delivery backlogs and institutional challenges to sophisticated cities with significant institutional capacity.

The Municipal Structures Act, 117 of 1998, classifies municipalities as metropolitan (Category A), local (Category B) or district (Category C) entities or service utilities

according to size, financial viability, technical skills, quality of services provided, challenges confronted on a daily basis, responsiveness to community needs, political and administrative stability and governance.

Municipalities pay membership levies, that enable SALGA to respond to the extensive range of municipal needs through the implementation of its 2017-2022 Strategic Plan.

SALGA WALL-TO-WALL MEMBERSHIP MAP

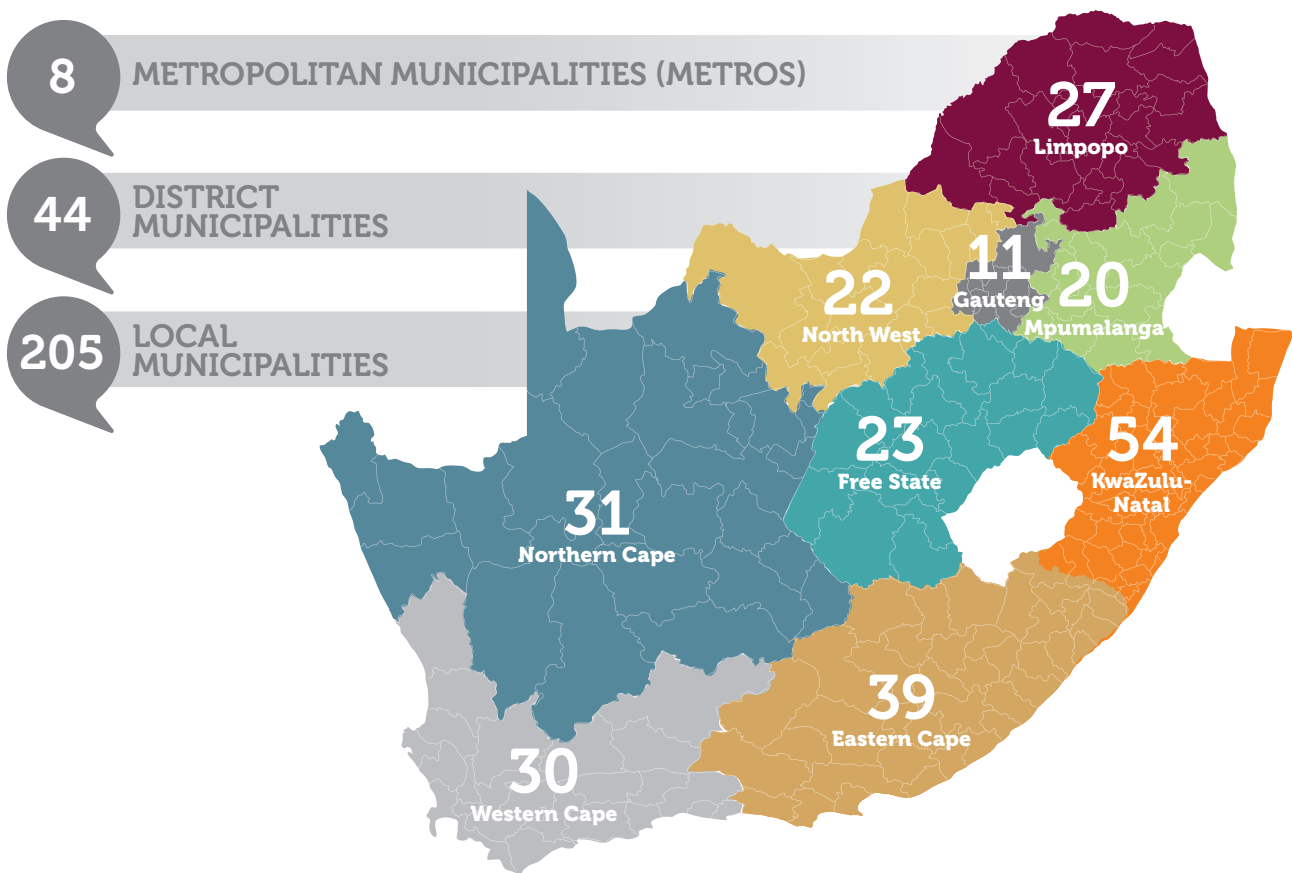


Figure 3: Wall-to-wall municipalities.

SALGA STAKEHOLDERS



Figure 4: SALGA stakeholders.

Effective and efficient stakeholder management is integral to SALGA's pursuit of its mandate to promote and protect the interests of local government and enable its resource capacity. SALGA is keenly aware of the value of stakeholder contributions to meeting member needs and aligning stakeholder engagements with a broader process of representing, supporting and servicing members.

| | | |
|--------------|---|-------------------------------|
| Importance ↑ | C: Municipalities | A: Key government departments |
| | E: Partners (local & international) | B: Parliament |
| | G: Employees | F: SOEs |
| | L: Donors | H: Media |
| | | K: Public & private sectors |
| | | N: Political parties |
| | I: Professional bodies | D: Civil society |
| | J: International municipal associations | M: Research institutions |
| | | Influence → |

Figure 5: SALGA key stakeholder map.

KEY STAKEHOLDERS AND PARTNERSHIPS

SALGA adopts an inclusive and transparent approach towards creating meaningful and interdependent stakeholder and partner relationships. Understanding our stakeholders' expectations and partner needs is paramount to steering the association effectively towards its vision of a municipal landscape that is at the cutting-edge of quality and sustainable service provision.

Stakeholder inclusivity involves the balancing of interests over time by prioritising and trading-off interests as necessary. Decisions on how to achieve this balance are made on a case-by-case basis as circumstances and exigencies require but is always done in the best interests of fulfilling our mandate over the longer term.

A selection of interactions with international stakeholders and partners that benefit local municipalities, are highlighted here.

BUILDING INCLUSIVE GREEN MUNICIPALITIES (BIGM)

A highlight during the reporting period was a Memorandum of Understanding between SALGA, the Commonwealth Local Government Forum (CLGF) and Karoo Municipalities to, *inter alia*, develop a Local Economic Development (LED) master class programme for the Building Inclusive Green Municipalities (BIGM) initiative, which is aligned with SALGA's SDG 17 Partnership for Sustainable Development goal. The master class programme entails practical, short courses for LED practitioners in local government involved in strategy formulation and implementation. Three deep-dive sessions will focus on place competitiveness, economic development and inward investment.

During the first quarter of 2020, representatives from SALGA, Eastern Cape municipalities and CoGTA met with the Federation of Canadian Municipalities (FCM) in Ontario, Canada to present the annual BIGM report and develop the work plan and budget for 2020/21.

SALGA and the FCM also partnered in March 2020 to host the first asset management summit under the BIGM banner.

Funded by Global Affairs Canada, focal areas at the summit included municipal asset management, climate change, 4IR preparedness and successful transitions. The summit provided a platform for municipalities to engage with peers locally and their international partners and expects from Canada.

STRENGTHENING GOVERNANCE AND CAPACITY IN LOCAL GOVERNMENT (SGCLG)

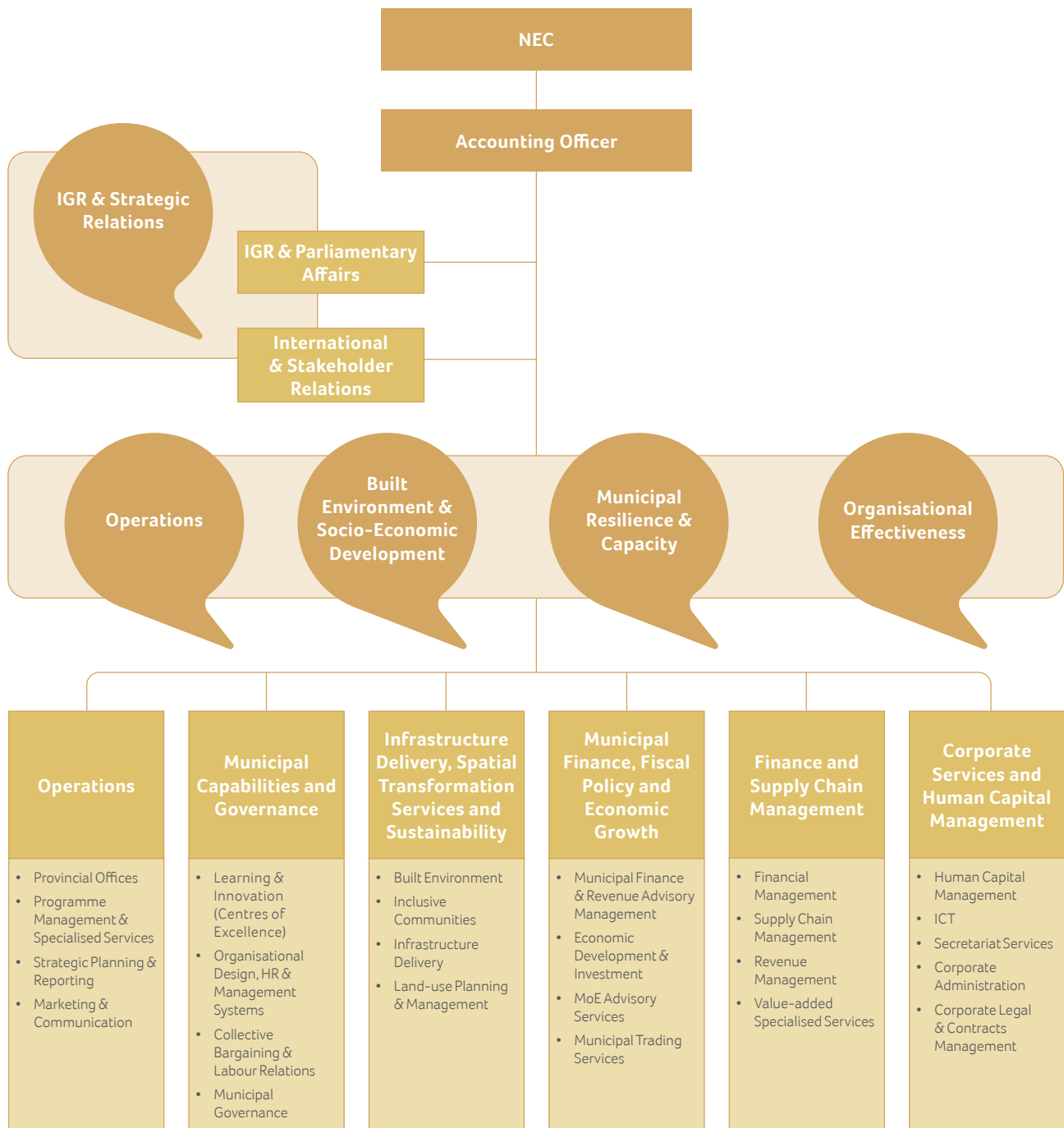
SALGA submitted project reports on EU partnership projects to the European Union Delegation (EUD) for approval. These included project evaluation and expenditure verification reports for the Strengthening Governance and Capacity in Local Government (SGCLG) project. A knowledge-sharing product, with a summary of lessons learnt during the SGCLG project, was also developed and will be shared with municipalities that did not participate in the project.

CITY-TO-CITY COOPERATION PARTNERSHIPS WITH FLEMISH MUNICIPALITIES

Since 2018, SALGA has worked with the Association of Flemish Cities and Municipalities (VVSG) within the Municipal International Cooperation Framework in City-to-City Cooperation partnerships between local and Flemish municipalities, specifically the Witzenberg with Essen, Nquthu with Bornem and Bergrivier with Heist-op-den Berg municipalities.

These inter-municipal collaborations focus on good, inclusive local governance through enhanced digital capacity to improve smart governance and service delivery. The development of an application (app) for municipalities to communicate with citizens about service delivery, is an example of such enhanced digital capacity.

ORGANISATIONAL STRUCTURE



Key to acronyms in organogram

NEC: National Executive Council

IGR: Intergovernmental Relations

HR: Human Resource

MoE: Maintenance of Effort

ICT: Information and Communications Technology

Figure 6: Organisational structure.

NATIONAL AND PROVINCIAL STRUCTURES

EXECUTIVE MANAGEMENT TEAM

During 2019/20, the NEC approved SALGA's new organisational structure as depicted in Figure 6 on p 14 Attempts were made throughout the year to fill the vacancies in the new management structure and it is important to note that the organisational performance reported on in this annual report was achieved despite vacancies in several critical positions.



Xolile George
Chief Executive Officer



Lance Joel
Chief of Operations



Thembeke Mthethwa
Chief Financial Officer



Rio Nolutshungu
Chief Officer: Municipal
Capabilities and Governance



Khomotso Letsatsi
Chief Officer: Municipal
Finance, Fiscal Policy and
Economic Growth



Mthobeli Kolisa
Chief Officer: Infrastructure
Delivery, Spatial
Transformation Services and
Sustainability

SALGA's provincial offices are each led by a Director of Operations.

PROVINCIAL DIRECTORS OF OPERATIONS



Sonwabo Gqegqe
(Eastern Cape)



Zanoxolo Futwa
(Free State)



Seana Nkhahle
(Acting Gauteng)



Sabelo Gwala
(KwaZulu-Natal)



Ledile Molope
(Limpopo)



Gugu Langa
(Mpumalanga)



Millicent Monyamane
(Acting Northern Cape)



William Moraka
(Acting North West)



Khalil Mullagie
(Western Cape)



PART B EXECUTIVE OVERVIEW





FOREWORD BY THE PRESIDENT

“WHETHER COVID-19 IS RECORDED IN THE HISTORY BOOKS AS A BLACK SWAN EVENT THAT WAS DIFFICULT TO PREDICT WITHIN THE NORMAL REALM OF EXPECTATION AND EXPERTISE, THE SEVERITY OF ITS IMPACT ON HUMAN LIVES AND ECONOMIC WELL-BEING WILL STRETCH FAR INTO THE FUTURE.”

I take pleasure in presenting this 2019/20 Annual Report on behalf of the South African Local Government Association (SALGA) to our stakeholders, partners, members and employees with a vested interest in our activities.

The report reflects on several notable achievements as well as existing challenges during the reporting period before the sudden onslaught, with unprecedented speed and severity, of a pandemic that is set to change much of what we regarded as normal.

“Whether the history books will define COVID-19 as a Black Swan event – hard-to-predict and outside the normal realm

of our expectation and range of expertise – the human tragedy left in its wake cannot be denied. While the extent is still unknown, the severity of its impact is irrefutable.”

While we grappled with a lagging economy and societal disparities during 2019, we did not suspect that far greater disruptive uncertainties would confront us as we prepared to start a new financial year. At the time of writing, it is already evident that the pandemic’s ubiquitous toll on human life and mass disruption of the world as we know it will exacerbate existing uncertainties.

SALGA's support to local government to navigate these turbulent times is steadfast, as is our determination to transform the ability of local government to fulfil its developmental mandate.

NEWLY ON BOARD

I welcome on board the newly appointed members of SALGA's National Executive Committee (NEC), Cllr Siphon S'thonga and Cllr Flora Boltman. The richness in diversity of voices in the NEC that hail from all municipal levels and all provinces contribute to our ability to lead, advance, protect, and at times disrupt, the *status quo* in the best interest of our municipal members.

NOTEWORTHY ACHIEVEMENTS

Along with being the recipient of a clean audit for the eight-consecutive year, SALGA contributed to the Systems Act and Structures Act Amendment Bills and lobbied for local government concerns to be addressed in Municipal Cost Containment Regulations review. We also hosted the 2019 United Cities and Local Government (UCLG) World Congress, the single largest gathering of local government leaders from across the globe.

I am proud to report that during the reporting period, 4 625 officials and 3 842 councillors benefitted from SALGA's capacity building programmes, while 1 090 benefitted from continuous development programmes. We look forward to their meaningful contributions to the business of local government in the years ahead.

INTERNATIONAL ALLIANCES

I have come to realise that in most regions globally, local governments face similar challenges and that these have to be overcome before we can collaborate meaningfully to make a difference on a global stage. Tackling challenges such as decentralisation, climate change, the plight of migrants and struggle to accommodate the displaced, is a daunting task that requires resilience, tenacity and a stubborn will to overcome.

Despite South Africa's young democracy, our achievements as a country have earned us respect in the international arena. We should, therefore, not shy away from intensifying our global leadership and advocacy in advancing a developmental agenda for local governments worldwide.

As the leading voice for local government in South Africa, whether voiced at events of the Southern Africa Regional Office, United Cities and Local Governments of Africa (UCLGA) or UCLG globally, we should be at the forefront of promoting multi-level governance and the role of local governments

developmental agents, as well as the involvement of local governments in policy formulation and implementation.

FAIR AND EQUITABLE DISPENSATION TIMEOUSLY

Despite concerted efforts to lobby for a fair and equitable dispensation for all public office bearers across the three spheres of government, we noted with disappointment delays by the Independent Commission for the Remuneration of Public Office Bearers to issue its recommendation on annual increases. In this regard, our task for 2020/21 will be to ensure that the Commission gives full effect to its 2017 recommendations on the review of remuneration for councillors.

INTERVENTIONS TOWARDS GOOD GOVERNANCE

Social activism is a reality of our times and testimony to the fact that communities can and will stand up against poor governance. An application by the Unemployed People's Movement (UPM) and other civil society organisations against the Makana Local Municipality resulted in a High Court ruling in September 2019 that dissolved the municipality for failing to provide basic services to the community.

This ruling will have serious practical consequences for all three tiers of government. Going forward, the NEC ...

MUNICIPAL REVENUE

SALGA's NEC Lekgotla in March 2020 addressed critical municipal issues, such as revenue, performance, governance and institutional capacity, as well as SALGA's support to municipalities and strengthening interventions where required.

One such an intervention stemmed from an earlier analysis of the debts owed to and by municipalities. The analysis highlighted a causal link between the ability of municipalities to service their debts, such as to Eskom and Water Boards, and the inability to collect outstanding revenue from government, businesses and households for services rendered. SALGA adopted a two-pronged approach to support municipalities in resolving this untenable impasse. Firstly, urgent aggressive and consistent municipal action to enforce credit control policies through disconnections without fear or favour. And, secondly, a rigorous analysis of gross and restructured debts to realistically action debt collection, write-offs and historical uncollectable repeats, which include the installation of prepaid meters.

CONTRIBUTING TO CRITICAL RESOURCE SECTORS

Recently, intergovernmental relations platforms, including Cabinet, recognised the constitutional mandate of municipalities to reticulate and supply electricity. This confirmed local government as materially affected and a key player in the energy sector.

The debilitating effects of Eskom's ongoing electricity supply constraints require a clear, unambiguous and reliable policy position from government that commits to the Integrated Resource Plan (IRP) 2019 to create a sustainable electricity industry. This will free municipalities from a crippling debt crisis and increase Eskom's ability to supply power reliably, both of which will increase access to sustainable basic services.

SALGA's believes firmly that Eskom's "unbundling" should create an independent, state-owned transmissions company with a non-discriminatory, level playing field for incumbent energy generators and new entrants to access to the grid. Municipalities will benefit from a diversified, competitive generation sector that consists of Eskom generators, public-private partnerships (PPPs), municipal generators, independent power producers (IPPs) and embedded generators on customers' premises.

With such measures in place, local government can focus on reigniting growth and creating jobs. We look forward to contributing to the dialogue around Eskom's restructuring, specifically as it relates to distribution.

With most parts of our country reeling from persistent and widespread water shortages, experts are painting a bleak future for a country and an economy unprepared for the impact of climate change. The multi-year drought in parts

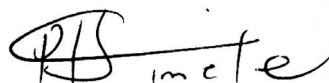
of the Northern and Eastern Cape are leaving small towns parched and livestock farmers facing financial ruin. This, as well as increasing community activism over chronic water shortages require urgent investigation by the relevant law enforcement authorities. Similarly, accusations that municipal officials and councillors sabotage the water infrastructure to secure water tanker contracts, must be dealt with. SALGA is ready to support such interventions to re-establish economic development in our communities.

ACKNOWLEDGEMENTS

We thank our stakeholders, partners, members and employees too for their continued support. Along with the SALGA's management team, we also deeply appreciate the contribution of every man and woman who has led, shared and participated in our journey to reset the developmental purpose local government along a trajectory towards economic and societal well-being.

LOOKING AHEAD

There is no doubt that the post-COVID-19 landscape will create new challenges and offer different opportunities. I am confident that the continued oversight and guidance from the NEC and SALGA's consistent emphasis on good governance will ensure that our impact going forward will benefit our members so that, together, we can create a better country for all who live here.



Councillor Thembi Nkadimeng
SALGA President
31 August 2020



OVERVIEW BY THE CHIEF EXECUTIVE OFFICER

“...OUR ABILITY TO WEATHER THIS PANDEMIC WILL DEPEND ON OUR AGILITY TO EMBRACE INNOVATIVE THINKING, ACT SWIFTLY AND WORK TOGETHER...”

Our clarion call as SALGA has always been the effective pursuit of our mandate to transform the ability of local government to fulfill its developmental role. I am pleased to report that our resolve in this regard remains robust and that, during the 2019/20 financial period, this resulted in a number of noteworthy achievements, as reflected upon in this Annual Report.

Remembering how far we have come as an association of local government gives context to where we are today. Over the years, we have worked closely with all tiers of government and partnered with entities in the private sector, locally and abroad, to support and guide the transition of a public sector struggling to embed the high-performance culture and developmental impact that this country needs to move forward. While this is work in progress and much remains to be done, the year-on-year improvements in our performance bears testimony to an association headed in the right direction.

A CHANGED LANDSCAPE

Following a difficult year in 2019/20, the rapid onslaught of the Coronavirus pandemic during the final quarter of the financial year caught us unprepared for its swift and devastating impact. At the time of writing, the stranglehold of COVID-19 is a portent of human tragedy and a global recession in the year ahead.

The outcome is uncertain and it would be foolish to predict the landscape of a post-pandemic future. South Africa is already struggling with financial and social disparities.

Our ability to overcome these challenges will depend on our agility to embrace innovative thinking, act swiftly and work together to weather the storm.

URGENT NEED FOR THE RECOVERY OF GOOD GOVERNANCE AND ETHICAL CONDUCT

“Corporate governance is the exercise of ethical and effective leadership towards the achievement of an ethical culture and sustained good performance.”

– King IV, 2016

Over the years, SALGA invested in ethical leadership and business conduct. We believe that ‘leading by doing’ sets an example for our municipal members of how performance outcomes benefit from good governance.

The Auditor General’s audit outcome reports on local government, however, consistently tells a tale of a lack of accountability and good governance. Municipalities with unqualified audit outcomes declined from 147 in 2016/17 to 111 in 2018/19. This persistent failure to comply with governance principles and ethical conduct has harmed public trust and confidence and nationwide, communities have become increasingly restless.

The magnitude and severity of the problem calls for decisive and urgent action. As SALGA, we support government’s zero-tolerance stance to corruption. We will urge municipal members to commit to consequence management and accountability and, urgently, continue to drive professionalisation with a focus on good governance and ethical conduct.

RESPONSE AND RECOVERY

Resilience and recover have become imperative and will extend well beyond the COVID-19 period. Our emphasis within the association and in our support to members will be on the five Rs to direct performance:

- Resolve to deal effectively with the immediate impact of the pandemic
- Resilience to manage non-compliance and misconduct
- Return to a ‘new normal’ with the intent to address poor governance
- Re-imagination to optimise local government’s response to immediate and future needs
- Reform as a new approach to resolving current challenges.

Our response will include a better understanding of the use and benefits of smart technologies. Discipline and speed are required to address key risks and develop a tailored, cross-cutting portfolio of interventions. There must be a clear dashboard with key indicators to monitor the implementation of these interventions and agreement on stakeholders, processes, responsibilities and deliverables.

FINANCIAL PERFORMANCE

As the custodian of local government, SALGA has received clean audits for the past eight consecutive years and unqualified audits for the preceding 12 years. The South African Institute for Chartered Accountants (SAICA) has recognised our financial performance as outstanding for the past three years. As an institution, we have an obligation to serve our municipality with integrity and demonstrate best practice and sound financial management. We will continue to do so.

Table 1: Statement of financial performance for the three years 2018 to 2020

| <i>R'million</i> | 2020 | 2019 | 2018 | 2020 % change | 2019 % change |
|-------------------------------|---------------|-----------------|-----------------|------------------|------------------|
| Operating revenue | R 676.6 | R 625.0 | R 579.2 | 8.3 | 7.9 |
| Operating expenditure | (R 669.8) | (R 640.6) | (R 596.3) | 4.6 | 7.4 |
| Operating surplus | R 6.8 | (R 15.6) | (R 17.1) | (144.0) | (9.1) |
| Net non-operating revenue | R 33.6 | R 28.9 | R 25.3 | 16.4 | 14.2 |
| Surplus for the period | R 40.5 | R 13.3 | R 8.2 | 203.8 | 62.8 |

POCKETS OF EXCELLENCE

While there is an urgent need to resolve the issues that face local government, we must recognise and learn from the pockets of excellence in our sector to stop the spiral of decline and recreate our path to progress.

One such pocket of excellence is the 20 municipalities that received clean audits. The success is due, mainly, to stable political and administrative leadership and strong control measures. A further example of the benefit of good leadership

is the Prince Albert Municipality in Western Cape that, despite its coalition arrangement, has had stable political and administrative leadership since 2016.

Strong controls and oversight measures also serve as a bulwark against poor governance. Municipalities that demonstrate accountability have municipal public accounts committees (MPACs) and audit committees that function effectively. This is confirmed by those committees in most of the 111 municipalities with unqualified reports function effectively. And while the Auditor-General paints a bleak

picture of irregular expenditure by municipalities, one should bear in mind that 60.4 percent of municipalities received unqualified audits, 18.4 percent 'qualified with findings' and only 0.1, 3.9 and 17.2 percent respectively received adverse, disclaimed and incomplete audit findings.

SALGA acknowledges, however, that R1 spent irregularly is R1 to many. We will persist in our call, first made to municipalities in November 2014 at the launch our anti-corruption and maladministration campaign, to implement consequence management against wrongdoing without fear or favour.

At the same time, we must acknowledge the significant strides made by local government in providing basic services. This includes the 89 percent of households with access to drinking water since 2018, 84.7 percent with access to electricity and 83 percent with improved sanitation and refuse removal.

THE WAY FORWARD

A system-wide overhaul of local government is overdue and must start with a review of the governance model that does not favour larger municipalities at the expense of the smaller ones. New and different ways to incentivise municipal employees and councillors must be linked to performance and audit outcomes. This will ensure that councillors and employees take collective responsibility for the performance and standing of their municipality.

Reform is also required in the national and provincial departments that support and oversee local government. Leading by example must be the yardstick for legitimate intervention when such action is required. SALGA's record of clean audits is an example that all tiers of government should emulate.

The practice of using financial reporting consultants has resulted in large-scale misconduct and must be investigated

and curbed drastically. Nefarious intent must be reported to the relevant authorities and professional bodies, such as SAICA, to blacklist the wrongdoers.

The in-house forensic investigation capacity within local government, established to combat fraud, corruption and maleficence and implement consequence management, must be supported by decisive action from law enforcement agencies. This will expedite internal disciplinary processes to recoup stolen money and prosecute and convict guilty parties successfully. All employees and councillors found guilty of financial misconduct must be prevented from being employed elsewhere in the system.

SALGA has proposed to National Treasury and CoGTA that the withholding of equitable share and conditional grants from municipalities with financial transgressions would encourage accountability and instil good governance.

APPRECIATION

I thank our leadership, stakeholders, partners and municipal members, as well as SALGA's management team and employees for their support, cooperation and commitment to SALGA's journey to fulfil its mandate.

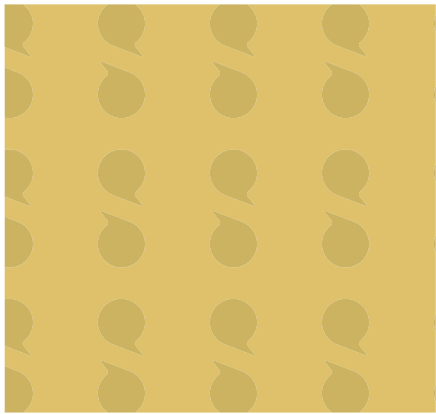
I look forward to deepening our footprint as the leading voice in transforming local government to take this country forward into the 'new normal' landscape that awaits us.



Xolile George
Chief Executive Officer
13 August 2020



PART C
STRATEGIC
OVERVIEW



STRATEGIC FRAMEWORK

SALGA's strategic framework is encapsulated in its 2017-2022 Strategic Plan and aligned with Government's intent to achieve a sustainable local government by 2030 through spatial transformation and economic growth. The strategic framework was informed by consultations with stakeholders, municipal members and other interested and affected parties on the key challenges that municipalities face in South Africa's local government sector.

KEY INTERLINKING MUNICIPAL CHALLENGES IN LOCAL GOVERNMENT



Figure 7: Interlinking challenges.

SALGA's strategic framework provided the context for its performance against the predetermined targets of its Annual Performance Plan (APP), during the 2019/20 financial year.

SALGA STRATEGY AT A GLANCE (2017-2022)

The goals in SALGA's 2017-2022 Strategic Plan represent long-term outcomes that SALGA pursues to improve service delivery, spatial transformation and growth and development in local government. These goals informed the enablers and predetermined targets in our 2019/20 Annual Performance Plan (APP) that drove our performance as a democracy protector, local government sector rights enforcer and

constructive disrupter within the local government system during the past financial year.

The strategic goals also form the basis for measuring our success and create a platform for partners and stakeholders to join the interventions that will transform and develop local government.

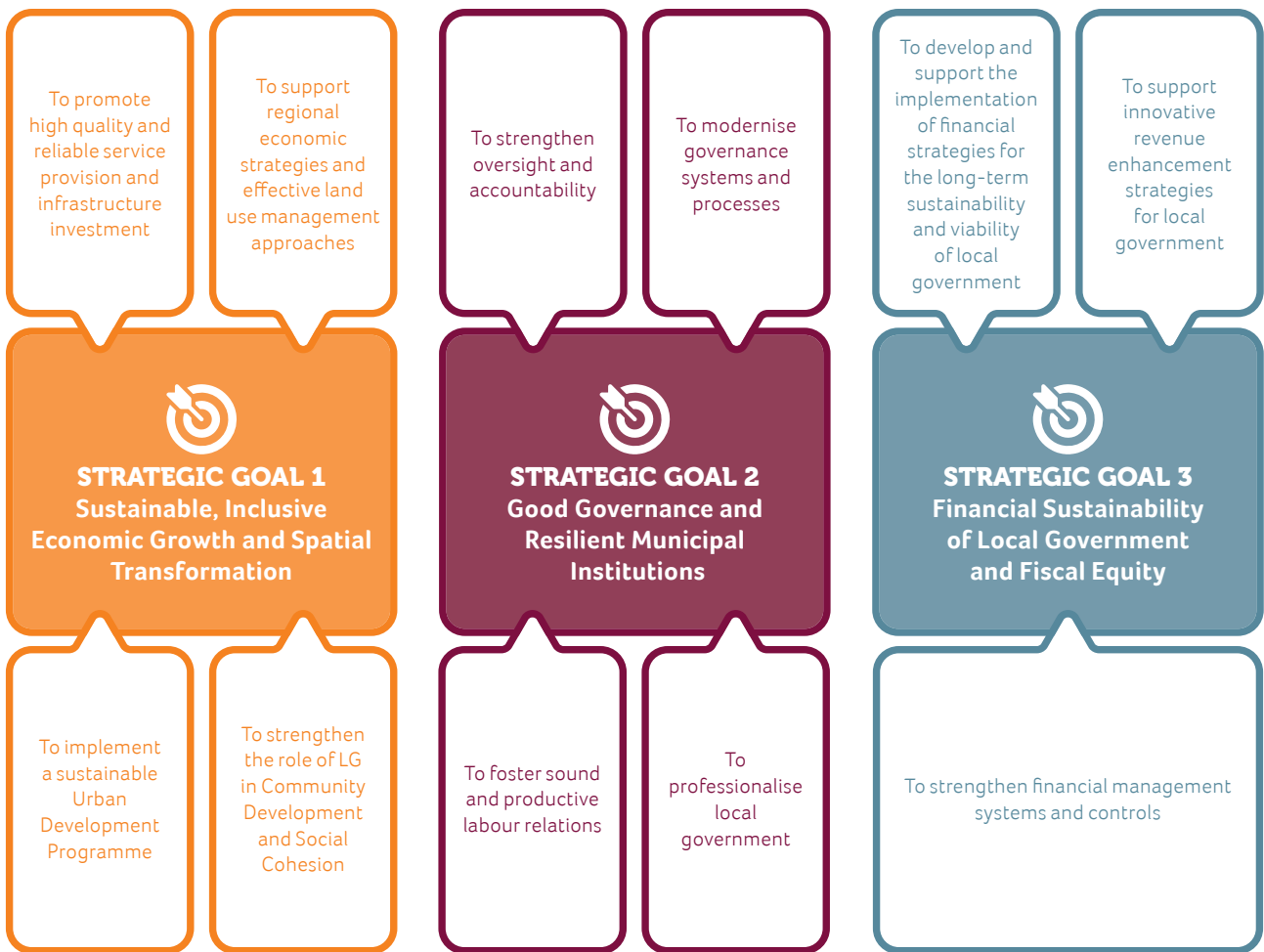


Figure 8: At a glance – SALGA 2017-2022 Strategic Plan.

ANNUAL PERFORMANCE PLANNING

SALGA's 2019/20 APP and related KPIs was the third of five APPs to direct the implementation of our five-year strategy. The APP determines the inputs, activities, outputs, outcomes, performance measures and envisaged sector impact for each 12-month performance cycle.

SALGA's Executive Management Team (EMT) outlined the 2019/20 APP programmes and priorities in August 2018. Annually, emerging issues, risk mitigation and solutions are discussed at goal-directed planning sessions with cluster participants and municipal members at Provincial Members' Assembly (PMA) meetings.

The APP consists of an annually updated operational plan with targets and quarterly activities used as achievement measures for reporting on organisational performance. The operational plan is also a management information tool that monitors progress to ensure that SALGA remains on track to achieve its annual targets.

The 2019/20 planning process commenced with a survey by member municipalities and stakeholders about what SALGA's focus areas be for the 2019/20 financial year. A questionnaire was developed and circulated to municipalities in July 2018 to identify issues for SALGA interventions.

Feedback from municipalities about SALGA interventions were packaged for discussion in the association's provincial governance structures. The topics informed the discussions in the nine Provincial Members' Assemblies (PMA) held between August and November 2018. Table 2 indicates the dates on which the PMAs were convened.

Table 2: 2018 PMA meeting dates

| Province | PMA date |
|---------------|-----------------------|
| Eastern Cape | 27 – 28 August 2018 |
| Free State | 13 – 14 August 2018 |
| Gauteng | 4 – 5 September 2018 |
| KwaZulu-Natal | 16 – 17 August 2018 |
| Limpopo | 7 – 8 August 2018 |
| Mpumalanga | 2 – 3 August 2018 |
| Northern Cape | 26 – 27 November 2018 |
| North West | 10 – 11 October 2018 |
| Western Cape | 20 – 21 August 2018 |

Each PMA emerged with a set of resolutions that was unpacked and considered in the draft APP presented at the National Members Assembly (NMA), SALGA's second highest decision-making body, in December 2018. The NMA endorsed the draft APP and recommended the final version for submission to the relevant authorities.

The SALGA APP is aligned with the National Treasury performance framework, which clearly defines performance measures to ensure that outcomes have a long-term impact.

PLANNING PROCESS

SALGA adopted National Treasury’s 2010 outcomes-orientated Framework for Strategic Plans and Annual Performance Plans, reflected in Figure 9, to develop the 2019/20 SALGA Annual Performance Plan (APP).

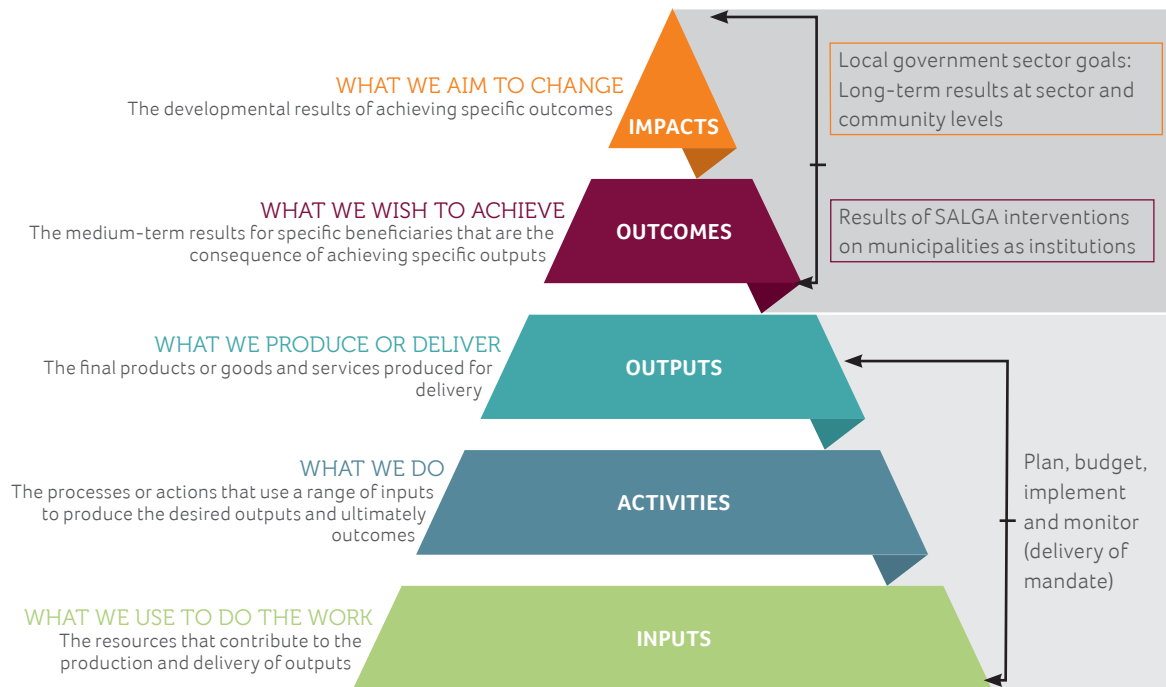


Figure 9: National Treasury Framework for Strategic Plans and Annual Performance Plans.



PART D
PERFORMANCE
INFORMATION



STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION

As SALGA's Chief Executive Officer, I am responsible for preparing the performance information and the judgements made in the information.

I am also responsible for implementing SALGA's Annual Performance Plan to give effect to the 2017-2022 Strategy and for the system of internal controls that provides reasonable assurance about the integrity and reliability of the performance information.

In my opinion, the performance information in this annual report reflects fairly our achievements against planned targets for the financial year that ended 31 March 2020.

The external auditors and SALGA's accounting authority examined and approved the contents of this report.



Xolile George

Chief Executive Officer

31 August 2020

PERFORMANCE INFORMATION

SALGA completed its re-engineering process during 2019/20 with a number of critical outcomes. The directorates have been reconfigured into five clusters, which greatly simplifies organisational performance monitoring.

As depicted in Figure 10, the monitoring process included 17 reports from the provinces and directorates. As a result of the consolidation, the monitoring unit receives reports from five clusters only, with each cluster projecting performance across all the nine provinces.

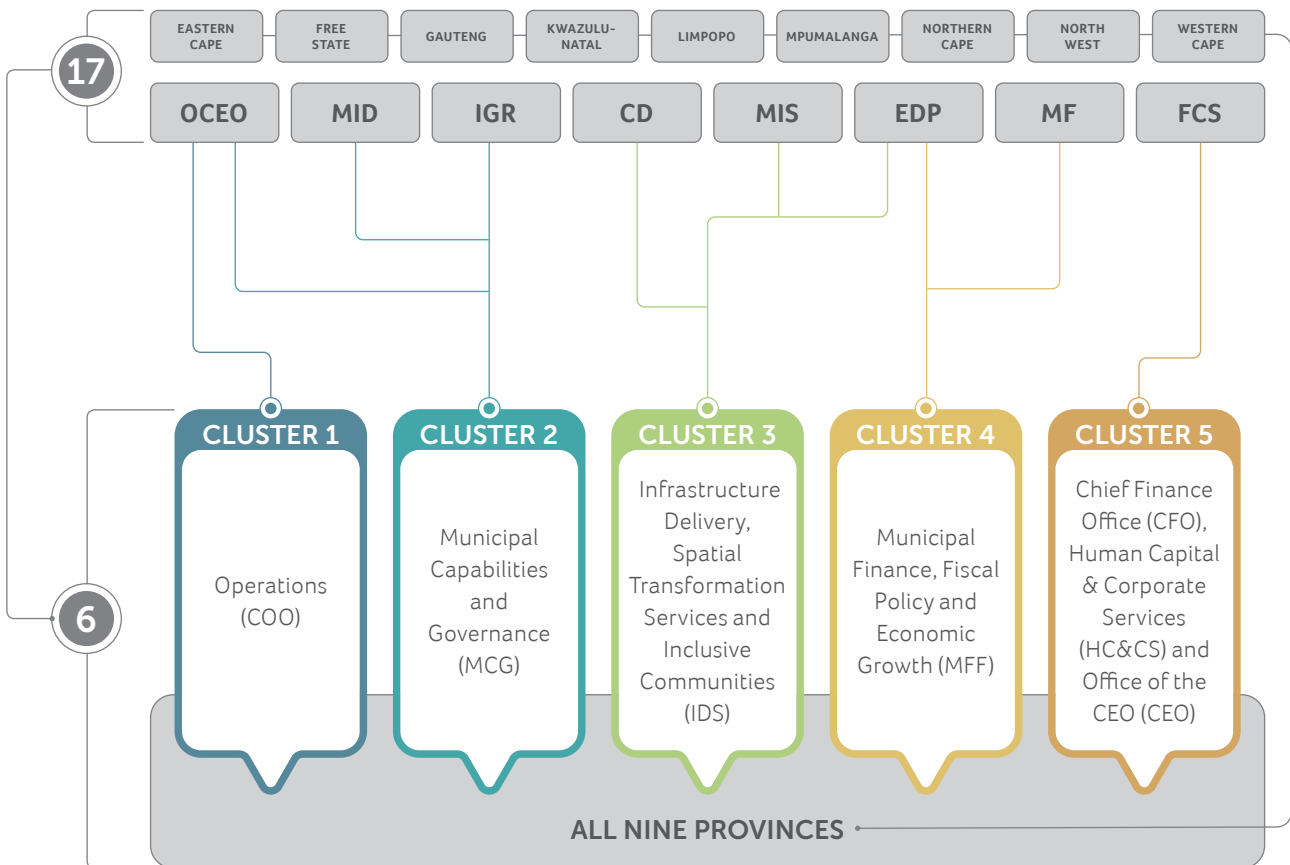


Figure 10: The reconfigured SALGA – from 17 operational directorates to five functional clusters.

The newly constituted clusters are:

- Cluster 1: Operations (COO)
- Cluster 2: Municipal Capabilities and Governance (MCG)
- Cluster 3: Infrastructure Delivery, Spatial Transformation Services and Inclusive Communities (IDS)
- Cluster 4: Municipal Finance, Fiscal Policy and Economic Growth (MFF)
- Cluster 5: Chief Finance Office (CFO), Human Capital and Corporate Services (HC&CS) and Office of the CEO (CEO).

SALGA divided its 39 targets for the 2019/20 financial year among the five clusters for implementation. The planning and reporting process was also reconfigured, as reflected in Figure 11 and will be implemented fully in the next financial year.

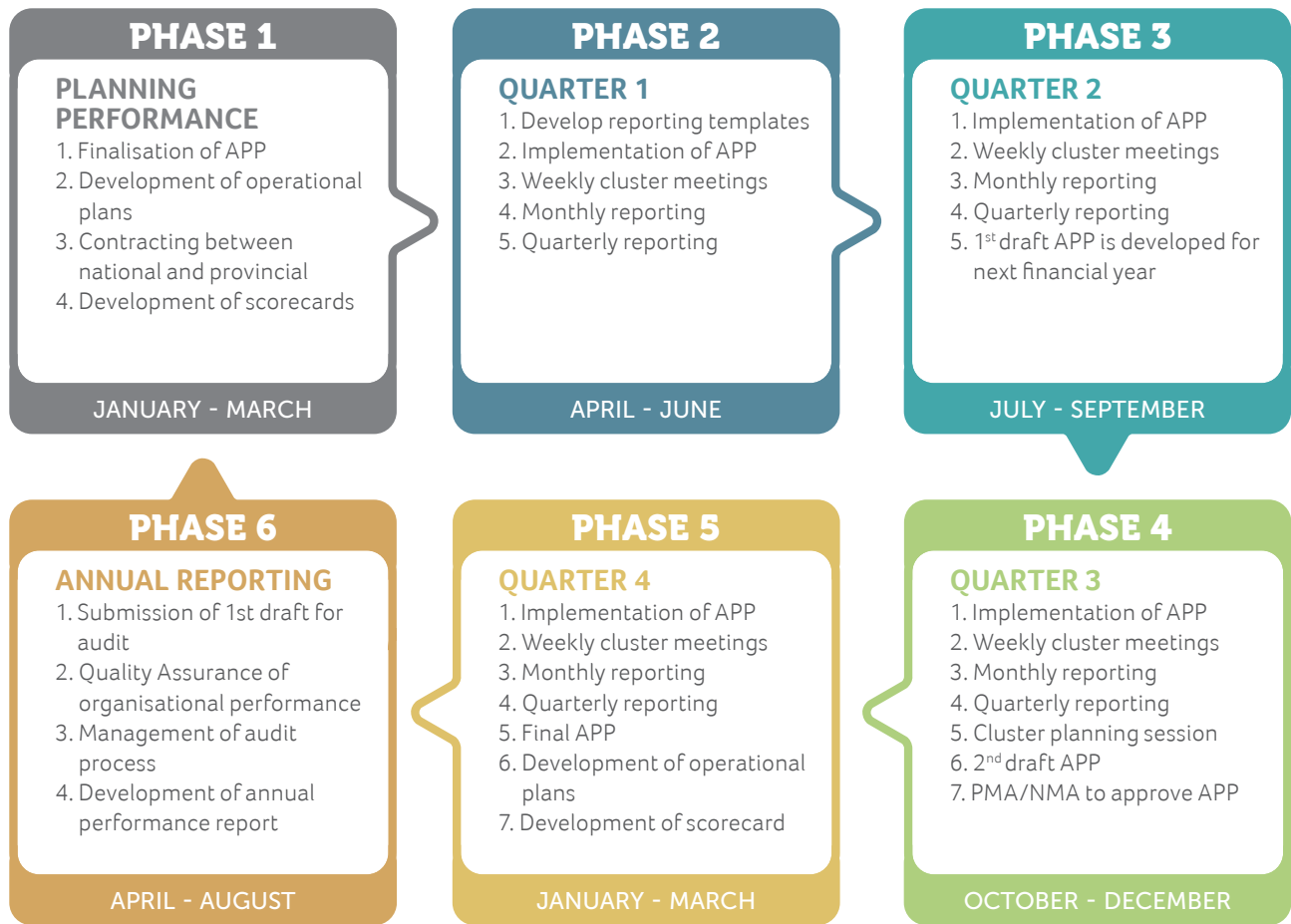


Figure 11: Reporting framework.

As a membership-based partnership, SALGA’s APP is directed at assisting and supporting its member municipalities. SALGA’s APP, aligned with its strategic goals, mandate areas and strategic enablers are the primary points of reference we use for reporting on the association’s performance.

“We are committed to the vigourous pursuit of our mandate to transform local government to fulfill its developmental mandate.”

PERFORMANCE AGAINST STRATEGIC GOALS 2019/20

SALGA achieved 38 (2019: 54) of its 39 (2019: 55) APP targets for the 2019/20 financial year, or a remarkable 97% (2019: 98%) achievement overall. We will address the outstanding target during the forthcoming financial year.

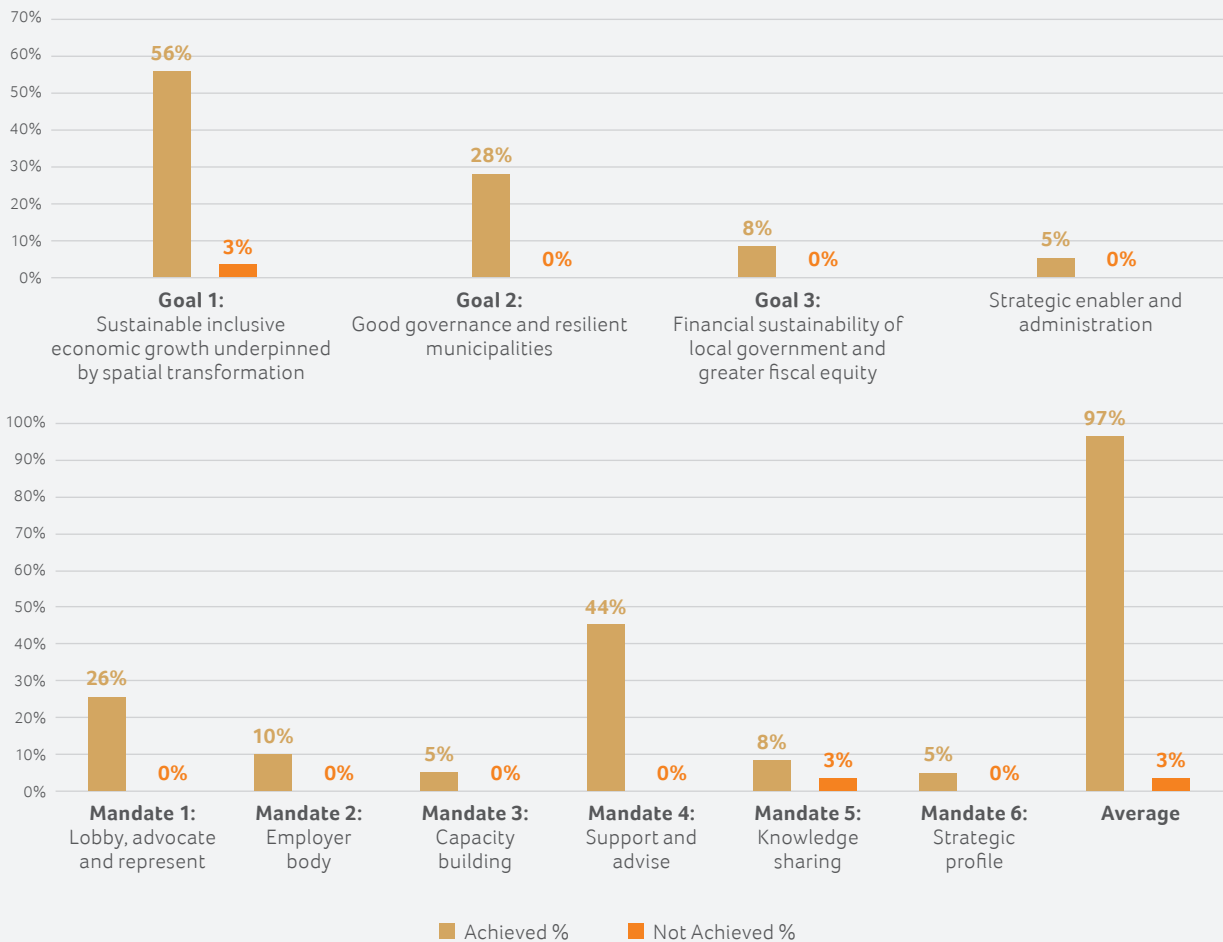
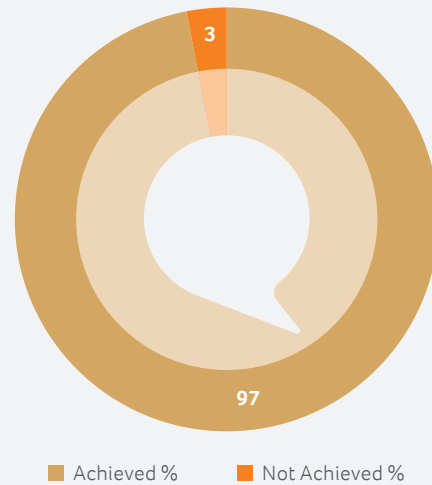


Figure 12: Graphical representation of performance per goal and mandate.

NOTE TO STAKEHOLDERS

The performance information for the 2019/20 financial year is discussed in this section as summarised highlights of activities, outputs and impact. The tabulated information on SALGA's performance against predetermined objectives for the 2019/20 financial year is available as Appendix A on page 169 of this document.



STRATEGIC GOAL 1

SUSTAINABLE INCLUSIVE ECONOMIC GROWTH AND SPATIAL TRANSFORMATION

PURPOSE

To foster integrated and sustainable urban development and management and regional economic growth that includes rural development and social cohesion.

STRATEGIC OBJECTIVES

1. Implement a sustainable urban development programme
2. Support regional economic strategies and effective land-use management approaches as drivers of economies of scale and social cohesion
3. Promote high-quality and reliable services and infrastructure investment (capacity and renewal) to support strategies (energy, water, sanitation, 5th Utility)
4. Strengthen the role of local government in community development and social cohesion.

KEY CHALLENGES IN SERVICE DELIVERY AND INFRASTRUCTURE

- Widen funding gap for capital expenditure needs due to, *inter alia*, unfunded mandates, expenditure inefficiencies and inadequate transfers
- Underspend on capital budgets, repairs and maintenance
- Significant electricity and water losses coupled with mandate overlaps between Eskom and municipalities
- Disruptions in the energy sector, including renewable energy and changing consumer demand, that require new business models to drive internal efficiency, electricity trading, grid charges and alternative energy services
- Inadequate proactive climate change adaptation strategies
- Poor infrastructure life-cycle management, from project identification to operations and maintenance.

PERFORMANCE

SO1: IMPLEMENT A SUSTAINABLE URBAN DEVELOPMENT PROGRAMME

| ✔ OUTCOME 1 | |
|---|---|
| POLICY AND LEGISLATIVE FRAMEWORK FOR INFRASTRUCTURE SERVICE PROVISION | |
| Lobbied to anchor the Priority Housing Development Areas (PHDAs) in the relevant municipal integrated development plans (IDPs), as well as to make strategically located land, especially in urban municipalities, available for housing development and exempt municipalities from paying for urban land acquired for housing, specifically municipalities with financial constraints. | ➤ IMPACT Deliver integrated housing and services, as well as spatial transformation, affordable services and a better quality of life for municipal residents |
| ⬆️ OUTPUTS | |
| SALGA inputs made to the Human Settlements, Water and Sanitation MINMEC; IMC programme of action on land reform, incl SALGA's position; SALGA National Working Group on Planning & Human Settlements minutes; and outcome reports presented to SALGA Working Groups. | |

✓ OUTCOME 2

EFFICIENT MANAGEMENT OF SPACE AND LAND IN MUNICIPALITIES

A SALGA/CSIR research project reviewed the spatial transformation index and delivered a Toolkit for Neighbourhood Spatial Transformation and a related publication. A spatial transformation workshop took place in the Eastern Cape on 11-12 February 2020. The spatial transformation concept is captured in South Africa's New Urban Agenda as an imperative to reversing the apartheid era spatial planning focus on design that divided communities.

SALGA defines spatial transformation as the overhaul of an inherited segregator spatial dispensation that prevents new forms of post-apartheid class and income-based spatial segregation and inequality. Well-planned and decisive action will include:

- quality, well-located housing that meets the needs of all income groups
- security of tenure and redistribution of land to address unequal access to and ownership of land in towns and cities, especially on strategically located land
- economic, educational, health, recreational, safety and security infrastructure and services in historically disadvantaged communities to create self-sufficiency.

➤ IMPACT

Progress with municipal reflections on spatial transformation. Review of municipal strategic plans (informed by the Spatial Transformation Barometer) to redirect spatial transformation programmes and plans.

⤴ OUTPUTS

Spatial Transformation Barometer; Spatial Transformation Index Report; Reference Group Meeting Terms of Reference.

SO2: PROMOTE HIGH QUALITY AND RELIABLE SERVICE PROVISION AND INFRASTRUCTURE INVESTMENT (CAPACITY AND RENEWAL) TO SUPPORT ECONOMIC STRATEGIES (ENERGY, WATER, SANITATION, 5TH UTILITY)

✓ OUTCOME 1

BROADBAND SERVICES ARE A BASIC SERVICE AND 5TH UTILITY IN MUNICIPALITIES

Collaborated with policymakers, regulators, research institutes, telecommunications operators and municipalities on a 5th Utility Needs Analysis. The detailed close-out report contains a recommended approach to meeting municipal needs.

Conducted an ICT Capability Maturity Assessment (service and governance management) and shared the results with the Ray Nkonyeni (KwaZulu-Natal), Makana (Eastern Cape), Emalaheni (Mpumalanga) and Makhuduthamaga (Limpopo) municipalities as input to process improvement plans going forward.

➤ IMPACT

Improved quality and alignment of municipal IT strategies and supported automation and streamlining of processes.

⤴ OUTPUTS

SALGA 5th Utility Strategy; Needs Analysis Close-out Report with recommendations; and ICT Maturity Assessment for selected municipalities.

✓ OUTCOME 2

INFRASTRUCTURE SERVICE PROVISION POLICY AND LEGISLATIVE FRAMEWORK

Lobbied for the roll-out of the Energy Summit implementation Plan that entailed training 40 municipalities in nine provinces in small-scale embedded generation. Developed Energy Master Plans for the Nelson Mandela Bay and Garden Route District Municipalities and implemented cost-of-supply studies with the municipalities. SALGA provided the local government input on the role of municipalities in energy generation in the IRP and developed small-scale embedded generation support package for municipalities.

➤ IMPACT

Ministerial approval for municipalities to procure generation from parties other than Eskom and implement Small Scale Embedded Generation (SSEG) in their jurisdictions.

⤴ OUTPUTS

2019/20 Energy Summit Implementation Plan Progress Report; comments on the IRP; IRP and Municipal Generation circular; Cost-of-Supply and Wheeling Master Classes Report; Working Group and NEC Reports.

SALGA developed a water and sanitation policy proposal and recommendations to fill the related legislative gaps, which were endorsed by the SALGA governance structures. Following engagements with the Human Settlement, Water and Sanitation MINTEC on the proposals, the Director-General of DWS agreed to a bilateral meeting with SALGA to further engage on the proposal. The meeting was placed on hold due to the COVID-19 restrictions.

IMPACT

Undertaking from the DWS to respond to SALGA's recommendations to create a single Bill for Water and Sanitation Services and National Water.

OUTPUTS

SALGA's letter to the Director-General for Water and Sanitation with a proposal and recommendations on water and sanitation policy and legislative gaps; Working Group Report.

Developed and presented a Devolution Framework and Model for Implementation Protocols for different municipal categories to the SALGA Working Group for approval and at the Local Government Sector Forum. SALGA will workshop the framework with municipalities for adoption and implementation.

IMPACT

Legislative mandates and compliance clarified. Municipalities can assess implementation capabilities and implement environmental functions, supported by provincial governments.

OUTPUTS

Devolution Framework and Implementation Protocol Model; Working Group Report; Local Government Sector Forum agendas where SALGA presented the framework

OUTCOME 3

OPTIMAL INSTITUTIONAL ARRANGEMENTS FOR SUSTAINABLE INFRASTRUCTURE SERVICES

Outcomes of cooperation between SALGA, Eskom and municipalities on devolution of electricity included a final Draft Framework for Cooperation between Eskom and SALGA and collaborative support for municipalities to implement cost-of-supply studies. SALGA and Eskom co-hosted cost-of-supply and wheeling framework master classes, developed a risk matrix for service delivery agreements and drafted a model for SALGA/Eskom/MISA assistance to municipalities indebted to Eskom.

IMPACT

Cost-reflective tariffs wheeling arrangements for municipalities and a draft model to assist municipalities in managing Eskom debt.

OUTPUTS

Draft Framework for Cooperation between Eskom and SALGA; Report on Cost-of-Supply Studies to municipalities; Report on Cost-of-Studies and Wheeling Master classes; SALGA inputs to the Eskom Risk Matrix on Service Delivery Agreement; SALGA./ESKOM/MISA assistance model for Eskom in-debted municipalities.

SALGA completed a framework to devolve public transport functions to municipalities with guidelines aligned with the Constitution and related legislation, regulations, reports and studies. Lobbied support for SALGA's challenge to the constitutionality of the contracting function of the National Land Transport Act, 5 of 2009.

IMPACT

Assistance, guidance, advice and lobbying available to municipalities for devolution processes.

Lobbied the Portfolio Committee and petitioned the Office of the President in March 2020. Joint SALGA/COGTA lobby on the District Service Delivery Model, including the public transport regulations function. Conducted SALGA/COGTA peer learning technical sessions with Mpumalanga and Gauteng to clarify the devolution of roads and transport and held a transport and roads workshop in Limpopo on roles, and regulatory entity function.

OUTPUTS

Framework Report; Legal opinion on NLTA; Reports to SALGA NEC, National Working Group and Parliamentary Portfolio Committee; Petition to the Office of the President and SALGA/CoGTA joint District Service Delivery Model Report; Records of SALGA/CoGTA peer learning technical sessions with Mpumalanga and Gauteng; Limpopo Transport and Roads Workshop.

✓ OUTCOME 4

TARGETED AND INCREASED SECTOR SUPPORT TO IMPROVE MUNICIPAL SERVICES

Collaborated with the Department of Environmental Affairs to support municipalities to implement Phakisa waste targets through developing/revising waste bylaws, lobbying for funding of waste vehicles and equipment using MIG and training municipalities to operate landfill sites and separate waste at the source.

➤ IMPACT

Improved municipal capacity to conceptualise and package climate change response projects and apply for climate funding.

⤴ OUTPUTS

Revised waste bylaws; Outcomes and Working Group Reports.

✓ OUTCOME 5

FISCAL FRAMEWORK FOR CAPEX AND OPEX OF MUNICIPAL INFRASTRUCTURE SERVICES

SALGA/Department of Environmental Forestry and Fisheries (DEFF)/Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) developed and implemented the Climate Finance Support Implementation Plan, produced a training manual for climate finance project preparation and conducted related training sessions in the Western Cape, Limpopo and Mpumalanga in collaboration with the Department of Environmental Affairs (DEA), GIZ and the Local Government for Sustainability (ICLEI) network.

➤ IMPACT

Improved municipal capacity to conceptualise and package climate change response projects and apply for climate funding.

⤴ OUTPUTS

Climate Finance Support Implementation Plan; Training manual; Literature Review; Generic training programmes; Attendance registers for training in WC, LP and MP.

SO3: SUPPORT REGIONAL ECONOMIC STRATEGIES AND EFFECTIVE LAND-USE MANAGEMENT APPROACHES AS DRIVERS OF ECONOMIES OF SCALE AND SOCIAL COHESION

✔ OUTCOME 1

EFFICIENT MANAGEMENT OF SPACE AND LAND IN MUNICIPALITIES

Presented and demonstrated case studies of cross-boundary regional planning to municipalities in the North West province, which facilitated peer-to-peer learning and explored economic diversification proposals for the region.

Hosted dialogues on economic development for women, youth and people with disabilities for municipalities in the Karoo region and addressed the Regional Spatial Development Framework, proclamation of the Karoo, institutionalisation of the Karoo Region Small Town Regeneration (STR) Programme in municipalities and stronger resource mobilisation at the 4th Karoo Small Town Regeneration Conference. Convened sessions with the Mbombela and Waterberg municipalities on regional and local economic development.

➤ IMPACT

Shifting municipal economic planning from an administrative boundary to a cross boundary, regional approach.

⬆️ OUTPUTS

Bojanala Municipal Dialogue outcomes report; Economic Development dialogue agenda, STR Conference report, agenda and presentations.

Partnered with the Department of Agriculture, Rural Development and Land Reform (DRDLR):

- Assisted land claim beneficiaries in all provinces and institutionalised rural development issues in its Rural Development and Public Works Programme
- Participated in a land management study tour to Botswana to review its land distribution and ownership patterns, which are similar to how traditional authorities govern rural land
- Developed a District Rural Development Plan with the Ehlanzeni District Municipality and DRDLR to integrate existing national, provincial and municipal plans and established the Ehlanzeni District Rural Development Steering Committee to implement its rural development plan with the DRDLR
- Continued the roll-out of rural densification programmes in municipalities, which has been implemented in the Eastern Cape.

➤ IMPACT

Municipalities will benefit from being given a First Right-of-Refusal by national or provincial government before any land expropriation takes place to support spatial transformation.

⬆️ OUTPUTS

Land Claim Beneficiaries Report; Land Claim Register of supported municipalities; Botswana Study Tour Report; Outcomes report of Working Group on the lobby process; Ehlanzeni District Rural Development Steering Committee.

The successful implementation of the Bushbuckridge rural densification pilot programme in 2018/19 resulted in a knowledge product that is being disseminated to all municipalities and will serve as a knowledge repository for lessons learned.

Rural densification programme support to municipalities entailed:

- Engaged with King Sabata Dalindyebo municipality as the next pilot site
- Exhibited the Bushbuckridge pilot, including designs, at the 6th United Cities and Local Governments Congress to expose SALGA's work to an international audience
- Designed a town planning layout for the Thembisile Hani municipality as part of SALGA's value addition to members
- Hosted a seminar in the Eastern Cape on the rural densification concept, rationale, purpose and overall applicability within the South African context.

➤ IMPACT

Enabling municipal capability to plan and create rural settlements that are compact, serviceable, spatially efficient and economically viable.

⬆️ OUTPUTS

King Sabata Dalindyebo and Thembisile Hani municipalities engagement attendance registers; Rural densification knowledge products; Rural Densification Seminar agenda and attendance register; Rural Densification Outcomes Reports; Rural densification selection criteria.

Provided municipalities with differentiated spatial planning and land-use management (SPLUM) support, including:

- Gap analysis to establish municipal challenges for SALGA to customise its support to municipalities in all provinces
- Collaborated with the DRLDLR and CoGTA to convene the Land-use Scheme Focus Group to coordinate municipal participation in implementing wall-to-wall town planning schemes after securing an extension of the deadline from the Minister to implement the schemes
- Developed technical comments to IDP Guidelines for spatial planning, prioritisation, budget implementation and alignment with external sector plans and engaged with municipalities in the Western Cape to ensure the use of credible data for municipal planning
- Commented on the National Spatial Development Framework (NSDF) that frames the development of urban and rural settlements and needs-based land prioritisation and supported municipalities with technical advice and compliance with the Spatial Planning and Land Use Management Act (SPLUMA), 16 of 2013. SALGA's assessment of municipal compliance with SPLUMA enabled it to lobby for capacity support and resource prioritisation for municipalities
- Hosted a Planning Law Conference in KwaZulu-Natal to share experiences in equipping municipalities to avoid land issue litigation.

➤ IMPACT

Efficiency in land-use management and improved and well-informed processes of spatial planning.

⤴ OUTPUTS

SPLUM Gaps Analysis Report; Workshop outcomes report on support to municipalities; Land-use Scheme Focus Group meetings attendance registers; Comments on draft NSDF and draft IDP guidelines; Planning Law Conference attendance register and programme.

The SALGA Land Acquisition and Release study highlighted the need for land audits to provide municipalities with correct, relevant and current information about land ownership in their jurisdictions. As such, SALGA:

- Participated with various role players in a local government forum on land reform to address land ownership and inequalities
- Conducted a land support intervention needs gap analysis and facilitated broad consultation to workshop the Land Acquisition and Release study with Eastern Cape municipalities and share the findings and recommendations
- Published the Land Acquisition and Release Framework in the *Town and Regional Planning Journal* (Dec 2019), which has a wide readership among registered town planners and those in the built environment and can be accessed by students in the School of Town and Regional Planning
- Supported municipalities in six of the nine provinces.

➤ IMPACT

Local government presentation in inter-governmental relations (IGR) structures on land reform reinforced as a key contributor to national and provincial government land reform programmes.

⤴ OUTPUTS

Land support interventions circular to municipalities; Outcomes reports, agendas, attendance registers of provincial workshops; *Town and Regional Planning Journal* article.

OUTCOME 2

IMPROVED LOCAL ECONOMIC DEVELOPMENT THROUGH INVESTMENT PROMOTION

Effective positioning of the Extended Public Works Programme (EPWP) will create employment in municipalities, particularly for the unskilled. The programme can be repurposed for workers to accumulate skills for use elsewhere when their contracts end. A series of EPWP workshops will take place during the 2020/21 financial year. In this regard, SALGA:

- Engaged the Department of Public Works (DPW) about municipal implementation of the EPWP and established a collaborative partnership to support implementation
- Agreed on targeted EPWP workshops at a District level, with the first held in Limpopo with the DWS and will be followed by Sekhukhune, Vhembe and Waterberg, the latter having been the launchpad for the District Delivery Model (DDM)
- Developed a proposal to create public employment opportunities in local government and a position paper on the informal economy sector to create an enabling environment for employment and growth
- Assisted municipalities to review the constitutionality of municipal bylaws to ensure that informal businesses can operate in cities and towns and hosted a think-tank to encourage role players to combine their support for informal sector trading.

IMPACT

Municipal job creation strategies include sectoral public employment programmes and the Expanded Public Works Programme (EPWP) responds to municipal priorities.

OUTPUTS

DWS engagement Outcomes Reports; EPWP workshop in Limpopo Informal Economy LG Position Paper; Think-Tank agenda and attendance register.

UNISA BMR finalised the 2018/19 Municipal Trade and Investment Situational Analysis research in six municipalities (King Sabata Dalindyebo, Johannesburg, Nelson Mandela Bay, Zululand, Rustenburg and uMzimkhulu). SALGA shared the research results with stakeholders through trade and investment and economic empowerment working groups to raise awareness about implementing the recommendations:

IMPACT

Increased SALGA visibility in trade and investment sectors as sources of revenue for municipalities.

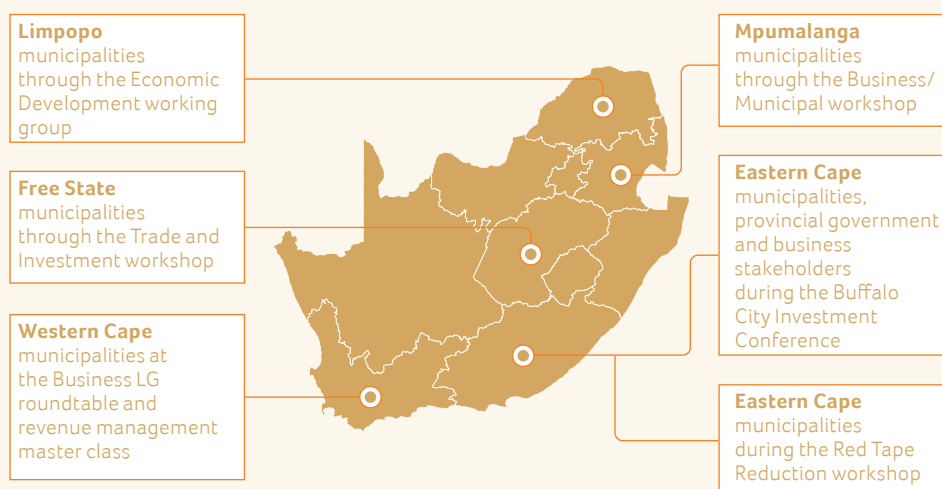


Figure 13: Trade and investment consultations.

SALGA is participating in the Economic Development Coordination Forum work streams and the National Red Tape Reduction Task Team, which is critical to mitigating the lack of inter-governmental coordination between the three spheres of government, as highlighted by the research results, and provide local government inputs in national decision-making. SALGA will convene a Municipal Investment Conference during 2020/21.

OUTPUTS

Trade and Investment report; Validation meeting report, attendance register and presentations; ECDF and Red Tape Reduction events attendance registers; Municipal Investment Conference Concept Note; Draft guidelines presentation, attendance register, draft ToRs.

SO4: TO STRENGTHEN THE ROLE OF LOCAL GOVERNMENT IN COMMUNITY DEVELOPMENT AND SOCIAL COHESION

| | |
|--|---|
| <h3>✓ OUTCOME 1</h3> | |
| <h4>DEFINED IMPACT OF COMMUNITY DEVELOPMENT INITIATIVES</h4> | |
| <p>SALGA appointed a service provider to develop Municipal Barometer indicators to measure local government performance and collected data for a Municipal Health, Safety, Vulnerable Groups and Social Cohesion Index, aligned with its consolidated Local Government and Development Indicators.</p> <p>The Municipal Health Services Managers Forum, a coordinating structure of municipal practitioners responsible for municipal health services, provided a platform for engagement with strategic partners beyond local government. These indicators will shape and formulate a local government response to municipal health service issues and identify capacity challenges and assignment locations.</p> | <p>➤ IMPACT</p> <p>Municipalities who contributed towards the development of the report find value in using the index.</p> |
| <h4>⬆️ OUTPUTS</h4> <p>Local Government and Development Indicators; Consolidated Municipal Health, Safety, Vulnerable Groups and Social Cohesion Index Report; Municipal partnership to collect data for the index.</p> | |
| <h3>✓ OUTCOME 2</h3> | |
| <h4>SUSTAINABLE PROVISION OF MUNICIPAL HEALTH SERVICES</h4> | |
| <p>Supported nine municipalities directly from SALGA's national office and 11 municipalities in Mpumalanga, the Free state and Gauteng directly from SALGA's provincial offices. Support entailed MHS audits to determine devolution, costing and compliance with norms and standards compliance.</p> <p>Convened Municipal Health Forums/Summits in all the nine provinces for municipal health practitioners.</p> | <p>➤ IMPACT</p> <p>Improved municipal performance in providing sustainable health services.</p> |
| <h4>⬆️ OUTPUTS</h4> <p>MHS Outcome Reports; Municipal engagement attendance registers, notices and outcome reports.</p> | |
| <p>Supported 26 municipalities to establish AIDS councils, assess the functionality of existing councils, advise on planning and budgeting for HIV, TB and STI response programmes and develop and strengthen the implementation of the HIV and AIDS workplace policy.</p> | <p>➤ IMPACT</p> <p>Improved municipal coordination and performance in HIV and AIDS response programmes.</p> |
| <h4>⬆️ OUTPUTS</h4> <p>List of supported municipalities; Progress report on municipal support Presentations, invitations, attendance registers and minutes of meetings and municipal engagement outcome reports.</p> | |

✓ OUTCOME 3

IMPROVED SAFETY AND SECURITY IN MUNICIPALITIES

The Disaster Management Act, 57 of 2002, Section 57 declares disaster management a function of all spheres of government, defines the role of local government and gives guidance in dealing with events pre-, intra- and post-disasters.

A SALGA/GIZ partnership hosted a national capacity building workshop with a focus on issues of public safety. SALGA has driven partnership initiatives in the Western Cape, Free State and Mpumalanga to strengthen municipal capacities to manage the safety and general wellbeing of its citizens.

Developed and discussed disaster risk management (DRM) documentation with targeted municipalities and stakeholders at a DRM round table with a focus on emergency procurement and funding and the placement of a disaster management function in municipalities. All Northern Cape and Eastern Cape municipalities received DRM material and assistance in enhancing early warning systems to support those more vulnerable to disaster and improve their disaster response times.

➤ IMPACT

Greater efficiency in municipal budgeting and managing safety and human resources, stronger collaboration with business communities and more local level partnerships with business support and civilian oversight.

⬅️ OUTPUTS

National Safety Workshop and Provincial Fire Services Outcomes Reports; Report on the implementation of a White Paper on Community Safety in the Free State; Mpumalanga District Disaster Management and Safety Report; Western Cape Safety Audit Report; Climate Smart Technologies Workshop attendees register, programme and presentations; Reference Group on Disaster Management Outcomes Report with SALGA input; Northern Cape Disaster Management Workshop presentation.

✓ OUTCOME 4

VULNERABLE GROUPS MAINSTREAMED IN MUNICIPALITIES

SALGA/European Union Commission partnership implemented a three-year 'Strengthening Governance and Capacity in Local Government' project to provide local communities with democratic and accountable governance, sustainable service delivery and social and economic development in a safe and healthy environment.

Capacitated eight municipalities in four provinces to design sustainable community services plans for improved service delivery and accountability to vulnerable groups and completed a comprehensive assessment of performance measurement indicators for local government overall. The two-pronged approach to select the indicators entailed those identified by municipalities during provincial engagements and those approved and recommended by SALGA and data experts.

Hosted a Women's Conference in Gauteng, preceded by a Gauteng Gender Peer Review and facilitated training in sign language to offer communities services irrespective of physical challenges and without discrimination.

SALGA/Save the Children South Africa (SCSA) partnership developed a training manual with a Child-friendly Communities Framework that details the legal obligations of municipalities to prioritise children in their planning and budgeting processes.

➤ IMPACT

Local government is more responsive to community needs with the ability to develop policies aligned with its Constitutional mandate.

⤴️ OUTPUTS

LG framework for community services and vulnerable groups; LG indicators for vulnerable groups and support document for Knysna municipality; Training manual: LG Framework for Community Services; Provincial Working Group report on sign language; Gender Mainstreaming Report for Setotso municipality; Local Government Framework for Community Services Report.

⤴️ OUTCOME 5

IMPROVED ACCESS TO SPORTS, RECREATION, ARTS, CULTURE AND HERITAGE IN MUNICIPALITIES

Engaged relevant structures and involved municipalities in the common agenda of local government's response to arts, culture and heritage issues, such as policy amendments. Partnered with the Tshwane University of Technology, EU, COGTA, Department of Sports, Arts and Culture and Sibikwe Art Centre to implement an arts, culture and heritage programme.

Convened roundtable with partners and hosted workshops for stakeholders to synergise local government's response to cemetery- and library-related management issues, such as land, norms and standards and the role of media advocacy to change the mindsets of communities. SALGA also developed a Municipal Framework for Cemeteries.

⤵️ IMPACT

Municipal policy position on art, culture and heritage, cemeteries and libraries and tools to respond to capacity, funding and social service issues through strengthened social cohesion.

⤴️ OUTPUTS

Outcomes reports, attendance registers and invites for partner roundtables and stakeholder engagements on cemetery and library management issues.



STRATEGIC GOAL 2

GOOD GOVERNANCE AND RESILIENT MUNICIPAL INSTITUTION

PURPOSE

Investing in good governance and government modernisation approaches, strengthening community interface mechanisms, entrenching sound labour relations and professionalisation.

STRATEGIC OBJECTIVES

- Strengthen oversight and accountability for effective, accountable and transparent leadership practices
- Modernise governance systems and processes through the use of digital technology and exploration of new community interface models
- Foster sound and productive labour relations
- Professionalise local government.

KEY CHALLENGES IN GOVERNANCE AND LEADERSHIP

- Ineffective political and administrative leadership
- Weakened oversight due to political infighting at council level and administrative interference
- Leadership inaction or consistent inaction related to transgressions
- Inadequate support by provincial and national role-players for municipalities
- Instability of vacancies in key positions – lack of stability at senior management levels has been amplified since 2011/12
- Inadequate consequences for poor performance and transgression
- Shortage of skills for managing infrastructure life-cycle, including operations and maintenance
- Poorly defined and sub-optimal organisational structures in relation to municipal mandates
- Unstable labour relations.

PERFORMANCE

SO1: STRENGTHEN OVERSIGHT AND ACCOUNTABILITY FOR EFFECTIVE, ACCOUNTABLE AND TRANSPARENT LEADERSHIP PRACTICES

| ✔ OUTCOME 1 | |
|--|--|
| STRONGER OVERSIGHT AND ACCOUNTABILITY | |
| <p>SALGA's Consequences and Accountability Framework (CAF), developed in 2018/19, was renamed as the Accountability and Consequences Management Protocol in 2019/20. Consultations with relevant stakeholders continued during June and November 2019 and in March 2020.</p> | <p>➤ IMPACT</p> <p>Improved oversight and accountability in local government.</p> |
| ⬆️ OUTPUTS | |
| <p>Accountability and Consequences Management Protocol; NEC Report and minutes; Public Participation Guideline; NEC Report and resolution on CAF; CAF revised as Accountability and Consequences Management Protocol (ACMP).</p> | |

✓ OUTCOME 2

LOCAL GOVERNMENT EMPOWERED TO FULFIL ITS MANDATE IN AN EFFECTIVE REGULATORY ENVIRONMENT

Developed a framework for participating and representing local government in inter-governmental relations (IGR) structures, assessed the impact of SALGA's participation and developed an evaluation form for participants to rate SALGA's ongoing improvement.

➤ IMPACT

Local governments is represented fully in inter governmental structures.

⬆️ OUTPUTS

Report on SALGA's participation in IGR structures; Updated national IGR matrix; IGR engagements and assessment report.

✓ OUTCOME 3

REDUCE DISCLAIMER MUNICIPALITIES TO A MAXIMUM OF 10% OF MUNICIPALITIES BY 2022

SALGA implemented the Municipal Audit Support Programme in 62 Red Zone municipalities of which 11 reported improved audit outcomes, despite an increase from 26 to 33 in disclaimer opinions. An additional 67 municipalities received support with a focus on:

- Records management – using SALGA's Records Management Toolkit with the AGSA's Records Management Toolkit as guidelines for municipal records keeping
- Records management training – rolled out training and awareness in partnership with the AGSA and National Archives
- Accountability – published a profile on local government good practices and SALGA's municipal finance programmes
- Tainee accountants – partnered with the AGSA in training first-year AG trainees in all provinces to empower them with knowledge and understanding of local government and the municipal sector
- Municipal support – assisted municipalities in the different provinces.

➤ IMPACT

Improved municipal performance and audit outcomes.

⬆️ OUTPUTS

129 municipalities supported under the auspice of the MASP; MASP Outcomes Report; Records Management Toolkit; Three editions of accountability publication; Material for AGSA audit trainee workshops; Municipal support (various municipalities per province).

✓ OUTCOME 4

MORE EQUITABLE SUPPORT AND WELFARE FOR ALL PUBLIC OFFICE BEARERS

Councillor remuneration is determined by the CoGTA Minister. In July 2019, SALGA briefed the new CoGTA Minister on key developments in Councillor remuneration and lobbied for key improvements and reiterated its concerns in a letter to the Minister in August 2019.

Provided the Presidency with the profiles, roles and responsibilities of councillors to finalise a structural review of councillor remuneration. SALGA also commented on the draft Upper Limits Notice for the 2019/20 financial year that led to the introduction of improvements in the salaries of Councillors for the 2019/20 financial year.

➤ IMPACT

Improved councillor remuneration.

⬆️ OUTPUTS

Role and Responsibilities Profile for Councillors; Circular on Upper Limits; updated report on councillor remuneration.

SO2: TO MODERNISE GOVERNANCE SYSTEMS AND PROCESSES THROUGH THE USE OF DIGITAL TECHNOLOGY AND EXPLORATION OF NEW COMMUNITY INTERFACE MODELS

✔ OUTCOME 1

BETTER MANAGEMENT OF MUNICIPAL COMMUNITY INTERFACE TO REDUCE COMMUNITY PROTESTS

SALGA, in partnership with the EU, developed public participation guidelines for municipalities to improve municipal/public engagements. SALGA engaged with municipalities in all provinces to explain the use of the guidelines.

An initial 12 municipalities were supported to benefit from this SALGA/EU project. Part of the project included conducting an assessment of the municipal capability to implement public participation programmes. Tools were developed for municipalities to assess their readiness to involve communities in decision-making processes and rate the level of participation by communities in municipal processes. The outcomes reports and recommendations were shared with all 12 municipalities. The participating municipalities were the Bojanala DM, Rustenburg LM, Madibeng LM and Moses Kotane LM (north West); Gariep LM, Matjhabeng LM and Masilonyane LM (Free State); Outshoorn and Prince Albert municipalities (Western Cape); and the Witzenberg, Siyancuma and Umsombomvu municipalities in the Emathanjani District (Northern Cape).

➤ IMPACT

Enhanced citizenry participation in municipalities.

⬆️ OUTPUTS

Enhanced Public Participation Guidelines.

SO3: TO FOSTER SOUND AND PRODUCTIVE LABOUR RELATIONS

✔ OUTCOME 1

LABOUR PEACE AND STABILITY IN MUNICIPALITIES

A multi-year Salary and Wage Collective Agreement was secured and shared with municipalities for implementation. During the year under review, SALGA monitored municipal compliance with the agreement. While the majority of municipalities complied with the agreement. The City of Tshwane, City of Cape Town, eThekweni and ILembe municipalities applied for exemption. SALGA facilitated a SALGBC investigation into non-compliance at the City of Tshwane and supported the City of Cape Town in the exemption application, which resulted in a favourable jurisdictional ruling. SALGA support the eThekweni Metro in a wage dispute that threatened the 2019 Elections and successfully represented the Inkosi Langalibalele LM in a wage exemption application for which a certificate was issued.

SALGA distributed the SALGBC Circular 1/2019 on Wage and Salary Increase for the period 1 July 2019 – 30 June 2020 to all municipalities to finalise their budget processes.

➤ IMPACT

Stability and labour peace in the local government sector.

⬆️ OUTPUTS

Circular 1/2019: Wage & Salary Increase 1 July 2019-30 June 2020; Circular 2/2019: Increase in Bargaining Council Levy; Circular 07/2019: Labour Unrest in Municipalities; 21st Century Report: Categorisation Model & Wage Curve 2019; Certificate of Wage Exemption Application Inkosi Langalibalele LM; SALGBC Investigation Report into non-compliance signing of Settlement Agreement by City of Tshwane; Ruling on Exemption Application by City of Tshwane; Report on eThekweni Municipality Current Labour Strike Action and Related Matters; National Working Group Report on compliance of the multi-year Salary and Wage Collective Agreement.

| | |
|--|--|
| <p>SALGA supported and advised 116 municipalities on labour relations, including 229 arbitrations, 84 conciliations and 126 disciplinary hearings. Issued Circular 7/2019 on Labour Unrest in Municipalities, finalised the Local Labour Forum Training Manual, completed the Investigation on Compensation Benefits and reported at the Free State and Limpopo PMAs. The 3rd Annual Local Government Labour Law Seminar, scheduled for March 2020 with more than 300 registered delegates, was postponed due to COVID-19.</p> | <p>IMPACT</p> <p>Stability and labour peace in the local government sector.</p> |
| <p>OUTPUTS</p> <p>Circular 7/2019 on labour unrest in municipalities; List of supported municipalities; Wage Curve Proposal; Notice of deadlock wage curve; SALGA Wage Curve Position: LLF training and training learner guides; IE implementation minutes; Working group report and agenda pack; TASK JE database.</p> | |
| <p>SALGA issued a municipal circular and questionnaire regarding operating municipal pension funds, consolidated the received information and developed a position on wage curve negotiations. SALGBC parties signed a facilitator proposal on pension fund restructuring (collective agreement) for approval by the Bargaining Council effective from 1 July 2020. The process was delayed by pending pension fund litigation. SALGBC awaiting ministerial support for the restructuring process. Medical schemes were accredited by the EBWG, with provisional accreditation for SAMWUMED.</p> | <p>IMPACT</p> <p>Stability and labour peace in the local government sector.</p> |
| <p>OUTPUTS</p> <p>Circular 4/2019: Medical Aid Accreditation Signed Pension Fund Restructuring Facilitator Proposal; SALGA Position on Wage Curve Negotiations; EBWG on Accreditation of Medical Schemes minutes SALGBC Wage Curve Report, letters to municipalities CoGTA Minister engagement/Invitation to support the restructuring process Working Group Reports on Pension Fund Restructure.</p> | |

SO4: TO PROFESSIONALISE LOCAL GOVERNMENT

| | |
|--|---|
| <p>OUTCOME 1</p> | |
| <p>LABOUR PEACE AND STABILITY IN MUNICIPALITIES</p> | |
| <p>Supported 46 municipalities in all provinces to capacitate performance management and rolled out a Multi-Stream Accredited Municipal Performance Management Training Programme for 319 learners (Practitioner Stream Cohort 1). The 122 participants who successfully completed the training programme received certificates of competency.</p> <p>The 3rd Annual Local Government Performance Management Seminar in February 2020 focused on “Entrenching Accountability and Consequences Management as Levers for High Performing Municipalities.” The seminar attracted 541 municipal delegates and was provisionally accredited as a Talent Management Competency Programme with 6 Continuous Professional Development (CPD) points by the South African Board for People Practice (SABPP).</p> | <p>IMPACT</p> <p>Well capacitated municipalities with a knowledgeable workforces (councillors and municipal officials), improved compliance and good governance.</p> |
| <p>OUTPUTS</p> <p>Training reports; Municipal Support Outcomes Reports; Post-seminar report; Photographic evidence; Working group reports.</p> | |
| <p>OUTCOME 2</p> | |
| <p>CAPABLE COUNCILLORS AND OFFICIALS WHO CAN FULFIL THE LOCAL GOVERNMENT MANDATE</p> | |
| <p>A total of 8 467 councillors and municipal officials attended seven different capacity building programmes at the SALGA Centre for Leadership and Governance that ranged from media and stakeholder engagement and performance management to leadership for innovation. Programmes for future implementation will include senior manager development and women leadership, as well as multi-stream performance management, leadership in municipal governance and leadership impact and innovation. The LGSETA paid R19 044 000 for various capacity building programmes.</p> | <p>IMPACT</p> <p>Skilled and capable workforce that is central to local government fulfilling its mandate and enacting its developmental vision.</p> |
| <p>OUTPUTS</p> <p>Training manuals; Working group reports and Mancom Report.</p> | |

✓ OUTCOME 3

PROFESSIONALISED HUMAN RECOURSES MANAGEMENT AND DEVELOPMENT IN LOCAL GOVERNMENT

Supported 21 municipalities across all provinces with human resource-related matters, such as the re-profiling of maturity levels. Engaged five municipalities to reassess maturity levels following support for various HR value chain elements.

Human Capital Management Strategy: Supported 11 municipalities to review and develop this strategy.

Data sets/Intelligence on senior managers: Developed data sets for HCM value chains for the SALGA-conceptualised Local Government Human Resource Information Management System (LGHRIMS). The sourced data was used to develop reports on senior manager vacancy rate vs filled positions.

Local Government Human Resource Information Management System (LGHRIMS): Appointed a Transaction Advisor to update the blueprint, provide technical implementation advice, mobilise funding and establish external partnerships to achieve system objectives.

Knowledge-sharing and municipal peer learning on professionalisation best practice: The 2nd Annual Local Government Talent Management Seminar in January 2020 attracted 337 delegates from four municipalities who shared case studies on talent management issues.

Municipal Service Charter: Enlisted the Democracy, Governance and Service Delivery (DGSD) Department of the Human Sciences Research Council (HSRC) to develop minimum service standards and application guidelines to support municipal service delivery, optimise standards, measure satisfaction and address citizen complaints.

Compliance with Employment Legislation: Conducted a workshop, in collaboration with the Department of Labour, for 41 critical role players responsible for enforcing municipal compliance with the Health and Safety and Compensation for Occupational Injuries and Diseases Acts.

➤ IMPACT

Transformed municipal human capital management.

⬆️ OUTPUTS

Consolidated Reassessments Outcomes Presentation; Re-Profiling Feedback Report; Working group reports; Circular 13/2019: Filling of Senior Manager Vacancies; Report on Institutionalising the Service Charter in Municipalities; Data sets of senior manager vacancies; Circular 17/2019: 3rd Annual Local Government Talent Management Seminar and report; Circular 9/2019: DPSA Regulations; Attendance registers.



STRATEGIC GOAL 3

FINANCIAL SUSTAINABILITY OF LOCAL GOVERNMENT AND GREATER FISCAL EQUITY

PURPOSE

Improving the financial health of municipalities through:

- a revised local government fiscal framework
- effective revenue management and enhancement
- access to alternative/innovative funding sources
- sound financial management.

STRATEGIC OBJECTIVES

- Develop and support the implementation of financial strategies for the long-term sustainability and viability of local government
- Support innovative revenue enhancement strategies for local government
- Strengthen financial management systems and controls.

KEY CHALLENGES IN FISCAL POLICY AND FINANCIAL MANAGEMENT

- Half of the country's municipalities are in financial distress
- Less growth in national transfers due to national fiscal consolidation and subdued fiscal and depressed economic environment
- Nearly a quarter of municipalities collect less than 50% of revenue owed to them
- Increase in municipalities with a persistently vulnerable cash-flow position
- Weak multi-year budgeting, SCM inefficiencies, poor asset and contract management, weak internal controls
- Growth in consumer debt, where debit levels in 59% of municipalities are higher than 30% of own revenue
- Audit outcomes indicated an increases in expenditure that is irregular, fruitless and wasteful or unauthorised.

PERFORMANCE

SO1: SUPPORT INNOVATIVE REVENUE ENHANCEMENT STRATEGIES FOR LOCAL GOVERNMENT

✔ OUTCOME 1

MUNICIPAL REVENUE DIVERSIFIED THROUGH INNOVATIVE REVENUE SOURCES

The 2019/20 strategic plan was anchored in the resolutions of the Innovative Infrastructure Finance Conference with a focus on financing, grants and operations. The following was achieved:

- Updated Municipal Bonds and Municipal Pooled Financing papers
- Developed a catalogue of financing options and project preparation facilities brochure for the sector
- Lobbied National Treasury and Moody's Credit Rating Agency and partnered with Moody's in credit rating workshops for municipalities
- Conducted a Public Private Partnerships (PPP) assessment and appointed a service provider to conduct a comprehensive PPP sector study for responding to in the next financial year
- Established Infrastructure Grants in a Community of Practice (CoP) for Human Settlements in partnership with the Cities Support Programme and Centre for Affordable Housing Finance
- Assessed SALGA's support for municipalities in infrastructure grant spending
- Developed a Grant Management Framework to support municipalities in infrastructure grant spending
- Conducted an Asset Management and Climate Change workshop through the BIGM programme on strategic asset management to address socio-economic and environmental issues and an asset management readiness scale
- Consulted on bulk water tariffs with the water boards.

➤ IMPACT

Credit worthy municipalities with the ability to finance critical infrastructure and understand their economic fundamentals, institutional framework, financial performance and debt profile and the need for sound governance and management.

⬆️ OUTPUTS

Updated papers on Municipal Bonds and a Pooled Finance Mechanism; Financing options catalogue and brochure on project preparation; Workshop on municipal credit rating documentation; PPP assessment report and appointment of service provider for the broader study; USDG and affordable housing finance documentation; Assessment report on the research on infrastructure grant spending; Grant Management Framework; Research Report on Deferred Maintenance; BGIM Asset Management and Climate Change documentation; Water Tariff Consultation Report; Asset Finance Seminar programme; Support to the St Johns and Ndlambe municipalities on asset management.

SO2: TO STRENGTHEN FINANCIAL MANAGEMENT STRATEGIES FOR LOCAL GOVERNMENT

✔ OUTCOME 1

REDUCTION IN DEBT GROWTH RATE IN MUNICIPALITIES

- Performed a diagnostic analysis on a sample of 12 approved 2019/20 municipal budgets to assess credibility and compliance with balanced budget principles and guidelines and presented them to the National Working Group
- Provided inputs during mid-year budget benchmarking sessions
- Developed the Single and Integrated Revenue Management Framework (SIRMF) and identified four municipalities in which to address challenges and improvements
- Presented the 2015/16 debt and billing study finding to the Revenue Management Steering Committee, which resulted in an allocation of R100 million for 2020/21 to implement pre-paid meters in selected municipalities
- Presented feasibility study on establishing a district collection agency and inputs on the “culture of payment” campaign. SALGA/CoGTA successfully lobbied National Treasury for R30 million to roll out the pay for services and show the benefits of paying for services to increase revenue and reduce debt
- Facilitated the pilot data exchange process between SARS and eThekweni MM for the debtors’ data integrity project by providing municipalities with access to the SARS customer database to improve data integrity and revenue collection
- Presented its tariff modelling tool to NT. Municipalities can use the tool to set cost-reflective tariffs to generate enough revenue to fully fund budgets after subsidies, property rates and other income, surpluses and deficits are accounted for. Training on the tool will be rolled out to provincial colleagues and test case municipalities.

ⓧ IMPACT

Decrease in municipal debtors and creditors of 1,7% and 6,63% respectively, year on year.

ⓧ OUTPUTS

State of Local Government Report as per Sec 71 Reports – Budget Credibility Consolidated Report; Report on mid-year budget benchmarking session; SIRMF and outcome reports of support provided to municipalities and attendance registers; 2015/16 Debt and Billing Study and Steering Committee minutes; District Collection Model Research Report Outcome of the NGITT; Meeting outcomes of the engagements with SARS and eThekweni on data integrity; Tariff modelling tool; Working group reports.

SO3: DEVELOP AND SUPPORT THE IMPLEMENTATION OF FINANCIAL STRATEGIES FOR THE LONG-TERM SUSTAINABILITY AND VIABILITY OF LOCAL GOVERNMENT

✔ OUTCOME 1

MUNICIPAL REVENUE DIVERSIFIED THROUGH INNOVATIVE REVENUE SOURCES

SALGA developed a local government position for presentation at the Budget Forum. As a result of lobbying, local government will receive an improved allocation. The Local Government Equitable Share increased with 11,5% from R67 billion to R74,7 billion.

On average, over the MTEF, this share increased by 9,2%, the provincial equitable share by 6,3% and national transfers by 2,6%. The local government conditional grant will also grow by 2,4% over the MTEF.

ⓧ IMPACT

Improved equitable share allocation for local government.

ⓧ OUTPUTS

SALGA position to the Budget Forum; Outcomes reports of the Budget Forum; Governance Structures Reports.



STRATEGIC GOAL 4

STRATEGIC ENABLERS

PURPOSE

To provide an effective and efficient administration support for successful implementation of SALGA programmes.

PERFORMANCE

SO1: EFFICIENT AND EFFECTIVE ADMINISTRATION

✔ OUTCOME 1

A HIGH-PERFORMING ORGANISATION PERCEIVED AS CREDIBLE BY STAKEHOLDERS

SALGA complied with all the planning and reporting requirements of the PFMA. The following were completed during the year under review:

- An Annual Performance Plan (APP) for the 2020/21 financial year following the revised strategic and annual performance plan framework from Department of Planning, Monitoring and Evaluation (DPME)
- Presented the APP at all the Provincial Members Assemblies for approval and adoption, with the final approval by the National Executive Committee in March 2020 and tabling in Parliament on 12 March 2020
- Developed, published and tabled the 2018/19 Annual Report in Parliament on 7 October 2019 and submitted and presented quarterly reports at the relevant structure and to the Accounting Authority.

➤ IMPACT

SALGA is recognised as a credible association for Local Government and trusted to represent and support municipalities.

⤴ OUTPUTS

SALGA Annual Performance Plan 2020/21; Annual Report 2018/2019; 2019/20 quarterly reports developed and shared with applicable executive authorities.

SO2: RESEARCH, KNOWLEDGE MANAGEMENT, INNOVATION, DATA INTELLIGENCE AND INTERNAL INFORMATION AND COMMUNICATIONS TECHNOLOGY

✔ OUTCOME 1

INFORMED SUPPORT TO LOCAL GOVERNMENT

- Reviewed and improved SALGA Knowledge Hub and shared knowledge products with sector members, at events and across media platforms
- Developed and disseminated municipal briefs and created and launched a SALGA Mobi APP platform at the UCLG Congresses in KwaZulu-Natal. The tool tracks quantitative and geographical information by ensuring that the basic data, reported in the form of a spreadsheet, is extrapolated and plotted into graphs and spatial illustrations in terms of the province, municipality, ward village and/or township where incidents take place. The APP pinpoints the actual position of the mobile device used for reporting, which enables responsive attention to problem areas
- SALGA continued to implement the EU partnership plan on strengthening governance and capacity in local government in municipalities:
 - Trained SALGA champions in understanding and implementing QMS
 - Finalised and presented the Violence Study Report with the SALGA Mobi at the NEC meeting on 12 February 2020 and produced a brief navigation guideline brochure for the APP
 - Developed a case study for Knysna municipality focusing on community and social development and special programmes
 - Appointed a service provider to assist municipalities with incorporating regionalism into mainstream integrated development planning.

🔗 IMPACT

A more responsive organisation with a strengthened agility to interpret and improve the environment for better outcomes in municipalities.

⬆️ OUTPUTS

SALGA Knowledge Hub Review & Enhancements Report; 6th edition of SALGA Innovation Publication; Knowledge products; Trained SALGA champions in understanding and implementing QMS; The Violence Study Report and the SALGA Mobi APP; APP navigation brochure; Case study for Knysna municipality focusing on community and social development and special programmes; Knowledge publication for the project.



PART E
HUMAN
RESOURCE AND
CORPORATE
SERVICES



MANAGING OUR HUMAN CAPITAL

The Human Capital Unit plays a supportive and enabling role in achieving SALGA's strategic objectives while in pursuit of its new vision. This role involves the entire human capital value chain and its various interventions to ensure that SALGA functions effectively and efficiently.

Our emphasis during 2019/20 was on improved employee-employer relationships, as well as employee wellness, gender awareness, mental health and a zero-tolerance stance towards harassment, discrimination and victimisation.

STRUCTURAL REVIEW

A structural review was undertaken in 2018/19 to re-align SALGA's organisational design with its strategic direction, followed by employee matching and placement during the first part of 2019/20. The Human Capital Unit resolved several employee matching and placement matters during the migration process.

Going forward, SALGA's new structure will influence its processes and culture.

PERFORMANCE MANAGEMENT

The implementation of SALGA's Performance Management System drives improved individual and organisational performance. The system is governed by a Performance

Management Policy against which individual and organisational performance is measured and managed.

Employees complete their individual performance agreements and scorecards, which are aligned with organisational strategic objectives, at the beginning of each performance cycle. Business units submit quarterly reports on performance against APP key result areas, which include the individual scorecards.

SKILLS DEVELOPMENT

SALGA regards continuous employee development as a strategic priority. Relevant skills development programmes are determined annually in conjunction with management and communicated to all stakeholders.

During 2019/20, SALGA invested R497,536.00 on skills development for 150 employees who attended a range of 25 training programmes in the form of contact classes, workshops, seminars and conferences, as indicated in Table 3.

The organisation's Study Assistance Scheme assisted 68 (2019: 50) employees with bursaries to address the scarce skills gaps within local government. Employees who benefit from this scheme are expected to perform at a consistently high level and contribute meaningfully to realising SALGA's strategic goals.

Table 3: 2019/20 Training initiatives

| Training Programmes | Arican | | White | | Indian | | Coloured | | TOTAL |
|---------------------------------------|-----------|-----------|----------|-----------|----------|----------|----------|-----------|------------|
| | Male | Female | Male | Female | Male | Female | Male | Female | |
| Learning and Development Workshop | 2 | 2 | | | | | | 1 | 5 |
| HR Audit Training | | | | 1 | | | | | 1 |
| Monitoring and Evaluation | 1 | 1 | | | | | | | 2 |
| Archivist Conference | 1 | | | | | | | | 1 |
| Social Media Training | 1 | 2 | | | | | | | 3 |
| Human Capital Training | 1 | | | 1 | | | | | 2 |
| Basic Payroll Training | 1 | | | | | | | | 1 |
| HR Standards Workshop | 2 | | | | | | | | 2 |
| Learning and Development Workshop | | 1 | | | | | | | 1 |
| EAPA Conference | | 1 | | | | | | | 1 |
| Performance Monitoring and Evaluation | | 1 | | | | | | | 1 |
| Urban and Cities Planning | | 1 | | | | | | | 1 |
| 23rd Annual Conference | 2 | 3 | | | | | | | 5 |
| Project Management | 4 | 12 | | 1 | | | | | 17 |
| HR Conference | | 1 | | | | | | | 1 |
| OHS/1st Aid Training | 1 | 3 | | | | | | 1 | 5 |
| IPM Conference | 1 | | | | | | | | 1 |
| National Budgeting Conference | 1 | | | | | | | | 1 |
| Ethics Foundation Training | 3 | 7 | | 2 | | | | | 12 |
| Diveristy Training | 6 | 5 | 2 | 4 | 1 | | 4 | 5 | 27 |
| Monitoring and Evaluation | 7 | 19 | 1 | 1 | | 2 | | 2 | 32 |
| Leadership and Capability Training | 9 | 9 | | | | | 2 | 1 | 21 |
| Labour Relations Training | 1 | | | | | | | | 1 |
| Public Sector Forum | 2 | 1 | | | | | | | 3 |
| Assessment | | 1 | | | | | | | 1 |
| CIPS Convention | 1 | 1 | | | | | | | 2 |
| TOTAL | 47 | 71 | 3 | 10 | 1 | 2 | 6 | 10 | 150 |

SALGA also equipped 17 interns with valuable work experience and skills through training programmes that will assist them in securing employment.

EMPLOYMENT RELATIONS

The focus of effective employment relations is on managing individual and collective relationships within SALGA to achieve its strategic goals and fulfill its mandate.

The emphasis is on creating trust, cooperation and stability in a harmonious working environment, conducive to performance excellence. The focus is also on constructive conflict resolution to manage grievances, disputes, collective bargaining and compliance with policies and procedures effectively.

During 2019/20, 31 (2019: 35) employment relations cases were reported, with no financial misconduct case internally, externally or through the fraud hotline. Tables 4 and 5 and Figure 14 reflect the nature of reported cases with the numbers by race and gender.

Table 4: Reported employee relations cases 2019/20

| Nature of cases reported | Cases recorded | Cases concluded | Cases carried to 2020/21 |
|---------------------------|----------------|-----------------|--------------------------|
| Grievances | 14 | 9 | 5 |
| Misconduct | 11 | 8 | 3 |
| Disputes at CCMA | 5 | 3 | 2 |
| Dispute/s at Labour Court | 1 | 0 | 1 |
| TOTAL | 31 | 20 | 11 |

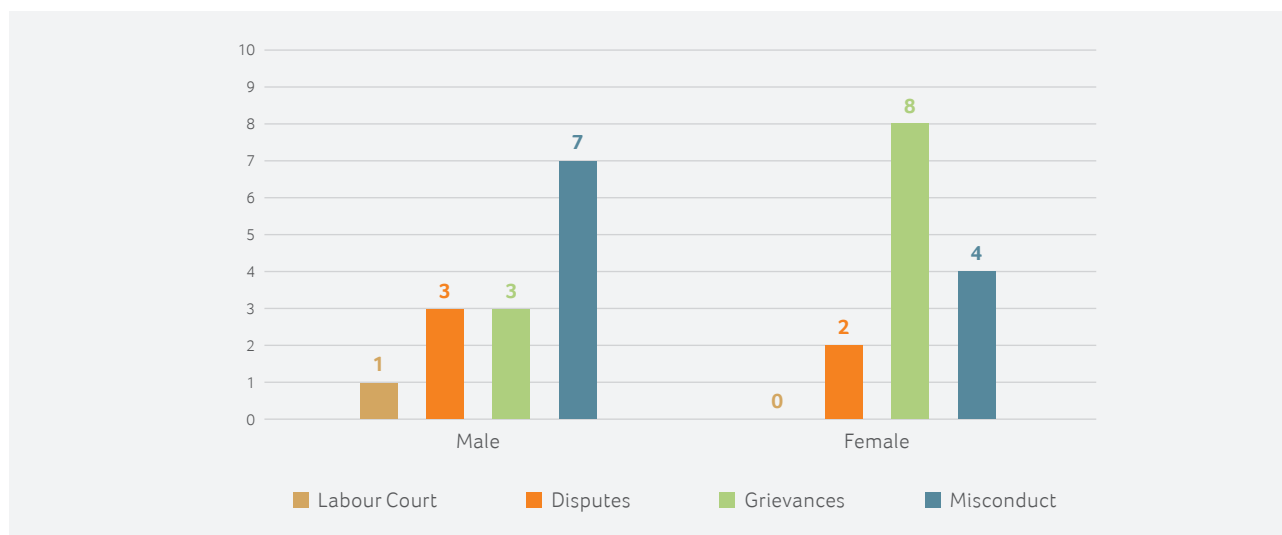


Figure 14: Gender distribution of employee relations cases for fiscal 2019/20.

Table 5: Employee relations cases recorded by race 2019/20

| Nature of disciplinary action | Total | Male | Race | Female | Race |
|-------------------------------|-----------|-----------|-------------|-----------|---------------|
| Incapacity | 0 | 0 | Black | 0 | Black |
| Grievances | 14 | 3 | Black | 11 | Black |
| Misconduct | 11 | 7 | Black | 4 | Black |
| Appeal | 0 | 0 | Black | 0 | Black |
| Dispute/s at CCMA | 5 | 3 | Black | 2 | Black |
| Dispute/s at Labour Court | 1 | 1 | Black | 0 | Black |
| TOTAL | 31 | 14 | Male | 17 | Female |

COLLECTIVE BARGAINING

During 2019/20, SALGA met twice with the Public Servants Association of South Africa (PSA) in compliance with Section 13 of the Recognition Agreement (quarterly consultative meetings) to consult and make representations on matters of mutual interest. During the reporting period, the meetings took place on 20 June, 6 August and 16 October 2019, with a final meeting on 9 March 2020.

The meetings resulted in a Terms of Reference (ToR) that regulates and guides the consultative forum and outlines the composition of forum members, election of the Chairman and terms for Secretariat support. The ToR was signed by SALGA and the PSA on 9 March 2020.

EMPLOYMENT EQUITY

In compliance with Section 16 of the Employment Equity Act, 55 of 1998, SALGA established an Employment Equity Skills Development Forum (EESDCF) to facilitate consultation between the employer and employees on conditions of employment. The forum consists of employees across race and gender and people with disabilities and met quarterly on 31 May, 27 September and 28 November 2019 and 5 March 2020.

The Director-General of Labour acknowledged receipt of SALGA's 2019/20 Employment Equity Report, submitted to the DoL as required by the above-stated Act.

TALENT ACQUISITION

SALGA acknowledges that a knowledgeable, skilled and competent workforce is critical to implementing its strategy

successfully and that a lack of quality employees poses a significant risk to the organisation. An attractive working environment and competitive value proposition are prioritised to retain talent and attract new employees to achieve goals effectively.

WORKFORCE PROFILE

SALGA's staff complement of 390 at 31 March 2020 excluded 15 interns.

Table 6: 2019/20 SALGA employee complement as at 31 March 2020

| 31 March 2020 | CEO | FCS | HCC | IDS | MCG | MFF | OPS | TOTAL |
|---------------|-----------|-----------|-----------|-----------|-----------|-----------|------------|------------|
| Female | 9 | 19 | 30 | 12 | 18 | 9 | 153 | 250 |
| African | 8 | 17 | 26 | 11 | 17 | 8 | 128 | 215 |
| Coloured | 1 | 2 | | 0 | 1 | 0 | 9 | 13 |
| Indian | 0 | 0 | 1 | 0 | 0 | 0 | 6 | 7 |
| White | 0 | 0 | 3 | 1 | 0 | 1 | 10 | 15 |
| Male | 5 | 11 | 13 | 8 | 16 | 11 | 76 | 140 |
| African | 5 | 10 | 13 | 7 | 14 | 9 | 63 | 121 |
| Coloured | 0 | 1 | 0 | 1 | 0 | 0 | 8 | 10 |
| Indian | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 2 |
| White | 0 | 0 | 0 | 0 | 2 | 1 | 4 | 7 |
| TOTAL | 14 | 30 | 43 | 20 | 34 | 20 | 229 | 390 |

Table 7: Gender distribution per race as at 31 March 2020

| FEMALES | COUNT | % | MALES | COUNT | % |
|--------------|------------|-------------|--------------|------------|-------------|
| Black | 215 | 55.1 | Black | 121 | 31.0 |
| White | 15 | 3.8 | White | 7 | 1.8 |
| Coloured | 13 | 3.3 | Coloured | 10 | 2.6 |
| Indian | 7 | 1.8 | Indian | 2 | 0.5 |
| TOTAL | 250 | 64.1 | TOTAL | 140 | 35.9 |

RECRUITMENT

During December 2019 and January 2020, SALGA filled several strategic positions, namely that of Chief Officers for Municipal Capabilities and Governance; Infrastructure Delivery, Spatial Transformation and Sustainability; and Municipal Finance, Fiscal Policy and Economic Growth; as well as a Chief of Operations; a Portfolio Head for Human Capital and Corporate Services; and a Chief Financial Officer.

The filling of these vacancies prior to the 2019/20 financial yearend focused on creating leadership stability to embed the organisational redesign and providing strategic direction to clusters and portfolios. The appointments will help SALGA as a centre of excellence, to remain relevant and at the cutting-edge of best practice in local government to focus on member priorities and pursue our 2017-2022 strategic goals.

Recruitment to fill a further 15 positions, will contribute to SALGA's performance overall and will be finalised in 2020/21.

ABSENTEEISM

SALGA's absenteeism rate for fiscal 2019/20 was 2% (2019: 1.88%; 2018: 1.74%), which is lower than the average rate of 3.50% in South Africa but higher than best practise (1.5%). In an effort to mitigate absenteeism and lower the rate to a best practice level, SALGA requested Careways to analyse its absenteeism data.

The key recommendations in the Careways report, presented to MANCOM, suggested that SALGA;

- Require employees to submit sick and annual leave requests consistently and impress the importance of this upon management
- Request medical certificates for sick leave taken the day before or after a weekend or public holiday if not already standard protocol/procedure
- Arrange a session for employees with a Bradford score of 901 and higher (red-heated) to explain management's concern about the use of sick leave, offer a referral to the Employee Wellness Programme (EWP) and note refusals
- Calculate sick leave taken in an employee's sick leave cycle and refer those with less than 10 days available in their current cycle to the EWP
- Train managers to focus on the role of the EWP in managing absence, including the managerial referral process and identification of troubled employees
- Empower managers and supervisors to monitor and document absenteeism, identify trends and conduct return-to-work interviews with employees who had taken more than three days sick leave.

Several recommendations from a 2018/19 Careways analysis of the reasons for absenteeism were implemented during the reporting period. Going forward, SALGA will continue to monitor absenteeism to lower the rate to a best practice level.

SALGA will continue to monitor absenteeism trends and provide programmes proactively to curb its absenteeism rate.

EMPLOYEE TURNOVER

The employee turnover rate for 2019/20 was 7.2% (2018/19: 8.4%). A total of 28 terminations were recorded during the reporting period.

Table 8: Employee terminations during the 2019/20 financial year

| Reason for termination | Number | % of employees leaving |
|------------------------|-----------|------------------------|
| Death | 1 | 0.3 |
| Resignation | 19 | 4.9 |
| Dismissal | 0 | 0.0 |
| Retirement | 1 | 0.3 |
| Ill-health | 0 | 0.0 |
| Expiry of contract | 6 | 1.5 |
| Other | 1 | 0.3 |
| Total | 28 | 7.2 |

VACANCY RATE

The 2019/20 vacancy rate of 34% was an increase compared to previous years and due mainly to newly created positions during the organisation's redesign.

Table 9: Vacancy rate for the 2019/20 financial year

| Occupational level | Number of employees | Vacancies | % of vacancies |
|--------------------------|---------------------|------------|----------------|
| Top management | 14 | 12 | 2.0 |
| Senior management | 24 | 17 | 2.9 |
| Professionally-qualified | 91 | 70 | 11.8 |
| Skilled | 135 | 101 | 17.1 |
| Semi-skilled | 91 | 1 | 0.2 |
| Unskilled | 26 | 0 | 0.0 |
| Temporary employees | 9 | 0 | 0.0 |
| Total | 390 | 201 | 34 |

WORKFORCE AGE GROUP DISTRIBUTION

The average age profile of SALGA employees is 38 years, with the majority between 30-39 years, which is similar to the previous year. This indicates a maturing workforce and is in line with SALGA as a maturing organisation.

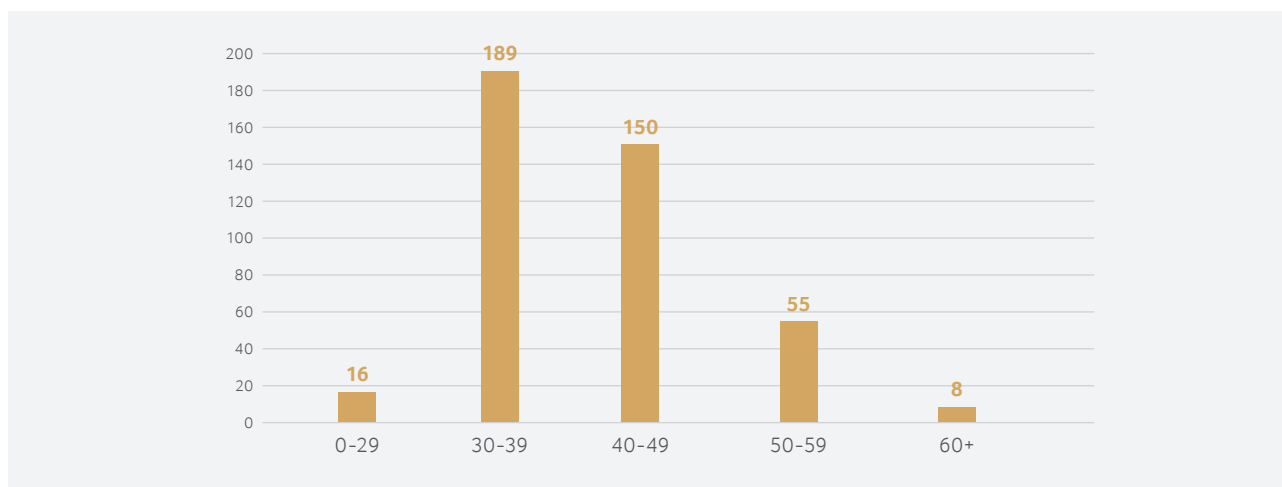


Figure 15: SALGA's workforce age group distribution indicates a maturing organisation.

EMPLOYEE WELLNESS PROGRAMMES (EWP)

SALGA's Employee Wellness Programme is designed to benefit employees and the organisation by identifying and proactively managing employees' personal, health and work-related concerns and challenges.

Our holistic approach to employee wellness encourages continued participation in EWP activities to sustain well-being gains rather than focus on single interventions. SALGA is committed to creating a work environment rich in opportunities, stimulating challenges and the scope for work-life integration. This includes the well-being of employees and their immediate families.

The Employee Wellness Unit implemented a range of employee wellness programmes during 2019/20. Plans and calendars focused on personal financial management, health awareness and screenings, mental health, gender-based violence, sexual harassment, women empowerment/dialogue, parenting skills, physical wellness, employee bereavement support, occupational health and safety and an employee recognition and awards programme.

Several interventions were aligned with international wellness days and many implemented in partnership with Careways, an employee assistance programme provider. A list of the 38 (2019: 32) wellness interventions/sessions undertaken during 2019/20 is available as Appendix B on page 188 of this document.

During the period under review, wellness articles and e-mail posters relating to health and wellness topics, as well as COVID-19, were communicated continuously. In the year ahead, we will conduct an employee satisfaction survey to evaluate the impact of the EWP.

EMPLOYEE COUNSELLING

During 2019/20, the Employee Wellness Unit dealt with 99 reported cases where employees and dependents sought counselling for psychosocial problems such as stress, depression, a traumatic event, parental guidance, life adjustment difficulties, couple relationships and managing relationships, work dissatisfaction, alcohol dependency and suicidal risk. The majority of individuals who accessed the service were between 14-50+ years old and preferred face-to-face counselling, while English was the most commonly used language for these services.

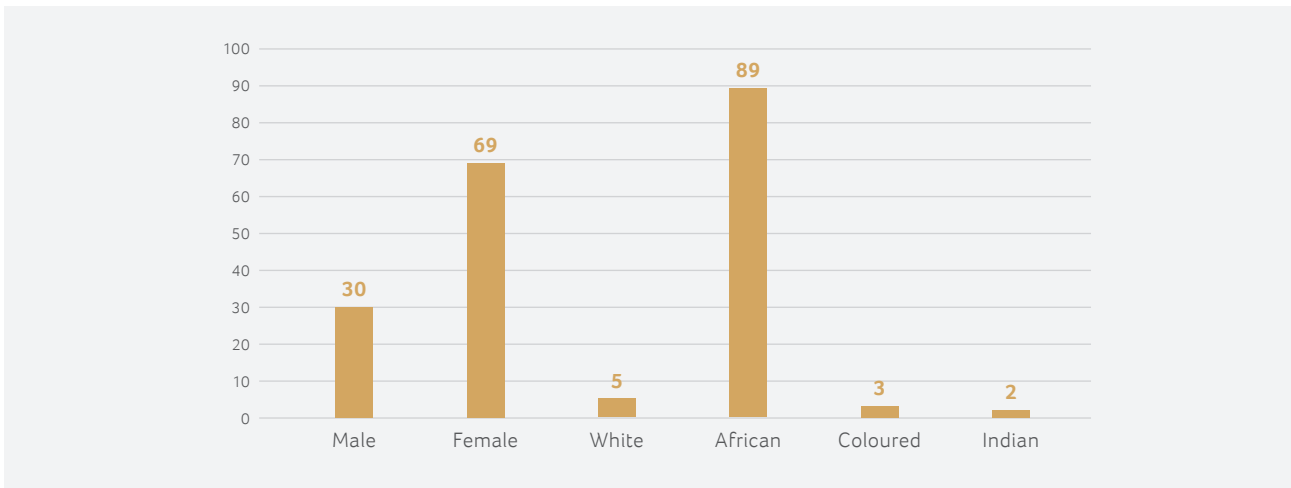


Figure 16: Employee demographics for wellness cases.

Compared to the public sector average and Careways' benchmark for the use of employee wellness programmes, SALGA's uptake of 20,63% (2019: 23.75%) was the highest for the reporting period. This confirmed that employees and their families made good use of the counseling service and participated in the wellness programme.

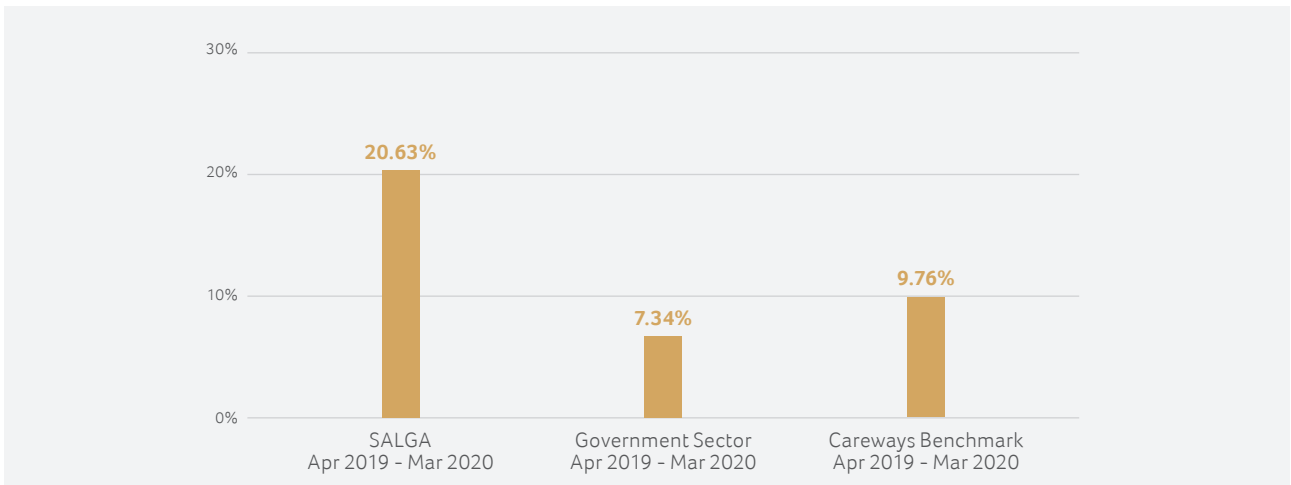


Figure 17: Comparison of EWP utilisation rate between employees at SALGA, in the public sector compared to the Careways benchmark for 2019/20.

PROVINCIAL ANALYSIS OF EWP UTILISATION

Table 10 provides an overview of employee utilisation of the EWP from April 2019 to March 2020. SALGA's National Office reported the highest overall utilisation rate at 42 cases. The highlighted cells indicate provinces with a below-average utilisation rate. Going forward, we will focus on awareness sessions in those provinces.

Table 10: Provincial overview of the EWP annualised utilisation rate since its inception in 2019

| Employee Count | Province | Apr- Jun 2019 | | Jul – Sep 2019 | | Oct –Dec 2019 | | Jan – Mar 2020 | | YTD. April 2019 – Mar 2020 | |
|----------------|--------------------|---------------|-----------------------------|----------------|-----------------------------|---------------|-----------------------------|----------------|-----------------------------|----------------------------|-----------------------------|
| | | No. of Cases | Annualised Utilisation Rate | No. of Cases | Annualised Utilisation Rate | No. of Cases | Annualised Utilisation Rate | No. of Cases | Annualised Utilisation Rate | No. of Cases | Annualised Utilisation Rate |
| 207 | National Office | 8 | 32.0% | 16 | 57.1% | 7 | 35.0% | 11 | 42.3% | 42 | 39.25% |
| 31 | Mpumalanga | - | 0.0% | - | 0.0% | - | 0.0% | - | 0.0% | 0 | 0.00% |
| 32 | Eastern Cape | 4 | 16.0% | 2 | 7.1% | 5 | 25.0% | 5 | 19.2% | 16 | 14.95% |
| 30 | North Cape | 1 | 4.0% | 2 | 7.1% | 1 | 5.0% | 7 | 26.9% | 11 | 10.28% |
| 34 | Free State | - | 0.0% | 2 | 7.1% | 2 | 10.0% | 3 | 11.5% | 7 | 6.54% |
| 23 | Gauteng | 5 | 20.0% | 1 | 3.6% | 3 | 15.0% | - | 0.0% | 9 | 8.41% |
| 33 | KwaZulu-Natal | 2 | 8.0% | 2 | 7.1% | - | 0.0% | - | 0.0% | 4 | 3.74% |
| 35 | Western Cape | 2 | 8.0% | - | 0.0% | 2 | 10.0% | - | 0.0% | 4 | 3.74% |
| 30 | Northern Cape | 2 | 8.0% | 2 | 7.1% | - | 0.0% | - | 0.0% | 4 | 3.74% |
| 32 | Limpopo | 1 | 4.0% | 1 | 3.6% | - | 0.0% | - | 0.0% | 2 | 3.74% |
| 480 | SALGA Total | 25 | 20.83% | 28 | 23.33% | 20 | 16.67% | 26 | 21.67% | 59 | 20.63% |

EWP RISK MITIGATION INTERVENTIONS

Risk cases relate to employees who pose a risk to themselves, others and/or the organisation. Risks could include suicidal, homicidal, substance abuse, clinical, legal or financial factors. All risk cases are case-managed and monitored for improvement and problem resolution through a therapeutic process.

The five risk cases managed are shown in Figure 18:

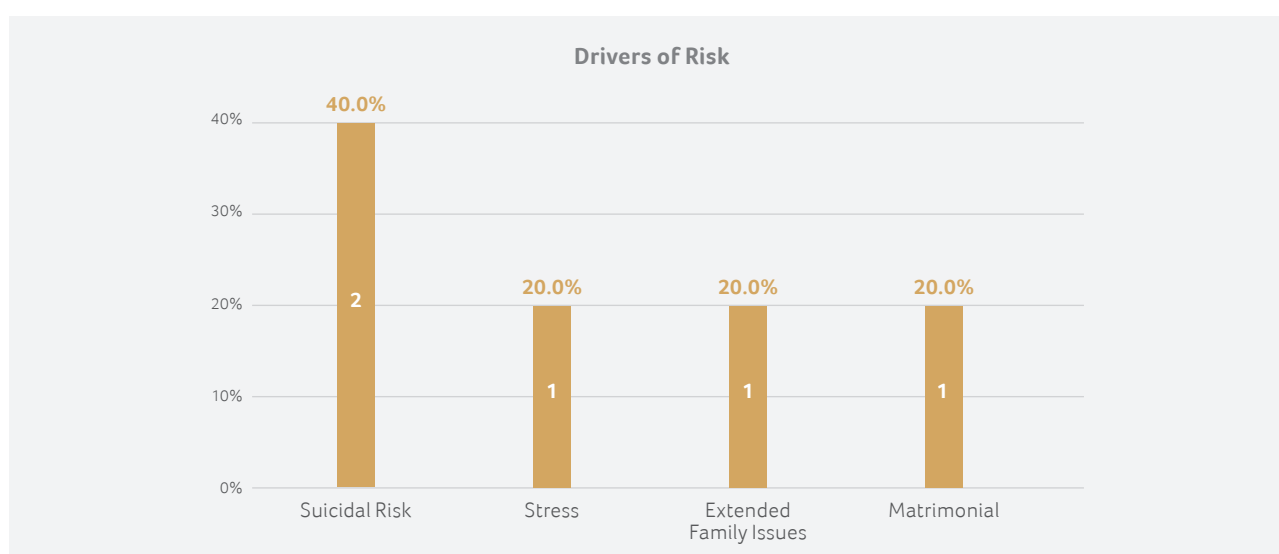


Figure 18: Drivers of employee wellness risks during 2019/20.

An analysis of the implementation of SALGA's EWP during 2019/20 highlighted areas for improvement. Recommendations include creating greater general awareness about the EWP among employees and training managers and provincial leaders about the benefits to help stimulate employee interest, uptake and sustained participation to embed the gains made. These and other recommendations will be addressed in the forthcoming financial year.

Attention will also be given to assessing employee stress levels and key personal and workplace stress drivers. Combined with an employee satisfaction and/or EWP needs analysis survey, this could help SALGA to address areas of concern going forward, including the stigma associated with mental health issues, such as stress, depression and anxiety.

OCCUPATIONAL HEALTH AND SAFETY

Compliance with the Occupational Health and Safety Act, 85 of 1993, is a statutory requirement. In 2019/20, OHS meetings took place on 12 July and 12 December 2019 and 13 March

2020. The reported challenges included non-compliance with OHS regulations by landlords and employees, as well as a lack of maintenance and security threats.

New Safety, Health and Environment (SHE) representatives received OHS and first-aid training in October 2019 and the National Office conducted a fire drill in November 2019. Frontline employees, cleaners and finance and administration managers participated in a video conference to create awareness about the COVID-19 protocols and precautionary measures to combat the spread of the virus in the workplace.

EMPLOYEE RECOGNITION AWARDS

The annual SALGA Employee Recognition Awards (ERA) recognises exceptional employee performance. A commemorative ERA coffee table book was launched at the 9th ERA in November 2019, attended by approximately 300 employees from national and provincial offices. A total of 41 (2019: 44) awards were presented to a wide range of employees, as indicated in Figures 19 and 20.

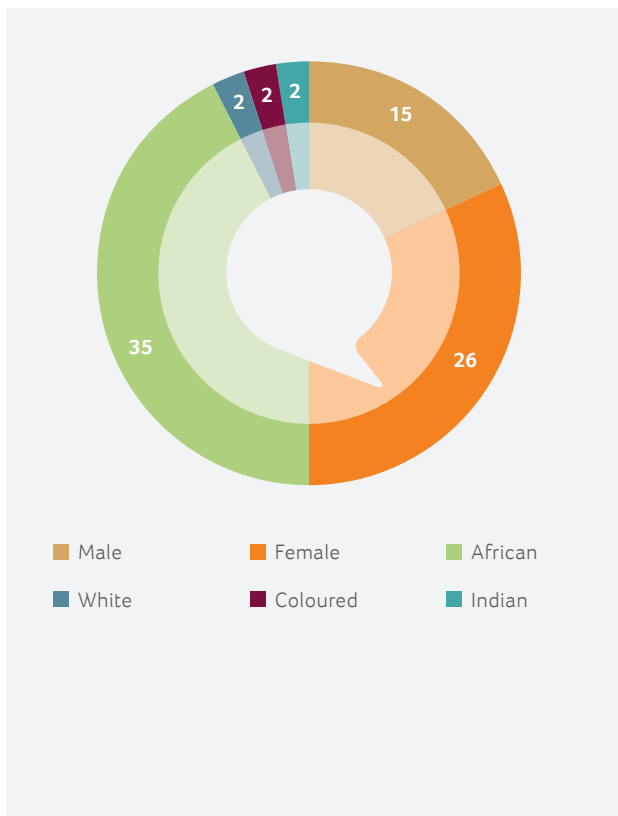


Figure 19: Demographics for the 2019 SALGA Employee Recognition Awards.

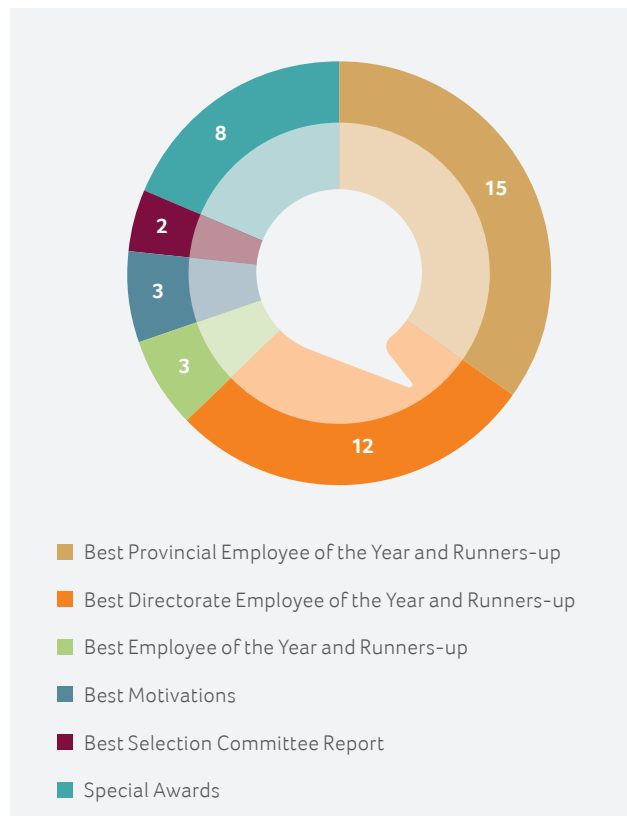


Figure 20: Breakdown of winners of the 2019 SALGA Employee Recognition Awards.

CORPORATE ADMINISTRATION

During 2019/20, the Corporate Administration unit ensured the smooth running of day-to-day operations at SALGA through compliance with set standards, policies and operating procedures guided by governing regulations, acts and legislation.

This entailed the effective management of resources, records and document solutions, facilities and support services.

FACILITIES MANAGEMENT

In line with the Occupational Health and Safety Act, 85 of 1993 and environmental and health regulations, all SALGA facilities were fumigated twice in 2019/20. The unit also managed office re-allocations, according to the organisational redesign, successfully in two phases: the direct relocation in available office spaces and partitioning to accommodate new cluster-specific workspace requirements.

SALGA is committed to building a better world with green-certified buildings and a reduced carbon footprint. We continuously investigate opportunities to create more sustainable buildings that contribute to improved employee health. As the organisation expands, remodels or builds, our focus will be on creating an environmentally-friendly work environment where employees can access green office spaces, including rooftop gardens with fresh air and natural light, to reduce stress and encourage productivity.

CONTRACT AND RECORDS MANAGEMENT

During the period under review the Administration Unit successfully managed a range of different contracts for, *inter alia*, office machines and leases, as well as security and hygiene services.

Effective records management is integral to good governance and SALGA strives to set an example in this regard to municipal members. A key achievement during the past year was approval from the Department of Arts and Culture for SALGA's file plan, which will be rolled out to all provinces in the 2020/21 financial year.

Annually, SALGA produces increasingly large amounts of paper-based and electronic information that are captured, managed and preserved to maintain data integrity and authenticity. During 2019/20, 21,114 documents were collected, scanned and uploaded into Papertrail, an electronic document and records management system – well in excess of the annual target of 15,000 for the National Office. In addition, diligent work by provincial offices brought the grand total for the year to 40,673.

SALGA National Office representative also visited provincial offices to assess compliance with Section 13 of the National Archives and Records Service Act, 43 of 1996. Identified areas for improvement include the ongoing training of administrative employees to comply with records management policies and respond to the need for intra-organisation cooperation, specifically between the records management and IT teams.

As legislated, SALGA maintained its document submission and request registers during 2019/20. The Administration Unit supported member municipalities to respond to and resolve queries from the Auditor-General, such as the retrieval of 95 documents successfully for audit purposes.

Going forward, the Performance Management Unit will include compliance with SALGA's Document and Records Management Policy in individual employee performance scorecards. The Records Management Toolkit, a comprehensive management tool developed by the Records Management, Municipal Finance and Knowledge Management teams for internal and external stakeholders, will be rolled out in the new financial year.

The overarching objective of King IV™ is to make corporate governance more accessible and relevant to a wider range of organisations and to be the catalyst for a shift from a compliance-based mindset to one that sees corporate governance as a lever for value creation"

- Prof Mervyn King

PART F CORPORATE GOVERNANCE

GOVERNANCE FRAMEWORK

SALGA is a registered employer body in terms of the Labour Relations Act, 66 of 1996 and listed as a Schedule 3A Public Entity in terms of the Public Finance Management Act, 1 of 1999. The Association is recognised as the national organisation representing local government through Government Notice R175 in the Government Gazette 18645, Vol 391 of 1998.

The organisation's Governance Framework clarifies the roles and responsibilities of its political and administrative governing bodies, specifically the national and provincial political governing bodies and SALGA working groups. The framework also outlines the mandates and reporting requirements for the national and provincial offices.

SALGA's Governance Framework advocates: accountability; transparency; responsiveness; client-orientation; consensus; legal compliance; equity and inclusivity; efficiency and effectiveness; separation of powers between the political and administrative wings; good corporate governance; administrative justice and compliance with the Batho Pele principles.

SALGA prides itself on excellence in its governance and operations and adheres strictly to governance structures, supported by independent experts with informed views on governance best practices.

National and provincial conferences are held according to SALGA's Constitution and the most important elections monitored by independent external parties to guarantee a free and fair process.

Governance structures consist of the National Conference, Provincial Conferences, National Members' Assembly, Provincial Members' Assemblies, National Executive Committee, Provincial Executive Committees, National Working Groups, Provincial Working Groups, Women's Commission, Mayors' Forum and the Speakers' Forum.

SALGA's National Members' Assembly (NMA) adopted a Governance Framework in March 2008 to coordinate and align governance structures at national and provincial levels. The framework facilitates effective consultation and reporting between structures and effective decision-making by SALGA. The national governance structures are depicted in Figure 21.

NATIONAL GOVERNANCE STRUCTURES



Figure 21: SALGA's national governance structures.

THE POLITICAL WING

NATIONAL CONFERENCE (NC)

The National Conference is SALGA's highest decision-making body, with the powers and duty to elect the members of the National Executive Committee; establish and review SALGA's oversight bodies as and when the law requires; consider the association's audited Annual Financial Statements (AFS); approve SALGA's strategic plan and the accompanying budget; and review the association's performance.

The five-year term of the National Conference is linked directly to the political term of municipal councils and local government elections. The current National Conference was constituted after the local government elections of 3 August 2016.

PROVINCIAL CONFERENCES (PC)

The National Conference is represented at provincial level by Provincial Conferences with resolutions feeding into the National Conference.

NATIONAL MEMBERS' ASSEMBLY (NMA)

In between National Conferences, SALGA's ultimate authority resides in the National Members' Assembly (NMA) whose

powers and duties range from acting in accordance with the directions of the National Conference and considering the audited Annual Financial Statements to adopting the association's strategic plan and budget as NEC-approved, reviewing its financial performance, considering reports from working groups and oversight bodies and dealing with any other matter that may arise from SALGA's Constitution.

PROVINCIAL MEMBERS' ASSEMBLIES (PMAs)

Similar to the Provincial Conferences, Provincial Members' Assemblies (PMAs) play the role of the National Members' Assembly at the level of provinces.

SALGA PRESIDENCY

The SALGA Presidency comprises a President and three Deputy Presidents. Article 14 of the SALGA Constitution (as amended by the National Conference of 29 November 2016) gives effect to the existence of this structure.

Collectively, the SALGA Presidency consists of a President and three Deputy Presidents, each representing a municipal category and all from different provinces to ensure representivity.

SALGA PRESIDENCY 2019/20



Cllr Thembi Nkadimeng
President



Cllr Zandile Gumede
Deputy President



Cllr Sebenzile Ngangelizwe
Deputy President



Cllr Deon De Vos
Deputy President

DUTIES OF THE PRESIDENCY

The main tasks of the SALGA Presidency are to:

- Oversee the implementation of NC, NMA and NEC decisions within all SALGA governance structures and by all its functionaries
- Report on the state and performance of governance structures within SALGA
- Ensure the implementation and management of the Members' Compact in the Constitution
- Present reports on compliance with the Code of Conduct within relevant SALGA structures
- Build effective member relationships and resolve disputes between SALGA and its members
- Oversee the development and implementation of SALGA's Strategic Plan during the NEC's term of office
- Take responsibility for political communication between SALGA, its members and stakeholders
- Take political responsibility for overseeing fundraising and sponsorships for SALGA events

- Perform other NEC-delegated duties in accordance with SALGA's Framework of Delegation.

NATIONAL EXECUTIVE COMMITTEE (NEC)

The SALGA NEC consists of the Presidency, 14 additional members, nine SALGA provincial chairpersons (ex-officio members), SALGA National Women's Commission chairperson (ex-officio member), SALGA Chief Executive Officer (non-voting member) and not more than three co-opted members. The NEC exercises its authority between NCs and NMAs, while the Presidency oversees the implementation of decisions taken at NCs, NMAs and the NEC by all functionaries within SALGA's governance structures.

The NEC sits bi-monthly on a rotational basis in different provinces. SALGA's administrative head is an ex-officio member and members of the senior management team attend when invited.

NATIONAL EXECUTIVE COMMITTEE 2019/20



Cllr Thembi Nkadimeng
President



Cllr Zandile Gumede
Deputy President



Sebzizile Ngangelizwe
Deputy President



Cllr Deon De Vos
Deputy President



Cllr Flora Maboab-Boltman
NEC Member



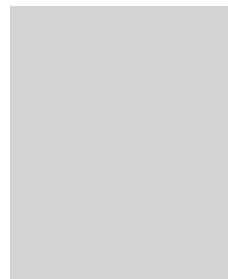
Cllr Charles Stofile
NEC Member



Cllr Thami Ngubane
NEC Member



Cllr Jesta Sidell
NEC Member



Cllr Gillian Pieters
NEC Member



Cllr Justice Makolomakwa
NEC Member



Cllr Mpho Khunou
NEC Member



Cllr Xanthea Limberg
NEC Member



Cllr Memory Booyesen
NEC Member



Cllr Mxolisi Koyo
NEC Member



Cllr Oly Matawana Mlameli
NEC Member



Cllr Busisiwe Modisakeng
NEC Member



Cllr Gibson Chirwa
NEC Member



Cllr Sofia Mosikatsi
NEC Member



Cllr Fetsang Molosiwa
NEC Member



Ald: Anton Coetsee
NEC Member



Cllr Xolani Sotashe
NEC Member



Cllr Xola Pakati
NEC Member



Cllr Maphefo Letsie
NEC Member



Cllr Linah Malatjie
NEC Member



Cllr Stanley Ramaila
NEC Member



Cllr Pule Shayi
NEC Member



Cllr NNP Mkhulisi
NEC Member



Cllr B Baloyi
NEC Member



Cllr Sipho S'thonga
NEC Member



Mr Xolile George
CEO

Photograph of Cllr Gillian Pieters, NEC Member, not available.

MAIN RESPONSIBILITIES OF THE NEC

The NEC exercises the authority of SALGA between the NCs and NMAs as SALGA's highest decision-making body. The NEC elects the President and Presidency members to serve in the governance structures, proposes policy and considers the Association's financial performance.

ATTENDANCE AT GOVERNANCE STRUCTURE SITTINGS

Governance structures are critical to SALGA's ability to implement its political-level strategy and fulfil its mandate effectively. Recording member attendance at scheduled meetings provides assurance that the structures are

functioning as intended. Appendix E on page 192 of this report reflects member attendance at meetings during the financial year.

Table 11 summarises attendance at working group sessions, which was mostly satisfactory, with a few exceptions. At its March 2020 Legotla, the NEC resolved to direct provinces with poor attendance (highlighted in orange) to take corrective action and Working Groups to replace members who did not

attend meetings to ensure maximum attendance at important SALGA governance sittings.

Working Groups process a wide range of issues according to their mandate and functional area within SALGA. The issues emanate from the day-to-day issues that municipalities grapple with. Their aim is to recommend (not decide on) solutions to the NEC that will assist municipalities to resolve their issues.

Table 11: A summary of SALGA Working Groups and member attendance

| WORKING GROUP | ATTENDANCE PER WORKING GROUP PER PROVINCE IN % | | | | | | | | | |
|--|--|-----|-----|-----|-----|----------|-----|-----|-----|---------|
| | Chair | EC | FS | GP | KZN | LIM | MP | NC | NW | WC |
| Capacity Building and Institutional Resilience | 80 | 90 | 42 | 14 | 100 | 71 | 80 | 29 | 80 | 71 |
| Community Development and Social Cohesion | 57 | 71 | 57 | 51 | 100 | 14 | 100 | 57 | 29 | 57 |
| Councillor Welfare, Empowerment Governance and Intergovernmental Relations | 100 | 100 | 100 | 67 | 43 | 0 (100) | 100 | 100 | 43 | 57 (71) |
| Economic Empowerment and Public Employment Programmes | 100 | 80 | 71 | 43 | 80 | 57 | 100 | 51 | 51 | 100 |
| Electricity and Energy Provision | 100 | 100 | 71 | 100 | 85 | 71 | 57 | 71 | 57 | 100 |
| Environmental Planning and Climate Resilience | 71 | 57 | 85 | 100 | 100 | 42 | 85 | 71 | 57 | 100 |
| Human Settlements and Municipal Planning | 80 | 80 | 71 | 29 | 80 | 57 | 57 | 80 | 100 | 100 |
| International Relations and Programmes | 100 | 100 | 100 | 67 | 29 | 0 (100) | 100 | 100 | 43 | 57 (71) |
| Municipal Finance and Fiscal Policy | 71 | 100 | 80 | 80 | 80 | 43 | 80 | 80 | 80 | 80 |
| Municipal Innovations and Information Technology | 100 | 66 | 100 | 100 | 33 | 0 | 0 | 33 | 100 | 100 |
| Public Transport and Roads | 50 | 83 | 83 | 83 | 66 | 66 | 83 | 83 | 57 | 83 |
| Rural Development and Public Works | 80 | 57 | 71 | 43 | 60 | 57 | 100 | 57 | 57 | 100 |
| Trade and Investment | 29 | 100 | 80 | 80 | 80 | 43 | 80 | 80 | 80 | 80 |
| Urban Agenda and City Development Strategies | 40 | 80 | 71 | 29 | 80 | 57 | 57 | 80 | 80 | 40 |
| Water, Sanitation and Waste Management | 85 | 100 | 71 | 100 | 85 | 57 | 100 | 71 | 57 | 100 |
| Public Safety and Security | 60 | 40 | 60 | 40 | 60 | 20 (100) | 100 | 80 | 80 | 100 |
| Health and Emergency Services | 67 | 57 | 57 | 57 | 86 | 14 | 86 | 86 | 29 | 57 |
| SALGA Women's Commission | 100 | 83 | 20 | 100 | 67 | 50 | 100 | 67 | 17 | 50 |

NATIONAL COUNCIL OF PROVINCES (NCoP)

SALGA participates in the National Council of Provinces. During 2019/20, the SALGA delegation consisted of the following representatives:

Table 12: SALGA NCoP Delegation

| | Province | Representative | | Province | Representative |
|----|---------------|-------------------------|-----|--------------------|----------------------------|
| 1. | Eastern Cape | Cllr Zibonele Dumzela | 6. | Mpumalanga | Cllr Mavis Thusile Charles |
| 2. | Free State | Cllr Mxolisi Siyonzana | 7. | Northern Cape | Cllr Nyameka Shushu |
| 3. | Gauteng | Cllr Kgosi Maepa | 8. | North West | Cllr Stella Mondlane |
| 4. | Kwazulu-Natal | Cllr William Mapena | 9. | Western Cape | Vacant |
| 5. | Limpopo | Cllr Mafemani Hlongwani | 10. | NEC Representative | Cllr Thembisile Nkadameng |

ADMINISTRATIVE LEADERSHIP

As with all public sector institutions, SALGA's political governance structures are supported by an administrative structure. SALGA national office is supported by nine provincial offices to fulfil the administrative function.

The administrative support includes logistics, technical assistance, information and data management and the tabling of reports. The administrative function also contextualises reports and recommendations by considering all legal, financial, human capital and other implications and facilitates the processing of reports through all SALGA structures to ensure wide organisational participation in decision-making processes.

In addition to the national and provincial administrative leadership, SALGA's management structure includes specialists, directors, programme managers, strategic managers and advisors who fulfil important management and technical roles in strategy development and implementation.

The SALGA Management Committee (MANCOM) consists of national and provincial managers who meet regularly to drive strategy implementation through, *inter alia*, the Annual Performance Plan. MANCOM is also responsible for the implementation of resolutions taken within SALGA's governance structures.

INTERNAL CONTROLS

INTERNAL AUDIT

This function reports administratively to the CEO and functionally to the Audit and Risk Committee to ensure its independence and legislative alignment. The purpose, authority and responsibilities of the internal audit function are defined in the Internal Audit Charter adopted by SALGA's NEC and Audit and Risk Committee. The Charter grants the internal audit function access to records, personnel and physical properties relevant to the operations of the organisation.

RISK MANAGEMENT

SALGA uses an enterprise-wide risk management process to manage and mitigate business risk. This entails the implementation of a Risk Management Strategy that is supported by a Risk Management Policy, Anti-Fraud and Anti-Corruption Policy and a fraud hotline.

Executives at SALGA serve on a Risk Management Committee that reports to the Audit and Risk Committee, to facilitate and coordinate strategy and policy implementation. The Risk Management Committee oversees risk management activities, which include anti-fraud and anti-corruption monitoring and advice on the effectiveness of the risk management system and procedures.

The organisational risk register contains a mitigation plan and identified risks are reported to the Audit and Risk Committee.

LEGAL AND COMPLIANCE

The core functions of SALGA's Legal and Compliance office entail:

- reviewing, implementing and monitoring processes for legislative and governance compliance
- minimising, mitigating and managing legal disputes and related costs
- guiding and coordinating litigation
- ensuring effective corporate governance in a productive and ethical internal environment
- ensuring compliance with the Public Finance Management Act (PFMA), 1 of 1999, National Treasury Regulations and the National Treasury Risk Management Framework (NTRMF), King IV governance guidelines and related legislative requirements imposed on SALGA as an institution.

NEC OVERSIGHT SUBCOMMITTEES

As SALGA's accounting authority, the NEC subscribes to the governance principles espoused in the King Code on Corporate Governance (King IV). Accordingly, SALGA's internal oversight structures include an Audit and Risk Committee and Performance Management and Remuneration Committee. Members of these subcommittees are not employed by the state and are reimbursed on an hourly basis according to professional fee schedules.

AUDIT AND RISK COMMITTEE

This committee is constituted in terms of Section 77(a) of the Public Finance Management Act (PFMA), 1 of 1999, as well as PFMA Treasury Regulations 27.1.1 and 27.1.4 of 2005. The NEC reconstituted the Audit and Risk Committee with effect from 1 April 2016.

Table 13: 2019/20 Members of the Audit and Risk Committee

| Committee member | Role |
|---------------------------|-------------|
| Mr Andrew Mashifane | Chairperson |
| Mr Nala Mhlongo (retired) | Member |
| Adv Nosisa Kekana | Member |
| Mr Zukisani Samsam | Member |
| Mr Victor Songelwa | Member |

REMUNERATION OF AUDIT AND RISK COMMITTEE MEMBERS

The remuneration of Audit and Risk Committee members for the 2018/19 and 2019/2020 financial years is disclosed in the Notes to the Annual Financial Statements.

PERFORMANCE MANAGEMENT AND REMUNERATION COMMITTEE

SALGA's Performance Management and Remuneration Committee supports the implementation and institutionalisation of performance management within the organisation. The committee advises the NEC and is authorised to review and guide and the organisation's performance management policy and procedures, remuneration philosophy and strategy.

Table 14: 2019/20 Members of the Performance Management and Remuneration Committee

| Committee member | Role |
|-------------------------|-------------|
| Mr Chose Choeu | Chairperson |
| Adv Motlatjo Ralefatane | Member |
| Ms Barbara Lombard | Member |
| Ms Rosetta Xaba | Member |

REMUNERATION OF PERFORMANCE MANAGEMENT AND REMUNERATION COMMITTEE MEMBERS

The remuneration of the subcommittee members for the 2018/19 and 2019/20 financial years is disclosed in the Notes to the Annual Financial Statements.



Andrew Mashifane



“WHEN TIME AND SPACE AND CHANGE CONVERGE, WE FIND PLACE. WE ARRIVE IN PLACE WHEN WE RESOLVE THINGS. PLACE IS PEACE OF MIND AND UNDERSTANDING. PLACE IS KNOWLEDGE OF SELF. PLACE IS RESOLUTION.”

ABDULLAH IBRAHIM

The Audit and Risk Committee is pleased to present its report for the financial year ended 31 March 2020.

The SALGA Audit and Risk Committee is constituted in terms of section 77(a) of the Public Finance Management Act (PFMA), 1 of 1999, as well as Treasury Regulations 27.1.1, 3 and 4 and meets according to its approved Terms of Reference and calendar.

The Audit and Risk Committee is an NEC subcommittee with the following objectives:

- To review the effectiveness, efficiency and transparency of systems of financial and risk management and internal control maintained by SALGA, which contribute to the efficient and effective utilisation of resources, safeguarding of assets and programmes accomplishment of established strategic objectives for operations or programs of SALGA
- To promote the efficiency and effectiveness of accounting and management information systems
- To monitor that, in accordance with SALGA's responsibility to its members, justifiable decisions pertaining to service rendering are taken as indicated in policy statements and practices
- To ensure that the organisation complies with applicable laws and regulations, including uncovering malpractice, where applicable
- To act as a distinct and clear communication channel between the NEC, Executive Management Team, external auditors and internal auditors
- To receive, challenge and conclude on the fair presentation of SALGA's financial statements for the financial year ended 31 March 2020
- To monitor the effectiveness of the internal audit function and internal controls of SALGA
- To monitor management, internal audit and external audit with reference to the drafting, review and auditing of the financial statements
- To enhance the objectivity and credibility of reporting to stakeholders

- To request all information necessary to assess and act on and convene meetings, including in-committee meetings, at any time, to achieve its objectives.

AUDIT AND RISK COMMITTEE MEMBERS

The Committee comprises independent members who are external professionals and functions independently of management structures within SALGA. The Committee endeavours to remain and preserve its objectivity at all times.

The Audit and Risk Committee consists of the following independent non-executive members who are not members of the accounting authority/NEC:

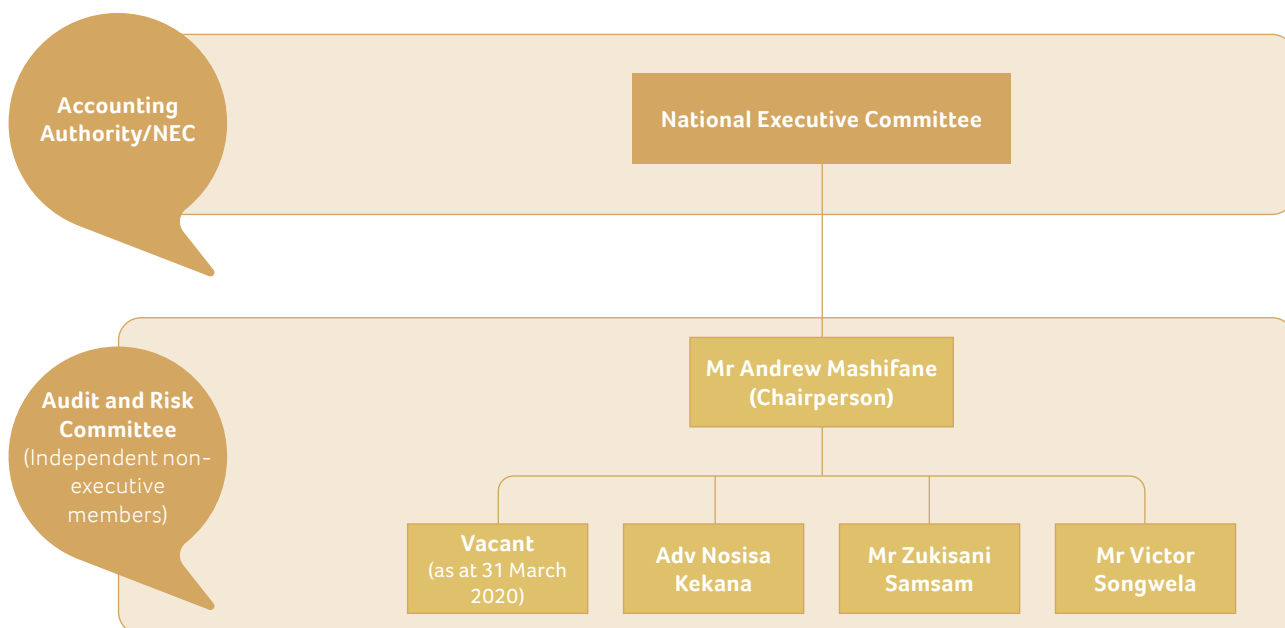


Figure 22: Audit and Risk Committee members.

Table 15: Qualifications, other roles and board membership (past and present)

| | Member | Profession | Qualifications / Expertise |
|---|---------------------|---|--|
| 1 | Mr Andrew Mashifane | <ul style="list-style-type: none"> Chartered Accountant (SA) Registered Auditor with the Independent Regulatory Board for Auditors (IRBA) Fellow of the Institute of Directors of South Africa Director | <ul style="list-style-type: none"> Bachelor of Commerce (Accounting), Wits Honours Bachelor of Accounting Science / (CTA), Unisa Postgraduate Certificate in Advanced Taxation, Unisa GIBS Business Leadership Programme, UP |
| 2 | Adv Nosisa Kekana | <ul style="list-style-type: none"> Advocate of the High Court of South Africa | <ul style="list-style-type: none"> BJuris, Walter Sisulu University LLB, Walter Sisulu University Higher Diploma in Company Law, Wits LLM, UJ |
| 3 | Mr Zukisani Samsam | <ul style="list-style-type: none"> Chartered Accountant (SA) Financial Management Consultant | <ul style="list-style-type: none"> MCom Finance, UP Postgraduate Certificate in Auditing, RAU Postgraduate Diploma in Accounting, UKZN BCom (Accounting), UKZN |
| 4 | Mr Victor Songwela | <ul style="list-style-type: none"> Chartered Accountant (SA) Holds several board memberships and professional affiliations | <ul style="list-style-type: none"> Bachelor of Commerce, Unisa Honours Bachelor of Accounting Science, Unisa Master in Business Leadership, Unisa Postgraduate Diploma in Auditing, Unisa |

AUDIT AND RISK COMMITTEE MEMBERS' ATTENDANCE

Six meetings were held during the 2019/2020 financial year. These meetings were attended by the external auditors (Auditor-General), Chief Executive Officer, Chief Financial Officer, the Head of Internal Audit and other relevant corporate office officials.

The Chairperson of the Audit and Risk Committee reports on Committee activities to the National Executive Committee on a regular basis in terms of the charter. At each meeting, members are required to declare conflicts of interest with any of the agenda items. There were no conflicts reported in the year under review.

Table 16: Audit and Risk Committee members and record of meeting attendance 2019/20

| Member | Record of Attendance | | | | | |
|-----------------------------------|----------------------|--------------|--------------|-------------|-------------|-------------|
| | 24 May 2019 | 17 July 2019 | 26 Sept 2019 | 13 Dec 2019 | 21 Feb 2020 | 20 Mar 2020 |
| Mr Andrew Mashifane (Chairperson) | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Ms Nosisa Kekana | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Mr Zukisani Samsam | ✗ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Mr Victor Songelwa | ✓ | ✓ | ✗ | ✓ | ✓ | ✓ |

✓ Member attended the meeting / ✗ Member did not attend the meeting

AUDIT AND RISK COMMITTEE RESPONSIBILITIES

The Audit and Risk Committee complied with its responsibilities arising from Section 51(1) (a) (ii) and section 76(4) (d) of the PFMA, as well as National Treasury Regulation 27.1. The Audit and Risk Committee adopted appropriate formal Terms of Reference as its Audit and Risk Committee Charter and accordingly regulated its affairs and discharged its responsibilities.

REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL CONTROL

The review of the effectiveness of the system of internal control by the Audit and Risk Committee is informed by the reports submitted by the Auditor-General, as well as the Internal Audit function and management, who are responsible for the development and maintenance of the internal control system.

No significant findings were included in the reports issued by the Internal Audit function and the Auditor-General. Management continues to address the identified weaknesses.

RISK MANAGEMENT

SALGA follows an enterprise-wide risk methodology. This process of identifying risks ensures that the entire risk universe of the organisation is covered. Probable risks are identified as strategic or operational to assign the required management attention and focus. The strategic risks are elevated to the Risk Management Committee and ultimately to SALGA's

Audit and Risk Committee, while the operational risks are managed by SALGA's line management.

The organisation adopted the following risk strategies:

- **Mitigate and manage** – constant management of risk with the objective of reducing negative consequences or removing negative effects to achieve positive results, which includes the updating of controls and changing of strategies to reduce or eliminate a risk
- **Avoid** – SALGA adopted this strategy to avoid risks that are above the risk tolerance level of the organisation, both qualitatively and quantitatively based on SALGA's Risk and Materiality framework that is reviewed on an annual basis
- **Insure** – SALGA outsources risk through insurance against risks inherent to the nature of the organisation, such as against the loss of operational tools, including laptops, and to augment its internal control policies
- **Accept** – this strategy adopted manages non-material risks outside the scope of the Risk and Materiality Framework that do not pose any significant operational or strategic risk to SALGA.

All significant risks are elevated to the Risk Management Committee, which is responsible for ensuring that management strategies adopted towards various risks are commensurate with the approved organisational approach. Operational risks are constantly monitored based on their frequency and occurrence to ensure that controls are adapted according to the risk exposure.

The Internal Audit function follows a risk-based approach and developed an appropriate Internal Audit Coverage Plan to provide assurance of the effectiveness of risk mitigating measures and reporting to the Audit and Risk Committee.

The Audit and Risk Committee is satisfied that risk management at SALGA is sufficiently effective and efficient to ensure that strategic and operational risks are identified early and managed.

FINANCE AND SUPPLY CHAIN MANAGEMENT FUNCTIONS

The Audit and Risk Committee plays an oversight role over the Finance and Supply Chain Management (SCM) functions of the organisation through quarterly and ad-hoc reports that serve at the Committee during the financial year. The Committee is satisfied that the Finance and SCM functions are sufficiently well-resourced to execute their roles and responsibilities of safeguarding the assets of the organisation; and maintaining effective internal financial controls and sound supply chain management practices in accordance with laws and regulations that govern the organisation.

The Committee is satisfied with the quality, clarity and adequacy of the information contained in the reports submitted during the financial year and recommended the reports for NEC and the Executive Authority approval. Equally, the Committee is satisfied with the SCM function as a critical unit supervised by the Chief Finance Officer. The Committee also received corroboration on the effectiveness and adequacy of the Finance and SCM functions through the reports of the Auditor-General.

REVIEW AND EVALUATION OF ANNUAL FINANCIAL STATEMENTS AND PERFORMANCE REPORT

The Audit and Risk Committee has:

- Reviewed and evaluated SALGA's annual financial statements and annual performance report for the period ended 31 March 2020
- Reviewed the Auditor-General's report and management letter and management's response to the letter
- Recommended the audited annual financial statements and annual performance report for the period ended 31 March 2020 to the Accounting Authority for approval.

The Audit and Risk Committee concurs and accepts the Auditor-General's conclusion on the annual financial statements and annual performance report. The Committee is of the opinion that the audited financial statements and the annual performance report be accepted and read together in with the report of the Auditor-General.



Andrew Mashifane

Chairperson of the Audit and Risk Committee

Pretoria

14 August 2020

REPORT OF THE PERFORMANCE MANAGEMENT AND REMUNERATION COMMITTEE



Chose Choou



“A LEADER... IS LIKE A SHEPHERD. HE STAYS BEHIND THE FLOCK, LETTING THE MOST NIMBLE GO OUT AHEAD, WHEREUPON THE OTHERS FOLLOW, NOT REALISING THAT ALL ALONG THEY ARE BEING DIRECTED FROM BEHIND.”

NELSON MANDELA

The Performance Management and Remuneration Committee is pleased to present its report for the year ended 31 March 2020.

The Committee is a subcommittee of the National Executive Committee (NEC) and supports the implementation and institutionalisation of performance management in SALGA. The Committee is an advisory body to the NEC authorised to guide and support SALGA to implement and strategically align its Performance Management Policy and procedures, remuneration philosophy and strategy.

RESPONSIBILITIES OF THE COMMITTEE

The main purpose of the Committee is to ensure the adoption of remuneration policies that attract and retain top talent, are

aligned with the organisation’s strategy and drive short- and long-term performance.

The Committee oversees:

- proper application of organisational Performance Management Policy and procedures, remuneration philosophies, strategies and other policies aligned with the approved organisational strategy and objectives of SALGA
- recommendations to the NEC on all matters relating to performance management and remuneration at SALGA and ensuring that policy frameworks and policy decisions taken by the REMCO are binding to all administrative structures of SALGA
- the presentation of reports to and feedback from SALGA’s national office bearers and national executive committees on all work-related matters.

The Committee's Terms of Reference include the following responsibilities:

- promoting consistent employee attraction, retention, motivation and reward and performance improvement and assessment
- approving the remuneration policy adopted by the organisation
- ensuring that the remuneration strategy is market-related and competitive
- determining specific executive management remuneration packages that include short- and long-term performance-based incentives
- considering the relationship between executive management and employee remuneration
- approving the design of short-term incentive schemes, including determining targets and participation thresholds
- approving the design of the long-term incentive schemes, including determining the allocation criteria and performance conditions

- reviewing and monitoring progress in people management by providing oversight of targets and ensuring that these remain challenging and reflect SALGA's strategic objectives
- recommending and suggesting actions to achieve agreed targets or assist where deviations from targets are probable.

COMPOSITION OF THE COMMITTEE

Committee members comprise external, private sector professionals and SALGA NEC members as ex-officio members. The Committee is independent of SALGA's management structures and endeavours to retain and preserve its objectivity at all times.

The Performance Management and Remuneration Committee consists of the following independent, non-executive members with their roles and responsibilities.

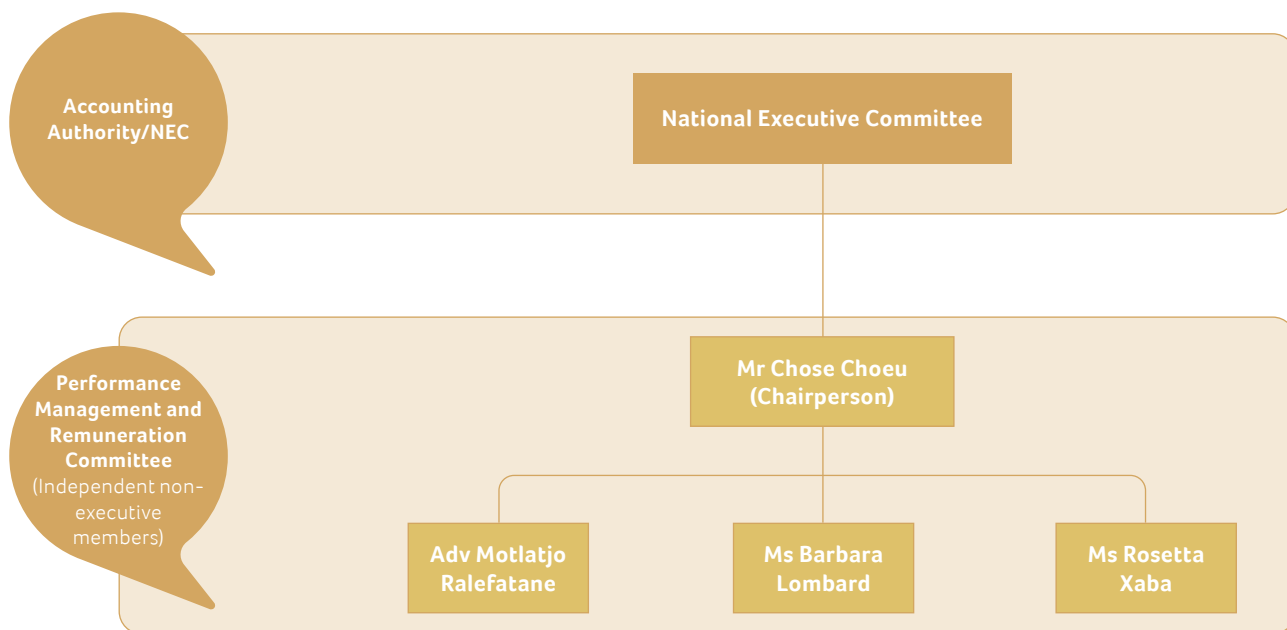


Figure 23: Performance Management and Remuneration Committee members.

Table 17: Roles and qualifications of Committee members

| Member | Profession | Qualifications / Expertise |
|-------------------------|--|--|
| Mr Chose Choeru | <ul style="list-style-type: none"> Director Holds several board memberships and professional affiliations | <ul style="list-style-type: none"> BA (cum laude), University of the North BA Hons (cum laude), University of the North BA Masters (International Relations), University of Denver Diploma in Company Direction, Graduate institute of Management and Technology Certificate in Finance for Non-Financial Managers, Wits Graduate School of Business Administration Executive Development Programme, Wits Masters of Philosophy, University of Port Elizabeth Accelerated Directorship Programme Certificate, Institute of Directors Primary Teaching Certificate; Parliamentary Administration and Procedure; Telecommunications Network Fundamentals; Telecommunications Policy and Management; Telecommunications Regulatory Master Class; Diploma in Public Relations; Diploma in Business Management |
| Adv Motlatjo Ralefatane | <ul style="list-style-type: none"> Advocate of the Supreme Court of South Africa Holds several board memberships and professional affiliations | <ul style="list-style-type: none"> BProc, University of the North Bachelor of Laws (LLB), University of the North Certificate in Labour Relations, University of Pretoria Certificate in Human Rights, University of Pretoria Certificate in Corporate Governance, Institute of Directors of South Africa Certificate in Directorship, University of the Witwatersrand Holds various other qualifications from several institutions |
| Ms Barbara Lombard | <ul style="list-style-type: none"> Executive: Corporate Services Non-executive director on various other boards and board subcommittees | <ul style="list-style-type: none"> Diploma in General Nursing and Midwifery, Baragwanath Hospital Industrial Relations, Wits Business School Executive Development Programme – CTS, New School of Social Research New York, USA International Registry of Organisation Design, Louw Du Toit & Associates, UK Telecommunications Network Engineering, Matthew Bolton, UK |
| Ms Rosetta Xaba | <ul style="list-style-type: none"> Chartered Accountant (SA) Director | <ul style="list-style-type: none"> BSc, Wits Postgraduate Diploma in Education, Swaziland BCompt (Hons), Unisa Postgraduate Diploma in Accounting, Natal Accounting Professional Training, UJ and UCT |

RECORD OF MEETINGS AND ATTENDANCE

Committee meetings are scheduled according to the ToR, with NEC members and the CEO attending by invitation. The Committee Chairperson reports to the NEC on the activities of the committee. The committee met three times during the past financial year.

Table 18: Performance Management and Remuneration Committee members, meetings and attendance for the 2019/20 financial year

| Member | Meeting dates and record of member attendance | | |
|--------------------------|---|------------------|---------------|
| | 12 July 2019 | 29 November 2019 | 20 March 2020 |
| Mr Chose Choeru | ✓ | ✓ | ✓ |
| Adv Josephine Ralefatane | ✓ | ✓ | ✓ |
| Ms Barbara Lombard | ✓ | ✓ | ✓ |
| Ms Rosetta Xaba | ✓ | ✓ | ✓ |

✓ Attended the meeting

REMUNERATION PHILOSOPHY

SALGA's remuneration philosophy is designed to attract, develop and retain passionate, committed and talented people to implement the overall SALGA strategy effectively to the benefit of its members.

The remuneration strategy for executive management is based on principles of retaining key and critical skills and driving performance aligned with SALGA's strategy through guaranteed pay and short- and long-term incentives. A significant portion of the total potential executive management remuneration is performance-related to embed behaviour that optimises organisational performance within any prevailing economic environment.

The Performance Management and Remuneration Committee and NEC approved the SALGA Remuneration and Benefits Policy that stipulates, *inter alia*, the evaluation of all positions for relative size, scope and impact according to the HAY job evaluation methodology.

REMUNERATION AND BENEFITS

EXECUTIVE MANAGEMENT TEAM (EMT) REMUNERATION

This package consists of:

- Total guaranteed pay, including benefits, is subject to an annual review by the Performance Management and Remuneration Committee
- Variable pay short-term incentive scheme designed to focus the executive management team on achieving the short-term strategic, financial and operational objectives of the Annual Performance Plan (APP). The incentive is payable upon achieving predefined, strategy-aligned stretch targets and rewards performance for targets met, with higher rewards for exceptional performance
- Variable long-term incentive share scheme designed to align senior management objectives with those of SALGA's five-year (2017-2022) strategic plan to ensure sustainable long-term performance.

EMPLOYEE REMUNERATION

The total remuneration package for other employees consists of:

- Total guaranteed pay that includes benefits and is subject to an annual review by the Performance Management and Remuneration Committee
- Variable pay short-term incentive scheme designed to focus employees on achieving the short-term strategic, financial and operational objectives of the Annual Performance Plan (APP). The incentive is payable upon achieving strategy-aligned, predefined stretch targets and rewards performance when targets are met, with higher rewards for exceptional performance.

RETENTION SCHEME – VARIABLE LONG-TERM INCENTIVE (LTI) SCHEME

The Committee approved a performance-based, long-term incentive (LTI) scheme in March 2015, to retain fixed-term contract employees who are talented, perform at an acceptable level and are critical to the implementation of SALGA's long-term strategy.

The LTI scheme grants conditional awards after a three-year performance period and is subject to the extent to which agreed performance conditions are met. The performance conditions are determined by the Performance Management and Remuneration Committee and aligned with SALGA's performance rating matrix that applies to all employees.

PERFORMANCE REWARDS – VARIABLE SHORT-TERM INCENTIVE (STI) SCHEME

The short-term incentive (STI) scheme, cascaded to all employee levels, is a variable pay short-term incentive scheme designed to focus all employees on achieving the short-term strategic, financial and operational objectives of the Annual Performance Plan (APP). The incentive is payable upon achieving predefined stretch targets, in line with SALGA's strategy.

BEHAVIOURS CHARTER – VARIABLE SHORT-TERM INCENTIVE (STI) SCHEME

This charter was adopted for the first time in the 2014/15 financial year as part of SALGA's performance management system and as a framework for key behaviours that support the organisational culture and values.

The objectives are to shape operational excellence, support management and organisational development, develop capacity and core leadership within the organisation and identify areas for individual and team development.

The charter carries a 15 percent weighting in the overall employee performance scorecard and is premised on two types of behavioural components: enabling (supported by the organisation) and constraining (frowned upon by the organisation).

SALGA's individual performance management system (iPMS) encourages enabling behaviour aligned with its values to:

- uphold the highest level of organisational ethics and adhere to policies and procedures
- be responsive and member-centric
- strive for and recognise excellence
- work collectively in cooperative teams
- communicate timeously, accurately and appropriately
- promote mutual respect.

These behaviours contain sub-behavioural statements that determine ratings. Behaviours are measured by applying a 360-degree assessment that includes subordinate, peer and supervisor feedback, as well as self-evaluation.

PERSONAL-TO-HOLDER REMUNERATION PACKAGES

SALGA manages remuneration escalation according to the salary grading and remuneration curves of the Hay system that identifies employees within and outside the approved grading scales. Instances where employees receive salary packages that exceed the salary band maximum within the organisation's salary framework include:

- Salaries inherited during the amalgamation of provincial offices into the organisation
- Salaries that exceed the salary band maximum offered to attract specific skills (only where the successful candidate's existing salary package is equal to or higher than the SALGA salary band maximum)
- Higher than average annual salary increases due to continuous performance excellence that moved salaries outside of the salary band maximum, despite annual band adjustments to cover base-cost-of-living increases
- Salary packages that exceed the salary band maximum within the salary framework.

Employees with salary packages as identified above are ring-fenced and managed on a "personal-to-holder basis" until their employment term expires.

SALGA employs its executive management team on a fixed-term contract. This applies to the CEO and direct reports. Currently, the CEO is remunerated on a "personal-to-holder basis" until the term of contract expires or through natural attrition or earlier. Remuneration for succeeding incumbents will be according to approved salary scales to phase out the "personal-to-holder" legacy packages (disclosed in this report).

Efforts to manage the escalation in remuneration, specifically at executive level, have been affected by the need to remain competitive in the labour market and mitigate a growing trend by metropolitan municipalities to poach top executives. During the past year, these factors necessitated the benchmark of executive that paid by Metros and a review of SALGA's executive remuneration policy.

SALGA remains committed, however, to the sector imperative of normalising remuneration, specifically executive salary packages. This includes applying the upper limit sector guidelines set by the Minister of Cooperative Governance and Traditional Affairs (CoGTA), which also compel municipalities to recruit executives at salary packages within the prescribed salary limits. Going forward, SALGA will comply with these guidelines to determine salary packages for new recruits.

ORGANISATIONAL PERFORMANCE

The Committee monitors and reviews organisational performance on a quarterly basis. SALGA's commendable performance during the past year of attaining 97 percent of its targets against pre-determined objectives attests to the Committee's consistent and effective oversight of organisational performance.

INDIVIDUAL PERFORMANCE MANAGEMENT

The Committee also oversees the performance of executives in formulating targets to ensure that these remain challenging and reflect SALGA's strategic objectives. The Committee formulated the organisations' performance curve by comparing individual performance outcomes with a standard performance curve for high-performance organisations.

EVALUATION OF PERFORMANCE AGAINST PRE-DETERMINED OBJECTIVES

The Performance Management and Remuneration Committee evaluated SALGA's performance against predetermined objectives for the period ended 31 March 2020 and reviewed the Auditor-General's report to management and management's response to the report.

The Committee concurs with and is of the opinion that the Auditor-General's conclusion about the performance against predetermined objectives be accepted and read in conjunction with the report of the Auditor-General.



Chose Choeu

Chairperson

Pretoria

31 August 2020



REVIEW BY THE CHIEF FINANCIAL OFFICER

RESULTS OF OPERATIONS FOR THE YEAR ENDED 31 MARCH 2020 REFLECT A SURPLUS OF R40.5 MILLION (2019: R13.3 MILLION).

OVERVIEW OF OPERATING RESULTS

Total operating revenue increased by 8.3 percent to R 676.6 million. The increase in operating revenue was due primarily to an increase of 10.3 percent in membership levies, attributable to inflationary adjustments and organic growth of the base used to derive the membership levy amount.

Total operating expenditure increased by 4.6 percent to R669.8 million due primarily to an increase in the allowance for doubtful debt of over 100 percent because of member municipalities that entered into settlement arrangements with the association because of financial difficulty.

Comparatively, the expenditure trend, excluding the impact of the allowance for doubtful debt, indicated a reduction in operating expenditure of 1.3 percent to R579.9 million (2019: R 587.5 million). The trend affirmed the result of SALGA's commitment to contain expenditure in recognition of the financial challenges that municipalities face under the current economic climate.

Net non-operating revenue increased by 16.4 percent to R33.6 million, due largely to investment revenue from positive cash and cash equivalents held throughout the year. Surplus for the period was R40.5 million, which indicated an increase of over 100 percent because of the net increase overall in revenue.

Table 19: Statement of Financial Performance

| R'million | 2020 | 2019 | 2018 | 2020 % change | 2019 % change |
|-------------------------------|-------------|---------------|---------------|------------------|------------------|
| Operating revenue | 676.6 | 625.0 | 579.2 | 8.3 | 7.9 |
| Operating expenditure | (669.8) | (640.6) | (596.3) | 4.6 | 7.4 |
| Operating surplus | 6.8 | (15.6) | (17.1) | (144.0) | (9.1) |
| Net non-operating revenue | 33.6 | 28.9 | 25.3 | 16.4 | 14.2 |
| Surplus for the period | 40.5 | 13.3 | 8.2 | 203.8 | 62.8 |

Programme costs incurred for the year amount to R332.4 million (2019: R349.3 million, which indicated a decrease of 4.8 percent. The decrease was attributable to the fact that during the year under review the organisation did not convene its National Members Assembly (NMA) as allowed by its Constitution. The NMA is convened twice in a five-year cycle because it is costly to operate. The last NMA was convened in the 2018/2019 financial year.

MEMBERSHIP LEVIES

SALGA applies the following formula to calculate membership levies revenue:

Table 20: Membership levies

| Membership levy formula | |
|-----------------------------------|---|
| Category of municipality | Applicable formula |
| Metropolitan municipalities | Flat rate of plus 1 percentage point above the Consumer Price Index (CPI) |
| Local and district municipalities | 1% of annual salary budget with a minimum of R500 000 |

Membership levy revenue comprise 91.6 percent of SALGA's operating revenue streams. The rate at which levies are paid remains a key performance indicator for the organisation, as it determines the rate at which programme implementation is rolled-out, as well as the organisation's operational sustainability.

MEMBERSHIP LEVY PAYMENT LEVELS

As at 31 March 2020, 71 percent (2019: 78 percent) of overall membership levies were paid, while the collection rate for the current year's bill was ten percentage points below budget at 80 percent (2019: 86 percent).

Factors that contributed to the reduction in the payment levels included the deteriorating economic climate in the country that led to financial constraints for member municipalities. This led to various municipalities concluding settlement arrangements with SALGA to mitigate against poor collection levels from households.

Table 21: Payment levels per province for the 2019/20 and 2018/19 financial years

| Percentage | 2020 | | 2019 | |
|---|--------------|-----------|--------------|-----------|
| | Current year | Overall | Current year | Overall |
| Eastern Cape | 79 | 70 | 83 | 71 |
| Free State | 76 | 65 | 82 | 78 |
| Gauteng | 91 | 87 | 76 | 77 |
| KwaZulu-Natal | 83 | 73 | 92 | 82 |
| Limpopo | 82 | 74 | 89 | 83 |
| Mpumalanga | 77 | 79 | 97 | 100 |
| Northern Cape | 50 | 37 | 69 | 50 |
| North West | 66 | 49 | 76 | 57 |
| Western Cape | 94 | 92 | 99 | 97 |
| Organisational payment levels rate | 80 | 71 | 86 | 78 |

A comparison of the cumulative monthly interval of membership levy payment levels between 2019/20 and 2018/19 is illustrated below.

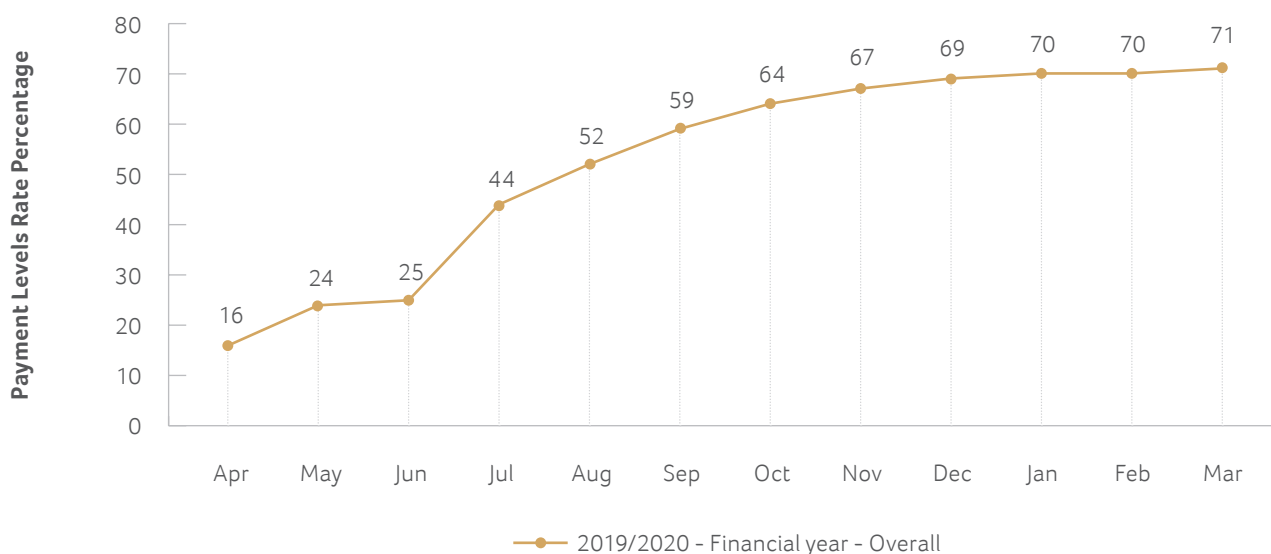


Figure 24: Cumulative membership levy payment levels 2019/20.

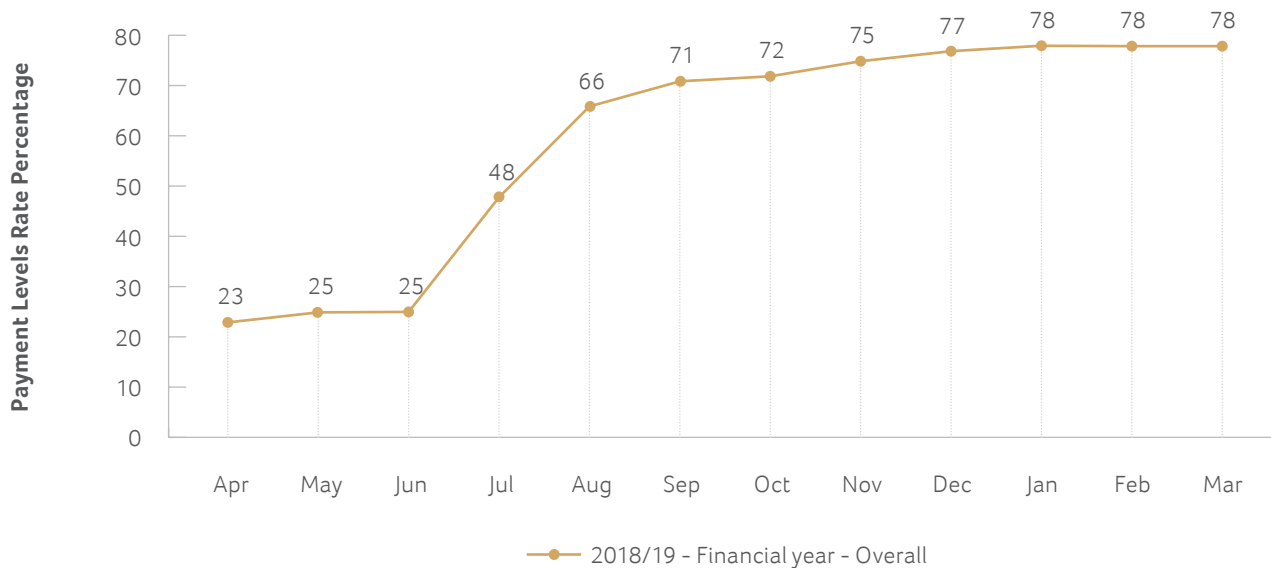


Figure 25: Cumulative membership levy payment levels 2018/19.

The key feature of the payments level curve for 2019/20 was that a cumulative payment level of 44 percent (2019: 48 percent) was achieved by the constitutional due date of 31 July 2019, with over 40 percent of collectable membership levies settled.

In terms of SALGA's Constitution (as adopted in December 2016), membership levies are billed on 1 April and are payable by 31 July each year. This implies a payment level of 100 percent by 31 July if all members pay by the due date.

However, this is not always possible because of the current economic climate that led to financial difficulties for municipalities that are wholly dependent on the equitable share allocation for their financial viability.

Membership levy collections for the year under review has deteriorated by 7 percentage points due to municipalities experiencing poor collections because of the subdued economic climate prevailing in the country.

SALGA will also introduce enhanced settlement discounts for the ensuing year in an effort to address the deteriorating payment levels.

The advent of the COVID-19 pandemic added another caveat to the prospects of improved membership levy payment levels in 2020/21 2020/21, as SALGA is fast-tracking its alternate revenue generating capacity to mitigate against possible deterioration in membership levy payment levels.

REVENUE

The operating revenue for the year was R676.6 million (2019: R625.0 million).

TOTAL OPERATING REVENUE

The organisation is funded primarily from membership fees levied on member municipalities. Membership levy revenue remained the main source of income for SALGA for the year under review and comprised 91 percent (2018: 84 percent) of total revenue.

Table 22: Operating revenue

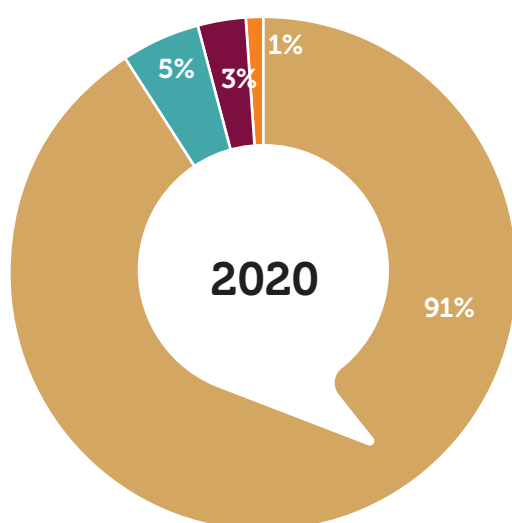
| R'million | 2020 | 2019 | 2018 | 2020 % change | 2019 % change |
|---|--------------|--------------|--------------|------------------|------------------|
| Rendering of services - Membership levies | 619.8 | 563.8 | 525.1 | 9.9 | 7.4 |
| Transfers and subsidies - Executive Authority | 33.9 | 33.1 | 31.3 | 2.4 | 5.8 |
| Revenue from non-exchange transactions | 17.9 | 16.0 | 14.7 | 12.1 | 8.8 |
| Delegate registration fee revenue - exchange transactions | 4.2 | 10.6 | 5.9 | (59.9) | 77.6 |
| Other revenue from exchange transactions | 0.8 | 1.5 | 2.1 | (45.9) | (31.0) |
| Total operating revenue | 676.6 | 625.0 | 579.2 | 8.3 | 7.9 |

Membership levy revenue increased by 9.9 percent to R619.8 million, due largely to inflationary adjustment, as well as the organic growth in the number of budgeted municipal headcount.

Total operating revenue increased by 8.3 percent or R51.6 million to R676.6 million.

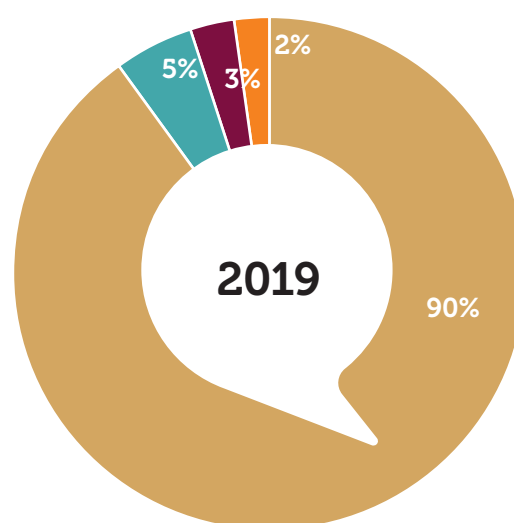
Transfers and subsidies from the Executive Authority increased by 2.4 percent to R33.9 million (2019: R33.1 million). While revenue from non-exchange transactions increased by 12.1 percent due to the implementation of donor-funded programmes, such as the European Union-funded Enhancing Municipal Capacity for Development at R4.7 million (2019: R3.6 million) and the Building Green Municipalities (BiGM) project at R4.0 million (2019: R5.3 million).

The operating revenue distribution for the 2020 and 2019 financial years is indicated below:



■ Other revenue
■ Rendering of services - Membership levies
■ Transfers and subsidies - Executive Authority
■ Revenue from non-exchange transactions

Figure 26: Operating revenue distribution 2019/2020.



■ Other revenue
■ Rendering of services - Membership levies
■ Transfers and subsidies - Executive Authority
■ Revenue from non-exchange transactions

Figure 27: Operating revenue distribution 2018/2019.

EXPENDITURE

The expenditure for the year was R669.8 million (2019: R640.6 million).

TOTAL OPERATING EXPENSES

Table 23: Operating expenditure

| R'million | 2020 | 2019 | 2018 | 2020 % change | 2019 % change |
|------------------------------------|--------------|--------------|--------------|------------------|------------------|
| Employee-related costs | 91.0 | 100.4 | 83.1 | (9.3) | 20.8 |
| Programme costs | 332.4 | 349.3 | 355.8 | (4.8) | (1.8) |
| Administrative overheads | 155.6 | 113.4 | 82.7 | 37.6 | 37.2 |
| Depreciation and amortisation | 6.5 | 7.2 | 8.1 | (9.1) | (11.8) |
| Other operating expenses | 83.7 | 70.3 | 66.6 | 19.2 | 5.5 |
| Total operating expenditure | 669.8 | 640.6 | 596.3 | 4.6 | 7.4 |

Programme costs decreased by 9.3 percent to R332.4 million (2019: R349.3 million).

Administrative overheads increased by 37.6 percent to R155.6 million (2019: R113.4 million), primarily due to an increase in the allowance for doubtful debt by R89.9 million in the year under review.

Depreciation and amortisation decreased by 9.1 percent to R6.5 million (2019: R7.2 million), due to the review of the remaining useful life for the IT equipment asset class.

Other operating expenses increased by 19.2 percent to R83.7 million (2019: R70.3 million). The increase was due to (i) Microsoft license fees that were impacted negatively by the deteriorating Rand as these were paid in foreign currency; (ii) organisational review transitional projects charges for the Operating Management System (OMS) and other projects; and (iii) auditor's remuneration current charges.

SALGA maintains a procurement and provisioning system that is fair, equitable, transparent, competitive and cost-effective.

Table 24: Operating expenditure distribution by function

| Percentage | Distribution % | |
|--|----------------|--------------|
| | 2020 | 2019 |
| Employee-related costs | 13.7 | 15.8 |
| Programme costs | 50.1 | 55.2 |
| Administrative overheads | 23.5 | 17.9 |
| Other operating expenses | 12.6 | 11.1 |
| Total operating expenditure distribution* | 100.0 | 100.0 |

* excluding depreciation

Programme costs comprised 50.1 percent (2019: 55.2 percent) of total operating expenditure and consisted of direct programme costs and programme implementation costs.

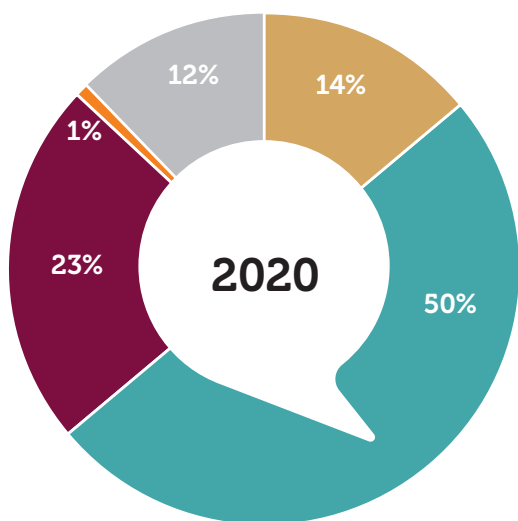
Programme costs were incurred in pursuance of the organisation’s mandate, namely:

- lobbying, advocacy and representation
- the employer role
- capacity building
- support and advice

- strategic profiling of the local government sector
- knowledge and information sharing.

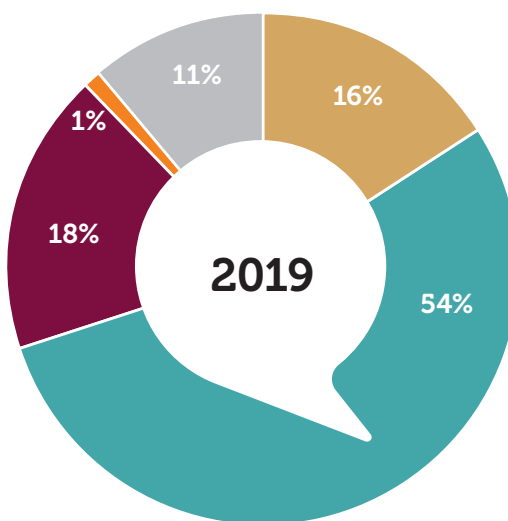
The costs incurred for executing the organisation’s mandate, as outlined above, constituted services rendered to benefit municipalities directly.

The Figures below illustrate the distribution of operating expenditure for the 2020 and 2019 financial years.



- Employee-related costs
- Programme costs
- Administrative overheads
- Depreciation and amortisation
- Other operating expenses

Figure 28: Operating expenditure distribution 2019/2020.



- Employee-related costs
- Programme costs
- Administrative overheads
- Depreciation and amortisation
- Other operating expenses

Figure 29: Operating expenditure distribution 2018/2019.

NON-OPERATING REVENUE AND EXPENDITURE

Table 25: Net non-operating income

| R'million | 2020 | 2019 | 2018 | 2020 % change | 2019 % change |
|---------------------------------|-------------|-------------|-------------|------------------|------------------|
| Investment revenue | 35.0 | 30.3 | 26.5 | 15.6 | 14.6 |
| Finance costs | (1.4) | (1.4) | (1.1) | (0.1) | 23.6 |
| Net non-operating income | 33.6 | 28.9 | 25.3 | 16.4 | 14.2 |

The net non-operating revenue grew by 15.6 percent to R35.0 million (2019: R30.3 million) due to an increase in the average cash and cash equivalents held throughout the year.

Finance costs remained steady with a negligible decrease of 0.1 percent to R1.4 million (2019: R1.4 million).

COMPARISON OF ACTUAL OPERATING RESULTS AGAINST ADJUSTED BUDGET

The SALGA budget was prepared on an accrual basis, which is comparable with the financial statements. The original and adjusted budget for the 2019/20 financial year were approved by the Accounting Authority on 11-12 February 2019 and 28 May 2020 respectively.

The budgets mentioned above covered the period 1 April 2019 to 31 March 2020. The budget was prepared on the accrual basis using a classification based on the nature of expenses in the statement of financial performance.

Table 26: Comparison of actual operating results against adjusted budget

| R'million | Actual 2020 | Adjusted Budget 2020 | Variance | Variance % |
|--|----------------|----------------------------|-------------|----------------|
| Total revenue from exchange transactions | 659.9 | 630.6 | 29.3 | 4.6 |
| Total revenue from non-exchange revenue | 51.8 | 55.0 | (3.2) | (5.8) |
| Total revenue | 711.7 | 685.6 | 26.1 | 3.8 |
| Total expenses | (671.20) | (685.05) | 13.9 | 2.0 |
| Surplus for the year | 40.5 | 0.5 | 40.0 | >100 |

The operating surplus for the year ended 31 March 2020 was R40.5 million versus the budgeted R0.5 million, which resulted in a positive variance of R40.0 million that is over 100 percent.

Comparison of actual operating results against adjusted budget

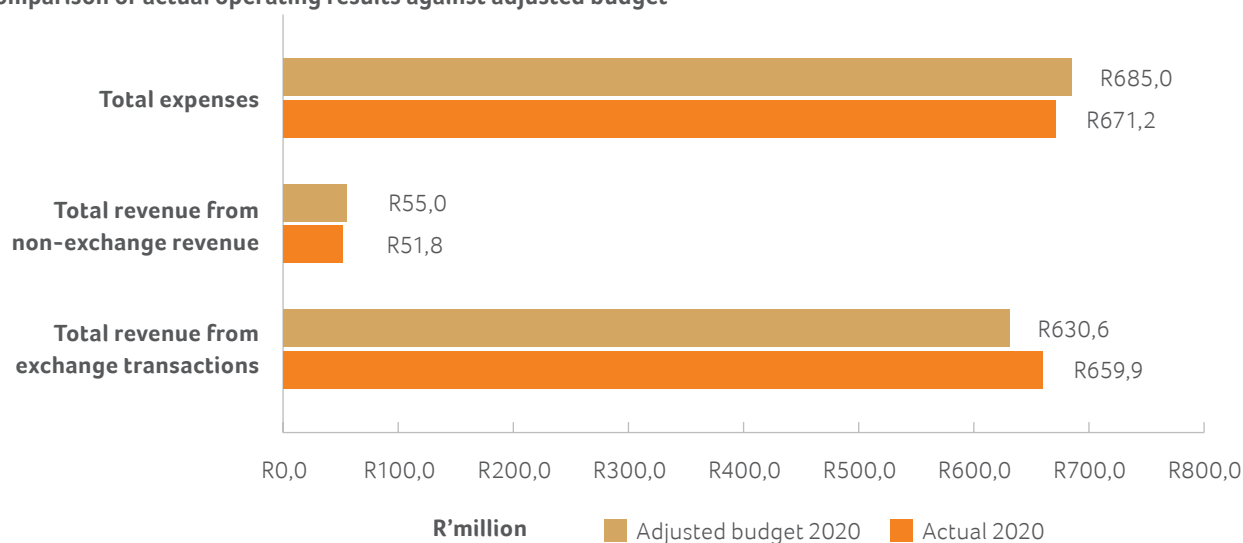


Figure 30: Comparison of actual operating results against adjusted budget.

EXPLANATION OF VARIANCES

Variances between actuals and the final approved budget (greater than or equal to 10 percent) are explained in Note 43 of the annual financial statements.

REVENUE

Revenue from exchange transactions was ahead of budget with a positive variance of R29.3 million or 4.6 percent due to member municipalities having confirmed higher salary budgets than anticipated.

Revenue from non-exchange transactions was lagging behind budget with a negative variance of R3.2 million or 5.8 percent. The variance was due to donor-funded programme

implementation that is still ongoing and did not fulfill the requirements of GRAP 13 to recognise revenue until the donor conditions are fulfilled.

EXPENDITURE

Overall expenditure reflected a positive variance of R13.9 million or 2.0 percent due to the moratorium on base increases on employee head-count that pended the finalisation of the organisational review process.

The negative variance under the 'administrative overheads' line item was due to the allowance for doubtful debt raised at year-end.

FINANCIAL POSITION

Table 27: Total net assets and liabilities

| R'million | 2020 | 2019 | 2018 | 2020 % change | 2019 % change |
|---|--------------|--------------|--------------|------------------|------------------|
| Current assets | 272.0 | 229.4 | 213.6 | 18.6 | 7.4 |
| Non-current assets | 55.3 | 59.9 | 57.8 | (7.7) | 3.8 |
| Total assets | 327.4 | 289.4 | 271.4 | 13.1 | 6.6 |
| Current liabilities | 107.9 | 108.9 | 102.3 | (0.9) | 6.5 |
| Non-current liabilities | 3.8 | 5.3 | 7.3 | (28.3) | (27.1) |
| Total liabilities | 111.7 | 114.2 | 109.5 | (2.2) | 4.3 |
| Total net assets | 215.7 | 175.2 | 161.8 | 23.1 | 8.2 |
| Total net assets and liabilities | 327.4 | 289.4 | 271.4 | 13.1 | 6.6 |

NET ASSETS

The financial position of the organisation as at 31 March 2020 reflected positive net assets of R215.7 million (2019: R175.2 million). The growth of 23.1 percent in net assets was under-pinned by an adequate financial performance for the year under review.

The accumulated surplus is used for working capital and capital expenditure such as the future acquisition of administrative buildings.

The organisation is solvent, with a solvency ratio of 1.8 percent (2019: 13.0 percent), which indicates an adequate asset coverage rate of 58 times (2019: 34 times). Refer, also, to the Accounting Authority's going concern assessment included in this report.

CURRENT ASSETS

Current assets increased by 18.6 percent to R272.0 million (2019: R229.4 million). The increase is attributed to a 47.5 percent increase in cash and cash equivalents.

The current ratio of 252 percent means that the organisation has R2.52 worth of current assets for each R1 of current liabilities, which indicates that the organisation is liquid.

NON-CURRENT ASSETS

Non-current assets decreased by 7.7 percent to R55.3 million (2019: R59.9 million). The decrease was due to the operational use of operational assets. No significant investment in operational assets occurred during the year, in line with a moratorium on base increases in the employee headcount.

CURRENT LIABILITIES

Current liabilities decreased by 0.9 percent to R107.9 million (2019: R108.9 million). The decrease was attributed to the settlement of liabilities by due date, as well as cost containment measures implemented during the year.

NON-CURRENT LIABILITIES

Non-current liabilities decreased by 28.3 percent to R3.8 million (2019: R5.3 million). The decrease is because of a decrease in the finance lease liability payable in more than 12 months.

CAPITAL EXPENDITURE

Table 28: Capital acquisitions

| R'million | 2020 | 2019 | 2018 | 2020 % change | 2019 % change |
|-----------------------------|------------|-------------|-------------|------------------|------------------|
| Capital acquisitions | 2.7 | 10.5 | 30.7 | (74.3) | (65.7) |

Asset additions for the period under review, including intangible assets, amounted to R2.7 million (2019: R10.5 million), as aligned with the organisation's Capital Asset Acquisition Strategy (CAAS).

OUTLOOK FOR THE YEAR AHEAD

The current economic climate, as well as the ongoing COVID-19 pandemic, necessitated rethink of SALGA's strategies and revenue modelling. The COVID-19 pandemic will undoubtedly impact the collection of levies, as the organisation's single source of revenue, negatively.

With this in mind, SALGA must focus on cash flow management, rationalisation and the automation of key processes to release resources that can be applied to increase service delivery to our members.

We shall continue to forge ahead with the 2017 – 2022 strategic plan.

CONCLUSION

In conclusion, I sincerely thank the Chief Executive Officer, Mr Xolile George, for his continued support, leadership and strategic direction.

I would also like to thank my predecessor, Mr Nceba Mqoqi, for his immense support and contribution during the past year. In addition, I extend my appreciation to the Finance and SCM teams for their immense dedication and contribution during the past year.

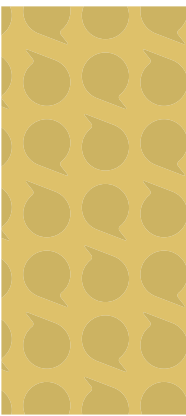
Lastly, I thank the members of the Performance Management and Remuneration Committee and Audit and Risk Committee for their wise counsel and strategic direction as part of their oversight role.



Thembeke Mthethwa
Chief Financial Officer
30 August 2020



PART G FINANCIAL INFORMATION



INDEX

The reports and statements set out below comprise the Annual Financial Statements presented to Parliament.

| | |
|---|-----|
| Report of the Auditor-General to Parliament on the South African Local Government Association | 93 |
| Annexure – Auditor-General’s responsibility for the audit | 95 |
| Accounting Authority’s Responsibilities and Approval | 96 |
| Statement of Financial Position | 97 |
| Statement of Financial Performance | 98 |
| Statement of Surplus or Deficit and Other Comprehensive Income | 99 |
| Statement of Changes in Net Assets | 100 |
| Cash Flow Statement | 101 |
| Statement of Comparison of Budget and Actual Amounts | 102 |
| Accounting Policies | 103 |
| Notes to the Annual Financial Statements | 122 |

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE SOUTH AFRICAN LOCAL GOVERNMENT ASSOCIATION

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

1. I have audited the financial statements of the South African Local Government Association set out on pages 95 to 166, which comprise the statement of financial position as at 31 March 2020, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the South African Local Government Association as at 31 March 2020, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

BASIS FOR OPINION

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
4. I am independent of the public entity in accordance with sections 290 and 291 of the Code of ethics for professional accountants and parts 1 and 3 of the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA codes) as well as the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

RESPONSIBILITIES OF THE ACCOUNTING AUTHORITY FOR THE FINANCIAL STATEMENTS

6. The accounting authority is responsible for the preparation and fair presentation of the financial statements in

accordance with the SA Standards of GRAP and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

7. In preparing the financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

AUDITOR-GENERAL'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

8. My 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 my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
9. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

INTRODUCTION AND SCOPE

10. In accordance with the Public Audit Act of South Africa 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

11. My procedures address the usefulness and reliability of the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures also do not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
12. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programme presented in the annual performance report of the public entity for the year ended 31 March 2020:

| Programme | Pages in the annual performance report |
|--|--|
| Programme 2 – Good governance and resilient municipal institutions | 182 - 187 |

13. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
14. I did not identify any material findings on the usefulness and reliability of the reported performance information for this programme:
 - Programme 2 – Good governance and resilient municipal institutions

OTHER MATTER

15. I draw attention to the matter below.

Achievement of planned targets

16. Refer to the annual performance report on pages 169 to 187 for information on the achievement of planned targets for the year.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

INTRODUCTION AND SCOPE

17. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material

findings on the public entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

18. I did not identify any material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

OTHER INFORMATION

19. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.
20. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
21. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
22. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

INTERNAL CONTROL DEFICIENCIES

23. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. I did not identify any significant deficiencies in internal control.



AUDITOR-GENERAL
SOUTH AFRICA

Pretoria
14 August 2020

Auditing to build public confidence

ANNEXURE – AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected programmes and on the public entity's compliance with respect to the selected subject matters.

FINANCIAL STATEMENTS

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I 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 my 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 public entity's internal control
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority
 - conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I

also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the South African Local Government Association to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

ACCOUNTING AUTHORITY'S RESPONSIBILITIES AND APPROVAL

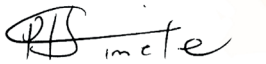
The National Executive Committee (NEC) as Accounting Authority is required by the Public Finance Management Act, 1 of 1999, to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the NEC to ensure that the annual financial statements fairly present the state of affairs of South African Local Government Association as at the end of the financial year and the results of its operations and cash flows for the period then ended. The Auditor-General of South Africa is engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with South African Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The NEC is of the opinion, that the system of internal financial control and risk management processes provide reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements.

The annual financial statements set out on pages 97 to 168, which have been prepared on a going concern basis, refer to Note 37 and the performance information set out on pages 171 to 189 were approved by the Presidency on 28 May 2020 for audit submission and were subsequently approved post audit and signed on the NEC's behalf by:



Thembi Nkadimeng
President



Xolile George
Chief Executive Officer

Pretoria
13 August 2020

SOUTH AFRICAN LOCAL GOVERNMENT ASSOCIATION

Registered Employer Body in terms of the Labour Relations Act, 66 of 1996. Registration No. LR/2/6/3/350

(A Schedule 3A Public Entity i.t.o. the Public Finance Management Act, 1 of 1999 and recognised i.t.o. the Organised Local Government Act, 52 of 1997)

Annual Financial Statements for the year ended 31 March 2020

STATEMENT OF FINANCIAL POSITION

Figures in Rand

| | Note(s) | 2020 | 2019 |
|--|---------|--------------------|--------------------|
| Assets | | | |
| Current Assets | | | |
| Operating lease asset | 6 | - | 21 380 |
| Deposits | 5 | - | 15 960 |
| Receivables from exchange transactions | 8 | 84 793 096 | 95 179 941 |
| Receivables from non-exchange transactions | 9 | 24 322 855 | 23 788 071 |
| Cash and cash equivalents | 10 | 162 911 658 | 110 443 577 |
| | | 272 027 609 | 229 448 929 |
| Non-Current Assets | | | |
| Investment property | 2 | 7 176 000 | 7 800 000 |
| Property, plant and equipment | 3 | 46 381 232 | 50 426 876 |
| Intangible assets | 4 | 631 077 | 635 534 |
| Deposits | 5 | 1 160 778 | 1 072 184 |
| | | 55 349 087 | 59 934 594 |
| Total Assets | | 327 376 696 | 289 383 523 |
| Liabilities | | | |
| Current Liabilities | | | |
| Finance lease obligation | 13 | 1 464 123 | 1 760 827 |
| Operating lease liability | 6 | 2 372 169 | 2 845 922 |
| Payables from exchange transactions | 16 | 94 582 241 | 79 518 424 |
| Unspent conditional grants and receipts | 14 | 8 905 670 | 11 304 713 |
| Provisions | 15 | 608 496 | 13 500 600 |
| | | 107 932 699 | 108 930 487 |
| Non-Current Liabilities | | | |
| Finance lease obligation | 13 | 654 948 | 1 759 795 |
| Operating lease liability | 6 | 2 480 907 | 2 844 124 |
| Provisions | 15 | 653 325 | 683 944 |
| | | 3 789 180 | 5 287 863 |
| Total Liabilities | | 111 721 879 | 114 218 350 |
| Net Assets | | | |
| Revaluation reserve | 13 | 2 259 566 | 2 259 566 |
| Accumulated surplus | | 213 395 251 | 172 905 606 |
| Total Net Assets | | 215 654 817 | 175 165 172 |
| Total Net Assets and Liabilities | | 327 376 696 | 289 383 523 |

SOUTH AFRICAN LOCAL GOVERNMENT ASSOCIATION

Registered Employer Body in terms of the Labour Relations Act, 66 of 1996. Registration No. LR/2/6/3/350

(A Schedule 3A Public Entity i.t.o. the Public Finance Management Act, 1 of 1999 and recognised i.t.o. the Organised Local Government Act, 52 of 1997)

Annual Financial Statements for the year ended 31 March 2020

STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand

| | Note(s) | 2020 | 2019 |
|--|---------|----------------------|----------------------|
| Revenue | | | |
| Revenue from exchange transactions | | | |
| Revenue from exchange transactions | 18 | 619 790 665 | 563 848 319 |
| Other revenue from exchange transactions | 21 | 5 032 091 | 12 037 976 |
| Investment revenue | 25 | 35 048 795 | 30 310 996 |
| Total revenue from exchange transactions | | 659 871 551 | 606 197 291 |
| Revenue from non-exchange transactions | | | |
| Grant recognised – LGSETA (LGCAC) | 18 | - | 637 522 |
| Grant recognised – LGSETA (MaSE) | 18 | 90 563 | - |
| Government grants and subsidies – Executive Authority | 18 | 33 879 000 | 33 100 000 |
| Grant recognised – Federation of Canadian Municipalities (BiGM) | 18 | 3 998 431 | 5 274 640 |
| Sponsorships and donations from non-exchange transactions | 18 | 1 795 000 | 3 136 522 |
| Grant recognised – Commonwealth Local Government Forum | 18 | 1 577 800 | - |
| Grant recognised – DST (MIMI) | 18 | 526 572 | - |
| Grant recognised – DPSA (Tirelo Bosha) | 18 | - | 750 150 |
| Grant recognised – European Union (SGCLG) | 18 | 1 788 973 | 1 866 375 |
| Grant recognised – LGSETA (LiGO) | 18 | 675 963 | 310 845 |
| Grant recognised – LGSETA (LLC) | 18 | 2 536 360 | 246 453 |
| Grant recognised – EU (Enhancing Municipal Capacity for Development) | 18 | 4 740 678 | 3 633 037 |
| Grant recognised – VVSG (Enhancing Capacity in LG Waste Management) | 18 | 207 616 | 140 639 |
| Total revenue from non-exchange revenue | | 51 816 956 | 49 096 183 |
| Total Revenue | | 711 688 507 | 655 293 474 |
| Expenses | | | |
| Personnel expenses | 26 | (91 048 158) | (100 380 204) |
| Programme costs | 19 | (332 425 552) | (349 342 623) |
| Administrative expenses | 22 | (156 060 629) | (113 391 074) |
| Depreciation and amortisation expense | 3 & 4 | (6 512 852) | (7 167 253) |
| Other operational expenditure | 22 | (83 745 315) | (70 274 679) |
| Finance costs | 29 | (1 406 357) | (1 408 466) |
| Total Expenses | | (671 198 863) | (641 964 299) |
| Surplus for the year | | 40 489 644 | 13 329 175 |

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Annual Financial Statements for the year ended 31 March 2020

STATEMENT OF SURPLUS OR DEFICIT AND OTHER COMPREHENSIVE INCOME

Figures in Rand

| | Note(s) | 2020 | 2019 |
|--|---------|----------------------|----------------------|
| Revenue | | 624 021 740 | 574 407 010 |
| Rendering of services – membership levies | 18 | 619 790 665 | 563 848 319 |
| Event recoveries | 21 | 4 231 075 | 10 558 691 |
| Direct expenditure – Programme cost | | (332 425 552) | (349 342 623) |
| Municipal advisory and support service cost | 19 | (239 148 285) | (232 168 232) |
| OLG Mandate implementation cost | 19 | (88 148 738) | (110 835 320) |
| IGR Participation and mandating cost (Councillors) | 19 | (5 128 529) | (6 339 070) |
| Gross margin | | 265 255 412 | 225 064 387 |
| Other revenue | | 52 617 972 | 50 575 468 |
| Other revenue | 21 | 801 016 | 1 479 285 |
| Government grant – executive authority | 18 | 33 879 000 | 33 100 000 |
| Other grants – donors | 18 | 16 142 956 | 12 859 661 |
| Sponsorship and donations | 18 | 1 795 000 | 3 136 522 |
| Contribution to overheads | | 317 873 384 | 275 639 855 |
| Staff costs | 25 | (91 048 158) | (100 380 204) |
| Administration costs | 22 | (156 060 629) | (113 391 074) |
| Depreciation and amortisation | 3 & 4 | (6 512 852) | (7 167 253) |
| Other operational expenditure | 23 | (83 745 315) | (70 274 679) |
| Operating surplus or (deficit) before finance charges | | 6 847 206 | (15 573 355) |
| Interest revenue | 26 | 35 048 795 | 30 310 996 |
| Finance cost | 29 | (1 406 357) | (1 408 466) |
| Surplus for the year | | 40 489 644 | 13 329 175 |
| Other comprehensive income | | - | - |
| Total comprehensive surplus for the year | | 40 489 644 | 13 329 175 |

SOUTH AFRICAN LOCAL GOVERNMENT ASSOCIATION

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Annual Financial Statements for the year ended 31 March 2020

STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand

| | Revaluation surplus | Accumulated surplus | Total net assets |
|---------------------------------|---------------------|---------------------|--------------------|
| Balance at 1 April 2018 | 2 259 566 | 159 576 431 | 161 835 997 |
| Changes in net assets | | | |
| Surplus for the year | - | 13 329 175 | 13 329 175 |
| Total changes | - | 13 329 175 | 13 329 175 |
| Balance at 1 April 2019 | 2 259 566 | 172 905 606 | 175 165 172 |
| Changes in net assets | | | |
| Surplus for the year | - | 40 489 644 | 40 489 644 |
| Total changes | - | 40 489 644 | 40 489 644 |
| Balance at 31 March 2020 | 2 259 566 | 213 395 251 | 215 654 817 |
| Note(s) | 12 | | |

SOUTH AFRICAN LOCAL GOVERNMENT ASSOCIATION

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Annual Financial Statements for the year ended 31 March 2020

CASH FLOW STATEMENT

Figures in Rand

| | Note(s) | 2020 | 2019 |
|---|---------|--------------------|---------------------|
| Cash flows from operating activities | | | |
| Cash receipts from customers | | 686 491 772 | 630 508 371 |
| Cash paid to suppliers and employees | | (663 516 234) | (629 496 502) |
| Net cash flows from operating activities | | 22 975 538 | 1 011 869 |
| Interest received | 26 | 35 048 795 | 30 310 996 |
| Interest paid | 29 | (1 406 357) | (1 408 466) |
| Cash generated from operations | 32 | 56 617 976 | 29 914 399 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 3 | (2 701 626) | (10 527 778) |
| Proceeds from sale of property, plant and equipment | | 25 916 | 366 091 |
| Movement in financial assets | 5 | (72 634) | - |
| Net cash flows from investing activities | | (2 748 344) | (10 161 687) |
| Cash flows from financing activities | | | |
| Finance lease payments | | (1 401 551) | 1 632 324 |
| Net cash flows from financing activities | | (1 401 551) | 1 632 324 |
| Net (decrease) / increase in cash and cash equivalents | | | |
| Cash and cash equivalents at the beginning of the year | | 110 443 577 | 89 058 541 |
| Cash and cash equivalents at the end of the year | 10 | 162 911 658 | 110 443 577 |

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Annual Financial Statements for the year ended 31 March 2020

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

| Budget on Comparable Basis | Approved budget | Adjustments | Final budget | Actual amounts on comparable basis | Difference between final budget and actual |
|---|----------------------|---------------------|----------------------|------------------------------------|--|
| <i>Figures in Rand</i> | | | | | |
| Revenue | | | | | |
| Revenue from exchange transactions | | | | | |
| Revenue from exchange transactions | 588,948,759 | 24,042,970 | 612,991,729 | 619,790,665 | 6,798,937 |
| Other revenue from exchange transactions | 2,050,000 | 2,529,795 | 4,579,795 | 5,032,091 | 452,296 |
| Investment revenue | 6,500,000 | 6,500,000 | 13,000,000 | 35,048,795 | 22,048,795 |
| Total revenue from exchange transactions | 597,498,759 | 33,072,765 | 630,571,524 | 659,871,551 | 29,300,028 |
| Revenue from non-exchange transactions | | | | | |
| Grant recognised – LGSETA (LGCAC) | 0 | 0 | 0 | 0 | 0 |
| Grant recognised – LGSETA (MaSE) | 0 | 400,000 | 400,000 | 90,563 | (309,438) |
| Grant recognised – LGSETA (CB) | 14,500,000 | (13,500,000) | 1,000,000 | 0 | (1,000,000) |
| Government grants and subsidies - Executive Authority | 33,879,000 | 0 | 33,879,000 | 33,879,000 | 0 |
| Grant recognised – Federation of Canadian Municipalities (BiGM) | 24,711,799 | (20,611,799) | 4,100,000 | 3,998,431 | (101,569) |
| Sponsorships and donations from non-exchange transactions | 0 | 2,000,000 | 2,000,000 | 1,795,000 | (205,000) |
| Grant recognised – Commonwealth Local Government Forum (CLGF) | 0 | 2,000,000 | 2,000,000 | 1,577,800 | (422,200) |
| Grant recognised – DPSA (Tirelo Bosha) | 0 | 600,000 | 600,000 | 0 | (600,000) |
| Grant recognised – European Union (SGCLG) | 3,964,662 | (2,741,166) | 1,223,497 | 1,788,973 | 565,477 |
| Grant recognised – LGSETA (LiGO) | 0 | 1,000,000 | 1,000,000 | 675,963 | (324,037) |
| Grant recognised – LGSETA (LLLLC) | 0 | 3,200,000 | 3,200,000 | 2,536,360 | (663,640) |
| Grant recognised – EU (Enhancing Municipal Capacity) | 4,019,800 | 780,200 | 4,800,000 | 4,740,678 | (59,322) |
| Grant recognised – VVSG (Enhancing Capacity in LG Waste Management) | 300,000 | (300,000) | 0 | 207,616 | 207,616 |
| Grant recognised – Department of Science and Technology (MIMI) | 0 | 800,000 | 800,000 | 526,572 | (273,428) |
| Total revenue from non-exchange revenue | 81,375,261 | (26,372,765) | 55,002,496 | 51,816,956 | (3,185,541) |
| Total Revenue | 678,874,020 | 6,700,000 | 685,574,020 | 711,688,507 | 26,114,487 |
| Expenses | | | | | |
| Employee costs | (86,335,812) | (21,200,420) | (107,536,232) | (91,048,158) | 16,488,074 |
| Programme costs | (434,994,728) | 32,434,535 | (402,560,193) | (332,425,552) | 70,134,641 |
| Administrative expenses | (74,130,621) | 2,409,673 | (71,720,948) | (156,060,629) | (84,339,681) |
| Depreciation and amortisation expenses | (8,744,074) | 1,942,758 | (6,801,316) | (6,512,852) | 288,464 |
| Other expenditure | (72,727,016) | (22,336,546) | (95,063,562) | (83,745,315) | 11,318,247 |
| Finance costs | (1,367,158) | 0 | (1,367,158) | (1,406,357) | (39,199) |
| Total Expenses | (678,299,409) | (6,750,000) | (685,049,409) | (671,198,863) | 13,850,545 |
| Surplus for the year | 574,611 | (50,000) | 524,611 | 40,489,644 | 39,965,032 |

ACCOUNTING POLICIES

1. PRESENTATION OF FINANCIAL STATEMENTS – BASIS OF PREPARATION

Statement of compliance

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act, 1 of 1999.

Basis of measurement

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of SALGA.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that SALGA will continue to operate as a going concern for at least the next 12 months, ie 1 April 2020 to 31 March 2021.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts presented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future period affected. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

1.3.1 Trade receivables and other receivables

SALGA assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, management makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

ACCOUNTING POLICIES (continued)

1.3 Significant judgements and sources of estimation uncertainty (continued)

1.3.2 Fair value estimation

The carrying value less impairment losses of trade receivables and the carrying value of trade payables are deemed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to SALGA for similar financial instruments.

1.3.4 Effective interest rate

SALGA uses the prime interest rate to discount future cash flows for payables and/or expenditure and the R186 government bond yield rate to discount the future cash flows in receivables and/or revenue.

1.3.5 Allowance for doubtful debts

For trade receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the trade receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.3.6 Useful lives and residual values

SALGA re-assesses the useful lives and residual values of property, plant and equipment on a yearly basis. These assessments require judgements and assumptions to be made by management. The assessments involve the estimation of months or years based on past experience and historical information to determine the estimated period of time over which an asset is expected to be used. Other assessments involve the determination of value where a comparison of the resale value of the specific asset taking into consideration its age and condition. This determination represents the estimated amount that SALGA would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.

1.3.7 Impairment of non-cash generating assets

Criteria developed by SALGA to distinguish non-cash-generating assets from cash-generating assets are as follows: SALGA's mandate or intention is not in pursuit of commercial return but service delivery to its members, therefore assets acquired by SALGA are solely to facilitate service delivery to its members (i.e. administrative in nature).

There is no uncertainty as to whether SALGA assets are non-cash generating assets, as SALGA does not have an asset or class of assets that operate or generate cash flows independently from other assets, nor does its assets form part of a group of assets that generate cash flows independently from other assets.

1.4 Investment property

Recognition and measurement

Investment property is property (land, building or part of a building, or both) held to earn rental income or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services
- administrative purposes
- sale in the ordinary course of operations.

ACCOUNTING POLICIES (continued)

1.4 Investment property (continued)

Investment property is recognised as an asset when it is probable that the future economic benefits or service potential that are associated with the investment property will flow to SALGA, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost plus any transaction costs included in initial measurement. Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or replace a part of a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Subsequent measurement

Subsequent to initial measurement, investment property is measured at fair value based on reports from professional valuation.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

Re-measurements to fair value are made annually to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used for more than one period.

Initial recognition and measurement

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

ACCOUNTING POLICIES (continued)

1.5 Property, plant and equipment (continued)

The cost of an item of property, plant and equipment is recognised as an asset if and only if;

- i) it is probable that the future economic benefits or service potential associated with the item will flow to SALGA and the cost of fair value of the item can be measured reliably.
- ii) where an asset is acquired at a cost that is less than a thousand Rand, its cost is fully depreciated in the period in which it is acquired.

Subsequent expenditure

Costs include costs incurred initially to acquire or construct an item of property, 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 property, plant and equipment, the carrying amount of the replaced part is derecognised.

Subsequent expenditure of an item of property, plant and equipment is recognised as an asset if and only if;

- (a) it is probable that the future economic benefits or service potential associated with the item will flow to SALGA; and
- (b) the cost or fair value of the item can be measured reliably.

Costs of the day-to-day servicing are recognised in surplus and deficit as incurred.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Following initial recognition at cost, land and buildings classified as property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

ACCOUNTING POLICIES (continued)

1.5 Property, plant and equipment (continued)

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives taking into account their estimated residual value.

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

| Item | Depreciation method | Average useful life |
|------------------------|---------------------|--|
| Land | None | Indefinite, not depreciated |
| Buildings | Straight-line | 75 years |
| Furniture and fixtures | Straight-line | 3 to 20 years |
| Motor vehicles | Straight-line | 5 years |
| Office equipment | Straight-line | 2 to 20 years |
| IT equipment | Straight-line | 3 to 4 years |
| Leasehold improvements | Straight-line | The shorter of useful life or lease term (36 to 60 months) |
| Leased equipment | Straight-line | The shorter of useful life or lease term (24 to 36 months) |

Residual values

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciable amount of an asset is determined by deducting the residual value of an asset from its original cost (or revalued amount, where applicable).

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

No residual value is assessed for assets where the value of the residual is considered immaterial in relation to the cost of the asset. Management intends using the assets shown in the statement of financial position over their entire economic life.

The residual values of motor vehicles are set as determined by market forces. When setting a residual value for a motor vehicle consideration is given to the expected useful life and expected proceeds that could be received today if the same vehicle at the end of its useful life were to be sold.

Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed-off or when there are no further economic benefits or service potential expected from the use of the asset.

ACCOUNTING POLICIES (continued)

1.5 Property, plant and equipment (continued)

The gain or loss arising from derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The carrying amount of property, plant and equipment is reviewed for impairment when events or changes in the circumstances indicate that the carrying amount may not be recoverable.

Specific categories of property, plant and equipment:

Land and buildings

Land and buildings are separable assets and are accounted for separately, even when they are acquired together. Land has an unlimited useful life and therefore is not depreciated.

Buildings have a limited useful life and therefore are depreciable assets.

The useful lives of the land and buildings are re-assessed annually.

Furniture and fittings and office equipment

Office equipment and furniture and fittings are not currently componentised as no component accounting is considered necessary due to the nature of office furniture and fittings and office equipment, namely, that the useful lives of individual components do not differ from the whole.

Estimated useful lives are based on past experience and historical information.

IT equipment

IT equipment can be separated into the following components:

- computer hardware
- computer software (integral part and embedded into hardware).

IT equipment is not currently componentised as no component accounting is considered necessary due to the nature of the computer information.

Expenditure relating to ongoing maintenance (which does not meet the recognition criteria), IT support and customisation is debited in the statement of financial performance as and when incurred.

Purchased software is recognised at cost, including all direct costs associated with the customisation and installation thereof.

Motor vehicles

Where there is an indicator of impairment, the recoverable amount of the individual asset is estimated. When the residual values are re-assessed annually, the carrying amount is compared to the resale value of the specific vehicle taking into consideration its age and condition.

Gains and losses

The gains or losses arising from de-recognition or disposal of an item of property, plant and equipment is included in surplus and deficit when the item is derecognised. The gains and losses arising from de-recognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any and the carrying amount of the item.

Leased assets

Leased assets can be separated into the following categories:

ACCOUNTING POLICIES (continued)

1.5 Property, plant and equipment (continued)

- leases for office equipment
- leasehold improvements.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that SALGA will obtain ownership by the end of the lease term.

Leasehold improvements arise when SALGA improves the premises occupied under operating leases to suit operational requirements. Capitalised leasehold improvements are depreciated over the shorter of the estimated useful life of the asset and the lease term.

1.6 Intangible assets

An asset is identifiable if it is either:

- separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

SALGA assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Intangible assets are initially recognised at cost.

Subsequent to initial recognition intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

| Item | Depreciation method | Useful life |
|-------------------|---------------------|--------------|
| Computer software | Straight-line | 2 to 5 years |

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

ACCOUNTING POLICIES (continued)

1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Classification

SALGA has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

| Class | Category |
|--|--|
| Operating lease receivables – exchange transactions | Financial asset measured at amortised cost |
| Trade and other receivables from exchange transactions | Financial asset measured at amortised cost |
| Trade and other receivables from non-exchange transactions | Financial asset measured at amortised cost |
| Cash and cash equivalents | Financial asset measured at amortised cost |

SALGA has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

| Class | Category |
|--|--|
| Trade and other payables from exchange transactions | Financial liability measured at amortised cost |
| Sundry payables – exchange transactions | Financial liability measured at amortised cost |
| Other payables (lodge cards) – exchange transactions | Financial liability measured at amortised cost |

Initial recognition

SALGA recognises financial assets and liabilities in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

SALGA recognises financial assets and liabilities using trade date accounting.

Initial measurement of financial assets and financial liabilities

When a financial asset or liability is recognised initially, SALGA measures it at its fair value. In the case of a financial asset or financial liability initially not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability are included in the value of the financial instrument.

Subsequent measurement of financial assets and financial liabilities

SALGA measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.

All financial assets measured at amortised cost are subject to an impairment review.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or non-collectability.

ACCOUNTING POLICIES (continued)

1.7 Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the entity estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Impairment and non-collectability of financial assets

At the end of each reporting period SALGA assess whether there is any objective evidence (e.g. continuous defaults on settlement) that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly in surplus or deficit. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Interest, losses or gains

Interest relating to a financial instrument or a component that is a financial liability, is recognised as income or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as income or expense in surplus or deficit.

1.8 Leases

Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. Situations that individually or in combination would normally lead to a lease being classified as a finance lease are:

- the lease transfers ownership of the asset to SALGA by the end of the lease term;
- SALGA has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonable certain, at the inception of the lease, that the option will be exercised;
- the lease term is for the major part of the economic life of the asset even if title is not transferred;
- at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset;
- the leased assets are of such a specialised nature that only the lessee can use them without major modifications;

ACCOUNTING POLICIES (continued)

1.8 Leases (continued)

- if SALGA can cancel the lease, the lessor's losses associated with the cancellation are borne by SALGA;
- gains or losses from the fluctuation in the fair value of the residual accrue to SALGA (for example, in the form of a rent rebate equalling most of the sales proceeds at the end of the lease);
- the lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent; and
- a lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership.

An operating lease is a lease other than a finance lease.

Finance leases - where SALGA is the lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic reduction of the remaining balance of the liability.

Subsequent to initial recognition the asset is accounted for in accordance with the accounting policy applicable to that asset.

Operating leases - where SALGA is the lessor

Operating lease income is recognised as revenue on a straight-line basis over the lease term.

Operating leases - where SALGA is the lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

Any contingent rentals are expensed in the period in which they are incurred.

Assets under operating leases are not recognised in the statement of financial position.

1.9 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

Cash and cash equivalents are measured at amortised cost.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. For an investment to qualify as a cash equivalent it must be readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. Therefore, an investment normally qualifies as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition.

ACCOUNTING POLICIES (continued)

1.9 Cash and cash equivalents (continued)

SALGA does not have an overdraft facility and is restricted in terms of section 66(3)(c) of the PFMA to borrow money, subject to the approval of the Minister (Executive Authority) in concurrence with the Minister of Finance.

1.10 Revaluation reserve

The revaluation reserve results from the revaluation of property, plant and equipment while still owner occupied. It remains after treating the same assets as investment property since they were vacated by the entity.

Upon transfer of the owner-occupied property to investment property the revaluations surplus is treated in the following manner:

- any remaining part of the increase is credited directly to net assets in revaluation surplus. On subsequent disposal of the investment property, the revaluation surplus included in net assets may be transferred to accumulated surpluses or deficits. The transfer from revaluation surplus to accumulated surpluses or deficits is not made through surplus or deficit.

1.11 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by SALGA; or
- (b) the number of production or similar units expected to be obtained from the asset by SALGA.

Criteria developed by SALGA to distinguish non-cash-generating assets from cash-generating assets are as follows: SALGA's mandate or intention is not in pursuit of commercial return but service delivery to its members, therefore assets acquired by SALGA are solely for service delivery or facilitate service delivery to its members (i.e. administrative in nature)

There is no uncertainty as to whether SALGA assets are non-cash generating assets, as SALGA does not have an asset or class of assets that operate or generate cash flows independently from other assets, nor does its assets form part of a group of assets that generate cash flows independently from other assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

SALGA assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, SALGA estimates the recoverable service amount of the asset.

When SALGA is assessing whether there is any indication that an asset may be impaired, at a minimum the following indications are considered:

External sources of information

- (a) Cessation, or near cessation, of the demand or need for services provided by the asset.
- (b) Significant long-term changes with an adverse effect on the entity have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the entity operates.

ACCOUNTING POLICIES (continued)

1.11 Impairment of non-cash-generating assets (continued)

Internal sources of information

- (c) Evidence is available of physical damage of an asset.
- (b) Significant long-term changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- (c) Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

Value in use

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of non-cash-generating assets is determined using the following approach:

Service units' approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Reversal of an impairment loss

SALGA assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the recoverable service amount of that asset is estimated.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised.

The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

ACCOUNTING POLICIES (continued)

1.12 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the end of the reporting period in which the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as study leave), are recognised in the period in which the service is rendered and are not discounted.

The organisation remunerates employees on total cost-to-company basis, this package includes SALGA's portion of contribution in respect of retirement benefits. The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed retirement benefit schemes are dealt with as defined contribution plans where the SALGA's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

SALGA's defined contribution plans are as follows:

- Pension fund - an employer contribution based on 10.5% p.a. based on 75% of an employee's basic salary towards pension and/or retirement funds. Employees are required to contribute a corresponding contribution of 6.5% p.a. based on their basic salary.
- Medical aid - an employer contribution capped at R2 890 per month (2019: R 2 755) per employee per calendar year. The contribution amount is reviewed annually depending on prevailing medical insurance inflation.
- Group risk - an employer contribution that covers funeral benefits for the employee and immediate family members at a cost of R112.55 per employee.
- Risk cover - also includes life assurance at three times an employee's annual salary in case of death. The risk cover is based on 1.829% (2019: 1.715%) of SALGA's basic payroll costs.
- Critical illness cover - is 0.148% (2019: 0.148%) and calculated based on an employee's basic salary.
- Long-term incentive scheme - the employer provides for Long-Term Incentive (LTI) scheme for Fixed Term Contract (FTC) employees. These employees make-up the top management structure of the organisation and are employed on a five (5) year fixed-term contract. The incentive scheme is based on performance (merit) and the employee remaining in the employment of the organisation for a period longer than 3 years.

1.13 Provisions and contingencies

Provisions are recognised when:

- SALGA has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to settle the obligation.

ACCOUNTING POLICIES (continued)

1.13 Provisions and contingencies (continued)

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if SALGA settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement is limited to the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

1.14 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue and a corresponding asset to the extent that SALGA has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

1.15 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets.

An exchange transaction is one in which SALGA receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to SALGA;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time-frame, revenue is recognised on a straight line basis over the specified time-frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

ACCOUNTING POLICIES (continued)

1.15 Revenue from exchange transactions (continued)

Stage of completion for membership levies

The membership levy entitles members to 'services' or 'benefits of association' for the financial period of SALGA. Although the formula for fees is based on annual budgeted salary, this is not relevant in terms of revenue recognition. The recognition of revenue depends, rather, on the timing, nature and value of benefits provided.

On the basis of the accounting standard GRAP 9, the stage of completion needs to be determined at year end, and revenue recognised in accordance with the stage of completion of the transaction.

The guidance in GRAP 9 par A11 of the Appendix also states that the membership levies should be recognised on the basis which reflects the timing of benefits provided.

"Revenue recognition depends on the nature of the services provided. If the fee permits only membership, and all other services or products are paid for separately, or if there is a separate annual subscription, the fee is recognised as revenue when no significant uncertainty as to its collectability exists. If the fee entitles the member to services or publications to be provided during the membership period or to purchase goods or services at prices lower than those charged to non-members, it is recognised on a basis that reflects the timing, nature and value of the benefits provided".

1.16 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition and measurement

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As SALGA satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date.

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Transfers

Apart from services in kind, which are not recognised, SALGA recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Gifts and donations

Gifts and donations are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to SALGA and the fair value of the assets can be measured reliably.

ACCOUNTING POLICIES (continued)

1.17 Investment revenue

Investment revenue is recognised on a time-proportion basis using the effective interest method.

1.18 Budget information

General purpose financial reporting by SALGA shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The annual financial statements and the budget are prepared on a comparable basis of accounting, therefore a comparison with the budgeted amounts for the reporting period have been included in the notes to the annual financial statements.

1.19 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rand, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each reporting date:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in surplus or deficit in the period in which they arise.

When a gain or loss on a non-monetary item is recognised directly in net assets, any exchange component of that gain or loss is recognised directly in net assets. When a gain or loss on a non-monetary item is recognised in surplus or deficit, any exchange component of that gain or loss is recognised in surplus or deficit.

Cash flows arising from transactions in a foreign currency are recorded in Rand by applying to the foreign currency amount the ruling spot exchange rate.

1.20 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

ACCOUNTING POLICIES (continued)

1.21 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as income in the statement of financial performance.

1.22 Irregular expenditure

Irregular expenditure as defined in Section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including:

- (a) the PFMA; or
- (b) the State Tender Board Act, 86 of 1968, or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury INSTRUCTION NO.2 OF 2019/2020 ON IRREGULAR EXPENDITURE FRAMEWORK issued in terms of section 38(1)(c)(ii) and 51(1)(b)(ii) of the PFMA on effective steps to prevent irregular expenditure. The instruction referenced Sections 45(c) and 57(c) of the PFMA with regard to appropriate steps to prevent irregular expenditure. The INSTRUCTION draws its authority from Sections 76(2)(e) to 76(4)(a) of the PFMA. The effective date of the INSTRUCTION is from 17 May 2019:

- Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the annual financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is required with the exception of updating the note to the annual financial statements.
- Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.
- Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.
- Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must be taken thereafter to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the annual financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the annual financial statements and updated accordingly in the irregular expenditure register.

1.23 Related parties

SALGA operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government in respect of the Executive Authority (CoGTA) and members of the NEC and their respective municipalities belonging from the local sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of SALGA, including those charged with the governance of SALGA in accordance with legislation and SALGA Constitution.

ACCOUNTING POLICIES (continued)

1.23 Related parties (continued)

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.

A related party is considered to be related if one party has the ability to control the other party or jointly control or exercise significant influence over the other party in making financial and operating decisions or if the related party and the other entity are subject to common control.

Specific information with regards to related party transactions is included in the disclosure notes.

Identification of Related Parties

Controlling Entities Related Party identification

All municipalities are represented at SALGA through direct membership to SALGA, furthermore representation in SALGA structures is carried by the elected provincial representative at a Provincial Conference as well at National Conference.

The National Conference elects representatives that comprise the National Executive Committee of SALGA (Accounting Authority). Each municipality has a single vote that entitles it to vote at SALGA governance structures. A single municipality would not have control or significant influence over the running the affairs or determining the policies of SALGA. The control and significant influence over SALGA's policies and finances is jointly held by all the 257 municipalities. In terms of SALGA's constitution all the municipalities are members and would have equal rights over the residual assets of the organisation upon dissolution. The ten directly elected members at National Conference and the nine ex-officio members elected by the respective Provincial Conferences are related parties of SALGA by virtue of being part of the National Executive as well as the Chief Executive who is also an ex-officio member of the NEC due to his role. The NEC has an option to co-opt up to three members, who once co-opted become related parties by virtue of being part of the National Executive of SALGA.

SALGA does not have a sister entity that is subjected to common control by the National Conference or jointly by the 257 municipalities in South Africa.

Significant Influence Entities Related Parties identification

Legislatively SALGA reports to the Department of Corporate Governance and Traditional Affairs (CoGTA). SALGA reports on a quarterly to the Minister of CoGTA in line with Public Finance Management Act (PFMA) and its regulations. CoGTA has significant influence over SALGA's activities by virtue of CoGTA's role as the designated Executive Authority in terms of the PFMA. The department is tasked with the function of developing national policies and legislation with regard to provinces and local government. CoGTA's role has a direct impact or significant influence over the decisions of SALGA's policies and finance decisions. Although disclosed as a Related Party transaction, the fees paid by CoGTA to SALGA are part of normal funding that Government grants to its entities.

Senior management of SALGA comprises of the Chief Executive Officer; Chief Financial Officer; Executive Manager in the Office of the Chief Executive; and other senior managers including their close family members have been identified as Related Parties of SALGA due to the significant influence that senior / key management exert over SALGA's operating and finance policies.

The governing body members of SALGA, being the NEC; Audit and Risk Committee; and Performance and Remuneration Committee members and their close families have been identified as Related Parties, due to the significant influence these structures exert over SALGA's operating and finance policies.

SALGA does not provide loans whether at market rates/prices or non-market related rates/prices to either Senior Management; NEC members; Audit and Risk Committee; and Performance Management and Remuneration Committee members.

ACCOUNTING POLICIES (continued)

1.23 Related parties (continued)

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

Compensation paid to key management personnel including their family members, where relevant is included in the disclosure notes.

1.24 Commitments

Commitments are recorded at cost in the notes to the financial statements when there is a contractual arrangement or an approval by management in a manner that raises a valid expectation that SALGA will discharge its responsibilities thereby incurring future expenditure that will result in the outflow of cash.

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

1.25 Segment reporting

SALGA has considered the implementation of GRAP 18 – Segment reporting, however the organisation is unable to implement the standard because it does not satisfy all the requirements of the standard. GRAP 18.05(b) requires regular review of the potential segment financial information at its management meetings for the purpose of making decisions about resources allocations.

Section 51(1)(a)(i) of the PFMA requires that public entities must ensure and maintain an effective, efficient and transparent systems of financial and risk management. In ensuring a transparent system for resource allocation, SALGA budgeting process includes "Budget Panel Hearings". The Budget Panel is a formal established forum where all business units are granted an equal opportunity to present their respective programmes, in detail or summary depending on the process for each year.

The SALGA budget process requires all business units to populate their budget, in a prescribed format, on an annual basis based on their annual priorities in line with the approved annual plan. The respective budgets are presented to the Budget Panel which is chaired by a member of SALGA's National Executive Committee (NEC). Members of the Budget Panel also include the Chief Finance Officer (CFO), Executive Manager (EM) and the Chief Executive Officer (CEO) (alternate chairperson), who assist the panel in dealing with various inputs from the directorates and provinces. The Budget Panel is a structure that decides and recommends the budget allocation after deliberations and requests presentation from all cost centres, based on the organisational strategic imperatives and advice of the CFO.

Financial management reports for business units are only presented at management meetings for budget implementation and cost monitoring purposes. There are no comprehensive segment financial reports that serve at management meetings for purposes of making decisions about resources allocations as defined in the standard. In view of the above mentioned SALGA cannot comply with all the requirements of GRAP 18 and thus the standard is not applicable to the organisation.

1.26 New standards and interpretations

Standards and interpretations issued, but not yet effective

The entity has not adopted the following standards and interpretations, which have been published issued but not yet effective:

| Document No. | Title | Business case link |
|--------------|-----------------------|---|
| GRAP 104 | Financial Instruments | SALGA already complies with the issued standard on financial instruments GRAP 104 (revised). The non-effective standard excludes from its scope, the Financial Guarantee Contracts which are not applicable to SALGA because the organisations does not frequently guarantee the debt of other entities or its employees. |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. Investment property

| | 2020 | 2019 | |
|---------------------|-----------|-----------|----------------|
| | Valuation | Valuation | Carrying value |
| Investment property | 7 176 000 | 7 800 000 | 7 800 000 |

Reconciliation of investment property – 2020

| | Opening balance | Fair value adjustment loss | Total |
|---------------------|-----------------|----------------------------|-----------|
| Investment property | 7 800 000 | (624 000) | 7 176 000 |

Reconciliation of investment property – 2019

| | Opening balance | Fair value adjustment gain | Total |
|---------------------|-----------------|----------------------------|-----------|
| Investment property | 6 610 000 | 1 190 000 | 7 800 000 |

Details of property

- (a) Stand 3278, Johannesburg, Gauteng
- (b) Stand 750, Kimberley, Northern Cape
- (c) Portion 654 of the farm Albinia No. 957, FT KwaZulu-Natal

Details of valuation

The effective date of the revaluations was 31 March 2020. Revaluations were performed by an independent valuer, Mr. William John Hewitt NDPV, C.I.E.A., F.I.V. (SA), Appraiser of Mills Fitchet (TVL) CC. Mills Fitchet (TVL) CC who is not connected to SALGA and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use. For the purpose of determining the market value of the investment properties the capitalisation of the "Net Annual Income", generally considered to determine the market value of an income producing property such as shopping centres, offices and industrial or commercial properties where the building has an earning potential.

Amounts recognised in surplus and deficit for the year.

The only rental income received from letting a portion of the investment property relates to the Hillcrest property in KwaZulu-Natal, where a portion of the land is let to Mobile Telephone Networks (MTN) for a cellular phone mast erected on the land. Such leasing of the property is incidental and insignificant relative to the potential of the property. There's no rental income earned on other investment property, rather they are held for capital appreciation.

There are no restrictions on the realisation of investment property or the remittance of revenue and proceeds of disposal. There are also no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

SOUTH AFRICAN LOCAL GOVERNMENT ASSOCIATION

Registered Employer Body in terms of the Labour Relations Act, 66 of 1996. Registration No. LR/2/6/3/350

(A Schedule 3A Public Entity i.t.o. the Public Finance Management Act, 1 of 1999 and recognised i.t.o. the Organised Local Government Act, 52 of 1997)

Annual Financial Statements for the year ended 31 March 2020

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

2020

2019

2. Investment property (continued)

None of the investment property has been pledged as security for any loan.

Amounts recognised in surplus or deficit

| | | |
|--|-----------|-------------|
| Rental revenue from investment property | (73 980) | (73 979) |
| Fair value gain or (loss) | 624 000 | (1 190 000) |
| From investment property that generated rental revenue | | |
| Direct operating expenses | 928 155 | 670 695 |
| From investment property that did not generate rental revenue | | |
| Direct operating expenses | 1 369 712 | 1 852 222 |

The operating costs above relate to municipal charges. The organisation initiated a process to dispose of investment property. Advertisements were placed in the Government Tender Bulletin, national newspapers, e-Tender portal and SALGA's website in the past.

3 Property, plant and equipment

| | 2020 | | | 2019 | | |
|-------------------------|-------------------|---|-------------------|-------------------|---|-------------------|
| | Cost | Accumulated depreciation and accumulated impairment | Carrying value | Cost | Accumulated depreciation and accumulated impairment | Carrying value |
| Land | 4 029 152 | - | 4 029 152 | 4 029 152 | - | 4 029 152 |
| Buildings | 20 316 489 | (577 767) | 19 738 722 | 20 223 793 | (306 375) | 19 917 418 |
| Furniture and fixtures | 16 817 868 | (7 496 614) | 9 321 254 | 16 754 473 | (6 675 724) | 10 078 749 |
| Motor vehicles | 2 347 728 | (1 358 496) | 989 232 | 2 347 728 | (925 327) | 1 422 401 |
| Office equipment | 7 868 422 | (3 064 162) | 4 804 259 | 7 823 361 | (3 152 830) | 4 670 531 |
| IT equipment | 20 940 990 | (16 571 307) | 4 369 683 | 19 762 671 | (14 567 940) | 5 194 732 |
| Leased office equipment | 5 375 839 | (3 266 943) | 2 108 896 | 6 130 566 | (2 640 421) | 3 490 145 |
| Leasehold improvements | 7 192 508 | (6 172 476) | 1 020 033 | 7 116 595 | (5 492 848) | 1 623 748 |
| Total | 84 888 996 | (38 507 764) | 46 381 232 | 84 188 340 | (33 761 464) | 50 426 876 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment – 2020

| | Opening balance | Additions | Disposals | Depreciation | Impairment loss | Total |
|-------------------------|-------------------|------------------|-----------------|--------------------|------------------|-------------------|
| Land | 4 029 152 | - | - | - | - | 4 029 152 |
| Buildings | 19 917 418 | 92 696 | - | (271 392) | - | 19 738 722 |
| Furniture and fixtures | 10 078 749 | 158 412 | - | (864 035) | (51 872) | 9 321 254 |
| Motor vehicles | 1 422 401 | - | - | (433 169) | - | 989 232 |
| Office equipment | 4 670 531 | 629 598 | - | (363 248) | (132 621) | 4 804 259 |
| IT equipment | 5 194 732 | 1 332 080 | (43 902) | (2 105 079) | (8 147) | 4 369 683 |
| Leased office equipment | 3 490 145 | 412 928 | (2 331) | (1 791 845) | - | 2 108 896 |
| Leasehold improvements | 1 623 748 | 75 913 | - | (679 628) | - | 1 020 033 |
| | 50 426 876 | 2 701 626 | (46 233) | (6 508 395) | (192 641) | 46 381 282 |

Reconciliation of property, plant and equipment – 2019

| | Opening balance | Additions | Disposals | Depreciation | Transfers | Impairment loss | Impairment reversal | Total |
|-------------------------|-------------------|-------------------|-----------------|--------------------|--------------------|------------------|---------------------|-------------------|
| Land | 4 029 152 | - | - | - | - | - | - | 4 029 152 |
| Buildings | 16 383 520 | 3 767 526 | - | (233 628) | - | - | - | 19 917 418 |
| Furniture and fixtures | 10 509 392 | 931 889 | - | (923 519) | - | (440 057) | 1 044 | 10 078 749 |
| Motor vehicles | 1 854 385 | - | - | (431 984) | - | - | - | 1 422 401 |
| Office equipment | 3 903 237 | 1 288 977 | - | (386 407) | - | (135 490) | 213 | 4 670 531 |
| IT equipment | 7 161 718 | 1 357 696 | (96 184) | (3 086 108) | - | (142 392) | - | 5 194 732 |
| Leased office equipment | 1 844 135 | 3 062 704 | - | (1 416 694) | - | - | - | 3 490 145 |
| Leasehold improvements | 2 181 529 | 118 986 | - | (676 767) | - | - | - | 1 623 748 |
| Work in progress | 1 569 499 | - | - | - | (1 569 499) | - | - | - |
| | 49 436 567 | 10 527 778 | (96 184) | (7 155 107) | (1 569 499) | (717 939) | 1 257 | 50 426 876 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

2020

2019

3. Property, plant and equipment (continued)

Compensation received for losses on property, plant and equipment – included in operating profit

| | | |
|------------------------|---------------|----------------|
| Furniture and fixtures | - | 301 805 |
| Motor vehicle | - | - |
| IT equipment | 25 916 | 44 286 |
| Office equipment | - | 20 000 |
| | 25 916 | 366 091 |

Assets subject to lease (Net carrying amount)

| | | |
|-------------------------|------------------|------------------|
| Leased office equipment | 2 108 896 | 3 490 145 |
| Leasehold improvements | 1 020 032 | 1 623 748 |
| | 3 128 928 | 5 113 893 |

Reconciliation of Work-in-progress (included within PPE)

Reconciliation of work-in-progress 2020

| | Opening balance | Transfers | Total |
|---------------------------------|-----------------|-----------|-------|
| Capital expenditure / Additions | - | - | - |

Reconciliation of work-in-progress 2019

| | Opening balance | Included within PPE | Total |
|---------------------------------|-----------------|---------------------|-------|
| Capital expenditure / Additions | 1 569 499 | (1 569 499) | - |

There are no assets pledged as security, contractual commitments for Property Plant and Equipment.

The compensation for losses of assets IT Equipment relate to recoveries from insurance on lost assets.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

2020

2019

4. Intangible assets

| | 2020 | | | 2019 | | |
|-------------------|---------|---|----------------|---------|---|----------------|
| | Cost | Accumulated depreciation and accumulated impairment | Carrying value | Cost | Accumulated depreciation and accumulated impairment | Carrying value |
| Computer software | 771 127 | (140 050) | 631 077 | 771 127 | (135 593) | 635 534 |

Reconciliation of intangible assets – 2020

| | Opening balance | Amortisation | Total |
|-------------------|-----------------|--------------|---------|
| Computer software | 635 534 | (4 457) | 631 077 |

Reconciliation of intangible assets – 2019

| | Opening balance | Amortisation | Total |
|-------------------|-----------------|--------------|---------|
| Computer software | 647 680 | (12 146) | 635 534 |

5. Deposits

At amortised cost

| | | |
|---|------------------|------------------|
| Rental deposits held by lessors | 1 160 778 | 1 088 144 |
| Terms and conditions | | |
| The deposits are refundable by the lessors only on termination of the lease agreement | | |
| | 1 160 778 | 1 088 144 |

Non-current assets

| | | |
|---------------------------------|-----------|-----------|
| Rental deposits held by lessors | 1 160 778 | 1 072 184 |
|---------------------------------|-----------|-----------|

Current assets

| | | |
|--|---|--------|
| Rental deposits held by lessors and held at attorney's trust account | - | 15 960 |
|--|---|--------|

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

| | 2020 | 2019 |
|---|--------------------|--------------------|
| 6. Operating lease asset / (liability) (accrual) | | |
| Current assets | - | 21 380 |
| Non-current liabilities | (2 480 907) | (2 844 124) |
| Current liabilities | (2 372 169) | (2 845 922) |
| | (4 853 076) | (5 668 666) |

The operating lease asset arose as a result of straight-lining the operating lease receipts in accordance with GRAP 13.

SALGA leases a portion of its property in KwaZulu-Natal to a cellular phone operator for a cellular phone mast. The lease period on integration of SALGA KwaZulu-Natal into the SALGA fold expired 31 March 2020 and has been renewed for a period of 119 months from 01 April 2020. The annual escalation is 8% and the remaining lease term is 119 months.

The operating lease liability arose due to the straight-lining of operating lease payments in accordance with GRAP 13. Refer to note 32 for details on the non-cancellable operating lease rentals payable in future.

SALGA leases premises with a lease period ranging from 36 to 60 months. The average annual escalation is 9% and the average remaining lease term is 20 months.

All leases, except for Gauteng have extension options included in the contracts. Four of the lease contracts (National Office; KwaZulu-Natal; Northern Cape and North West) have extension options that are subject to negotiation between SALGA and the Lessors at the end of the current contracts. SALGA normally enters into negotiations to extend lease contracts at least six months before the termination of the lease.

The national office lease has an option to purchase, the purchase price shall be based on market value at the time of exercising the option.

7. Employee benefit obligations

Defined contribution plan

It is the policy of SALGA to provide retirement benefits to all its employees. A defined contribution pension or retirement fund, subject to the Pensions Fund Act exist for this purpose.

SALGA is under no obligation to cover any unfunded benefits.

| | | |
|--|------------|------------|
| The amount recognised as an expense for defined contribution plan is | 18 152 508 | 19 576 104 |
|--|------------|------------|

Included in defined contribution plan information above, is the following plan which is accounted for as a defined contribution plan:

- Pension fund – R 18 152 508 (2019: R 19 576 104).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

| | 2020 | 2019 |
|--|-------------------|-------------------|
| 8. Trade and other receivables from exchange transactions | | |
| Trade receivables | 49 988 874 | 68 257 505 |
| Prepayments | 8 020 582 | 17 164 027 |
| Sundry receivables | 26 783 640 | 9 758 409 |
| | 84 793 096 | 95 179 941 |

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are past due and not impaired can be assessed by reference to historical default rates. The credit qualities rating of each of these financial instruments are as follows:

Low credit grade (high risk): The counter parties have evidenced high occurrences of defaults and / or re-negotiations of contractual terms in prior periods. Furthermore, an assessment of the financial position and liquidity position of the parties has provided evidence of financial difficulties that may impede the recoverability of the outstanding amounts. As such, the counter parties included in the low credit grade category pose a high credit risk to the entity.

Medium credit grade (Medium risk): The counter parties have evidenced instances of defaults and / or re-negotiations of contractual terms in prior periods on the repayment of outstanding amounts. An assessment of the financial position and liquidity positions of the parties has provided evidence of financial difficulties that may impede the recoverability of the outstanding amounts. The counter parties included in this credit grade category are active in an industry that is highly sensitive to market fluctuations and volatility in the international economies.

High credit grade (low risk): The counter parties have evidenced no instances of defaults and /or re-negotiations of contractual terms in prior periods.

Trade receivables schedule

| | | |
|--|-------------------|-------------------|
| Trade receivables schedule (gross carrying amount) | 254 699 162 | 192 820 148 |
| Less: Allowance for impairment | (204 710 288) | (124 562 642) |
| | 49 988 874 | 68 257 505 |

The allowance for impairment relates to the assessment of doubtful debts that SALGA may not realise.

Trade and other receivables past due but not impaired (exchange transactions):

As of 31 March 2020, trade and other receivables from exchange transactions of R 49 988 874 (2019: R 68 257 505) were past due payment date and not impaired:

The ageing of amounts past due payment date but not impaired is as follows:

| | | |
|--|-------------------|-------------------|
| Not more than 30 days | - | - |
| More than 30 days but not more than 60 days | - | 8 904 315 |
| More than 60 days but not more than 90 days | - | - |
| More than 90 days but not more than 120 days | - | - |
| More than 120 days | 49 988 874 | 59 353 190 |
| | 49 988 874 | 68 257 505 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

2020

2019

8. Trade and other receivables from exchange transactions (continued)

The carrying amount of trade and other receivables that are past due and have re-negotiated settlement terms amount to R nil (2019: R 14 798 897).

Trade and other receivables past due but not impaired (exchange transactions):

As of 31 March 2020, trade and other receivables of R 204 710 288 (2019: R 124 562 642) were impaired and provided for.

The ageing of impaired amounts is as follows:

| | | |
|--|--------------------|--------------------|
| Not more than 30 days | - | - |
| More than 30 days but not more than 60 days | 4 063 191 | 120 423 |
| More than 60 days but not more than 90 days | 50 535 | - |
| More than 90 days but not more than 120 days | - | - |
| More than 120 days | 200 596 562 | 124 442 220 |
| | 204 710 288 | 124 562 642 |

Reconciliation of allowance account for doubtful debt

| | | |
|--------------------------------------|--------------------|--------------------|
| Opening balance | 124 562 642 | 73 543 010 |
| Increase in allowance for impairment | 204 710 288 | 124 562 642 |
| Amounts written-off as uncollectable | - | - |
| Unused amounts reversed | (124 562 642) | (73 543 010) |
| | 204 710 288 | 124 562 642 |

The creation and release of allowance for impaired receivables have been included in operating expenses in surplus or deficit (note 23).

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. SALGA does not hold any collateral as security.

SALGA is exposed to credit risk as a result of transactions entered into with customers on extended payment terms, and cash and cash equivalents held with commercial banks that may not be able to produce cash on demand.

SALGA manages these risks by independent checks and only using commercial banks approved by National Treasury. No changes occurred in the management of these risks from the prior year

| | | |
|--------------------|-------------------|-------------------|
| Trade receivables | 49 988 874 | 68 257 505 |
| Prepayments | 8 020 582 | 17 164 027 |
| Sundry receivables | 26 783 640 | 9 758 409 |
| | 84 793 096 | 95 179 941 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

2020

2019

9. Receivables from non-exchange transactions

| | | |
|---|-------------------|-------------------|
| Receivables from non-exchange transactions | 18 788 807 | 23 788 070 |
| Sundry receivables from non-exchange transactions | 5 534 048 | - |
| | 24 322 855 | 23 788 070 |

Credit quality of receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Low credit grade (high risk): The counter party has evidenced high occurrences of defaults and / or re-negotiations of contractual terms in prior periods. Furthermore, an assessment of the financial position and liquidity position of the party has provided evidence of financial difficulties that may impede the recoverability of the outstanding amounts. As such the counter parties included in the low credit grade category pose a high credit risk to the entity.

Medium credit grade (medium risk): The counter party has evidenced instances of defaults and / or re-negotiations of contractual terms in prior periods on the repayment of outstanding amounts. An assessment of the financial position and liquidity positions of the party has provided evidence of financial difficulties that may impede the recoverability of the outstanding amounts. The counter parties included in this credit grade category are active in an industry that is highly sensitive to market fluctuations and volatility in the international economies.

High credit grade (low risk): The counter party has evidenced no instances of defaults and / or re-negotiations of contractual terms in prior periods.

Receivables from non-exchange transactions past due but not impaired:

As of 31 March 2020, receivables from non-exchange transactions of R 23 216 875 (2019: R 23 788 070) were past due and not impaired.

The ageing of amounts past due but not impaired is as follows:

| | | |
|--|-------------------|-------------------|
| Not more than 30 days | 13 621 199 | 1 130 608 |
| More than 30 days but not more than 60 days | 976 762 | - |
| More than 60 days but not more than 90 days | - | - |
| More than 90 days but not more than 120 days | 29 390 | 327 803 |
| More than 120 days | 8 589 624 | 22 329 659 |
| | 23 216 975 | 23 788 070 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

2020

2019

9. Receivables from non-exchange transactions (continued)

Receivables from non-exchange impaired

As of 31 March 2020, receivables from non-exchange transactions of R 12 420 619 (2019: R 2 688 126) were impaired and provided for.

The ageing of impaired amounts is as follows:

| | | |
|--|-------------------|------------------|
| Not more than 30 days | - | 24 822 |
| More than 30 days but not more than 60 days | - | - |
| More than 60 days but not more than 90 days | - | - |
| More than 90 days but not more than 120 days | - | 7 197 |
| More than 120 days | 12 420 619 | 2 656 108 |
| | 12 420 619 | 2 688 126 |

Reconciliation of provision for impairment of receivables from non-exchange transactions:

| | | |
|--------------------------|-------------------|------------------|
| Opening balance | 2 688 126 | 574 359 |
| Provision for impairment | 12 420 619 | 2 688 126 |
| Unused amounts reversed | (2 688 126) | (574 359) |
| | 12 420 619 | 2 688 126 |

10. Cash and cash equivalents

The carrying value of cash and cash equivalents is measured at amortised cost. None of the instruments included in the cash and cash equivalents were pledged as security for any financial obligation.

Cash and cash equivalents consist of:

| | | |
|---------------|--------------------|--------------------|
| Cash on hand | 28 561 | 22 820 |
| Bank balances | 162 883 097 | 110 420 757 |
| | 162 911 658 | 110 443 577 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

2020

2019

11. Disposal of a significant asset

The organisation has initiated a process to dispose of investment property. Advertisements were placed in the Government Tender Bulletin, national newspapers, e-Tender portal and SALGA's website on 17 July 2015 and 6 November 2015.

Description of the asset(s)

The investment property is held for capital appreciation.

- i) Stand 3278, Johannesburg, Gauteng.
- ii) Stand 750, Kimberly, Northern Cape.
- iii) Portion 654 of the farm Albania No. 957, FT KwaZulu-Natal.

Carrying values

Carrying values of the assets

7 176 000

7 800 000

12. Facts and circumstances of the disposal

The NEC which is the Accounting Authority approved the disposal of the investment property on 5 August 2013 with a proviso that proceeds from the disposal be ring-fenced for the acquisition of administrative buildings for the respective offices. Approval of the Executive Authority was sought and obtained in 2015 in terms of the PFMA and the organisation's Materiality and Significance Framework.

The expected sale or transfer date is 31 March 2021.

Revaluation surplus reserve

The revaluation surplus is non-distributable.

Opening balance

2 259 566

2 259 566

The revaluation reserve results from the revaluation of property, plant and equipment while still owner occupied. It remains after treating the same assets as investment property since they were vacated by the entity.

Upon transfer of the owner-occupied property to investment property the revaluation surplus is treated in the following manner:

- any remaining part of the increase is credited directly to net assets in revaluation surplus. On subsequent disposal of the investment property, the revaluation surplus included in net assets may be transferred to accumulated surpluses or deficits. The transfer from revaluation surplus to accumulated surpluses or deficits is not made through surplus or deficit but through the Statement of Changes in Net Assets.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

| | 2020 | 2019 |
|--|------------------|------------------|
| 13. Finance lease obligation | | |
| Minimum lease payments due | | |
| - within one year | 1 606 140 | 2 034 267 |
| - in second to fifth years inclusive | 686 742 | 1 886 578 |
| | 2 292 882 | 3 920 845 |
| less: future finance charges | (173 811) | (400 222) |
| Present value of minimum lease payments | 2 119 071 | 3 520 623 |
| Present value of minimum lease payments due | | |
| - within one year | 1 464 123 | 1 760 828 |
| - in second to fifth years inclusive | 654 948 | 1 759 795 |
| | 2 119 071 | 3 520 623 |
| Non-current liabilities | 1 464 123 | 1 759 795 |
| Current liabilities | 654 948 | 1 760 828 |
| | 2 119 071 | 3 520 623 |

It is SALGA's standard operating practice to lease certain office equipment under finance leases. Obligations under finance leases are secured by the lessor's title to the leased assets.

SALGA ordinarily concludes these leasing arrangements for a period that ranges up to 36 months. The average lease period for leased office equipment is 36 months. The average remaining lease term is 9 months and the average effective interest rate implicit in the lease was 10.11% (2019: 10.22%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent. There are purchase options entered into on these leased assets. SALGA does not renew the leases upon expiry as the useful life approximates the lease term.

SALGA's obligations under finance leases are secured by the lessor's claim over the leased assets, in an instant where SALGA defaults on the contractual lease payments. Refer to note 3.

Leased office equipment with a carrying amount of R 2 108 896 (2019: R 3 490 145) are subject to the Lessors restrictions in terms of movement (relocation).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

2020

2019

14. Unspent conditional grants and receipts

Assets recognised and included in cash and cash equivalents amounting to R 8 905 670 (2019: R 11 304 713) are ring-fenced and can be used solely in terms of the conditions of the grants.

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

| | | |
|---|------------------|-------------------|
| Deutsche Gesellschaft fur Internationale Zusammenarbeit (GIZ) - LED Network | 105 260 | 105 260 |
| Local Government SETA – Leadership Development Workshops (LDW) | 1 151 838 | 1 151 838 |
| Local Government SETA - Capacity Building (CB) | 23 330 | 23 330 |
| European Union (SGCLG) | 76 299 | 1 865 272 |
| Local Government SETA (LGCAC) | 3 350 988 | 3 350 988 |
| Local Government SETA (MaSE) | 1 946 628 | 2 037 190 |
| Federation of Canadian Municipalities (BIGM) | - | 408 627 |
| European Union - Enhancing Municipal Capacity (EMC) | 732 148 | 779 560 |
| Local Government SETA (LiGO) | - | 59 057 |
| Commonwealth Local Government Forum (LED) | - | 467 800 |
| Local Government SETA (LLLC) | - | 93 904 |
| Department of Science and Technology (MIMI) | 1 483 108 | 718 200 |
| VVSG (Enhancing capacity in Local Government waste management) | 36 071 | 243 687 |
| | 8 905 670 | 11 304 713 |

Movement during the year

| | | |
|--------------------------------------|------------------|-------------------|
| Balance at the beginning of the year | 11 304 713 | 10 269 864 |
| Additions during the year | 5 984 747 | 13 135 709 |
| Revenue recognition during the year | (8 383 790) | (12 100 860) |
| | 8 905 670 | 11 304 713 |

The nature and extent of conditional government grants recognised in the annual financial statements and an indication of other forms of assistance from which SALGA has directly benefited are disclosed in note 19; and any unfulfilled conditions and attaching to government and other assistance has not been recognised in surplus or deficit and remain reflected as a liability (unspent conditional grants and receipts).

See note 19 for reconciliation of grants from National / Provincial Government and other Institutions.

SOUTH AFRICAN LOCAL GOVERNMENT ASSOCIATION

Registered Employer Body in terms of the Labour Relations Act, 66 of 1996. Registration No. LR/2/6/3/350

(A Schedule 3A Public Entity i.t.o. the Public Finance Management Act, 1 of 1999 and recognised i.t.o. the Organised Local Government Act, 52 of 1997)

Annual Financial Statements for the year ended 31 March 2020

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

15. Provisions

Reconciliation of provisions – 2020

| | Opening Balance | Additions | Reversed during the year | Total |
|----------------------------------|-------------------|------------------|--------------------------|------------------|
| FTC employee long term incentive | 13 999 016 | 1 076 293 | (13 999 016) | 1 076 293 |
| Legal settlements (CCMA) | 185 528 | - | - | 185 528 |
| | 14 184 544 | 6 134 745 | (13 999 016) | 1 261 821 |

Reconciliation of provisions – 2019

| | Opening Balance | Additions | Reversed during the year | Total |
|----------------------------------|-------------------|------------------|--------------------------|-------------------|
| FTC employee long term incentive | 11 499 804 | 3 442 456 | (943 244) | 13 999 016 |
| Legal settlements (CCMA) | 185 528 | - | - | 185 528 |
| | 11 685 332 | 3 442 456 | (943 244) | 14 184 544 |
| Non-current liabilities | | | 653 325 | 683 944 |
| Current liabilities | | | 608 496 | 13 500 600 |
| | | | 1 261 821 | 14 184 544 |

The Fixed Term Contract (FTC) employee long-term retention incentive represents management's best estimate of SALGA's liability under year six of the retention incentive scheme. The FTC retention incentive scheme only vests to FTC employees provided the employee's performance is acceptable in terms of SALGA's merit based rating matrix. Furthermore, should the employee remain in the employ of SALGA for a period exceeding three years whereupon the incentive shall vest to the employee.

There is no change on the basis used to calculate the entity's obligation on the retention scheme.

The provision for legal settlements is for a CCMA award to an employee for constructive dismissal the organisation is currently appealing the CCMA ruling at the Labour Court.

Figures in Rand

2020

2019

16. Trade and other payables from exchange transactions

| | | |
|--|-------------------|-------------------|
| Trade payables | 5 879 354 | 7 610 692 |
| Membership levies received in advanced | 9 258 271 | 11 053 765 |
| Sundry payables | 23 986 460 | 933 508 |
| Accrued leave pay | 17 841 735 | 16 531 401 |
| Accrued thirteenth cheque | 1 840 607 | 1 842 110 |
| Accrued expenses | 8 215 850 | 13 146 675 |
| Accrued performance rewards | 21 437 203 | 21 820 436 |
| Other payables (lodge cards) | 6 122 761 | 6 579 836 |
| | 94 582 241 | 79 518 424 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

17. Financial instruments disclosure

Categories of financial instruments

2020

Financial assets

| |
|--|
| Operating lease receivables – exchange transactions |
| Trade and other receivables from exchange transactions |
| Other receivables from non-exchange transactions |
| Cash and cash equivalents |

| At amortised cost | Total |
|--------------------|--------------------|
| - | - |
| 49 988 874 | 49 988 874 |
| 23 216 975 | 23 216 975 |
| 162 911 658 | 162 911 658 |
| 236 117 507 | 236 117 507 |

Financial liabilities

| |
|---|
| Trade and other payables from exchange transactions |
| Sundry payables |
| Other payables (lodge cards) |

| At amortised cost | Total |
|-------------------|-------------------|
| 14 095 205 | 14 095 205 |
| 23 986 460 | 23 986 460 |
| 6 122 761 | 6 122 761 |
| 44 204 426 | 44 204 426 |

2019

Financial assets

| |
|--|
| Operating lease receivables – exchange transactions |
| Trade and other receivables from exchange transactions |
| Other receivables from non-exchange transactions |
| Cash and cash equivalents |

| At amortised cost | Total |
|--------------------|--------------------|
| 21 380 | 21 380 |
| 78 015 914 | 78 015 914 |
| 23 788 070 | 23 788 070 |
| 110 443 577 | 110 443 577 |
| 212 268 942 | 212 268 942 |

Financial liabilities

| |
|---|
| Trade and other payables from exchange transactions |
| Sundry payables |
| Other payables (lodge cards) |

| At amortised cost | Total |
|-------------------|-------------------|
| 20 757 367 | 20 757 367 |
| 933 508 | 933 508 |
| 6 579 836 | 6 579 836 |
| 29 263 780 | 29 263 780 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

2020

2019

18. Revenue

Total revenue disclosed in the statement of financial performance is made up as follows:

| | | |
|--|--------------------|--------------------|
| Revenue from exchange transactions | 619 790 665 | 563 848 319 |
| Revenue from non-exchange transactions | 51 816 956 | 49 096 183 |
| Other revenue (refer note 20) | 5 032 091 | 12 037 976 |
| Investment revenue (refer note 25) | 35 048 795 | 30 310 996 |
| Total revenue | 711 688 507 | 655 293 474 |

The amounts included in revenue arising from exchanges of goods or services are as follows:

| | | |
|---|--------------------|--------------------|
| Rendering of services - membership levies | 619 790 665 | 563 848 319 |
| Other revenue (refer note 20) | 5 032 091 | 12 037 976 |
| | 624 822 756 | 575 886 295 |

The amount included in revenue arising from non-exchange transactions is as follows:

| | | |
|--|-------------------|-------------------|
| Grant recognised – LGSETA (CAC) | - | 637 522 |
| Grant derecognised – LGSETA (MaSE) | 90 563 | - |
| Transfers – Government grant and subsidies | 33 879 000 | 31 300 000 |
| Grant recognised – FoCM (BIGM) | 3 998 431 | 5 274 640 |
| Sponsorship and donations | 1 795 000 | 3 136 522 |
| Grant recognised – Commonwealth Local Government Forum | 1 577 800 | - |
| Grant recognised – DST (MIMI) | 526 572 | - |
| Grant recognised – DPSA (Tirelo Bosha) | - | 750 150 |
| Grant recognised – European Union (SCLG) | 1 788 973 | 1 866 375 |
| Grant recognised – LGSETA (LiGO) | 675 963 | 310 845 |
| Grant recognised – LGSETA (LLC) | 2 536 360 | 246 453 |
| Grant recognised – EU (Enhancing municipal capacity for development) | 4 740 678 | 3 633 037 |
| Grant recognised – VVSG (Enhancing capacity in LG waste management) | 207 616 | 140 639 |
| | 51 816 956 | 49 096 183 |

SOUTH AFRICAN LOCAL GOVERNMENT ASSOCIATION

Registered Employer Body in terms of the Labour Relations Act, 66 of 1996. Registration No. LR/2/6/3/350

(A Schedule 3A Public Entity i.t.o. the Public Finance Management Act, 1 of 1999 and recognised i.t.o. the Organised Local Government Act, 52 of 1997)

Annual Financial Statements for the year ended 31 March 2020

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

| | 2020 | 2019 |
|---|--------------------|--------------------|
| 19. Direct expenditure – Programme cost | | |
| Municipal advisory and support service cost | | |
| Annual remuneration | 182 063 666 | 175 466 935 |
| Performance rewards | 15 183 045 | 14 782 743 |
| Employer contribution to medical aid | 7 769 542 | 7 652 442 |
| UIF | 465 090 | 476 607 |
| SDL | 2 010 794 | 1 990 782 |
| Other payroll levies | 8 658 560 | 7 367 261 |
| Leave pay accrual charge | 3 908 743 | 463 482 |
| Cell phone allowance | 3 129 546 | 3 283 790 |
| Employer contribution to group risk | 3 797 245 | 3 508 710 |
| Defined contribution plan – employer contribution to retirement funds | 12 766 066 | 13 598 385 |
| Long-term benefits – retention incentive scheme | (604 012) | 3 577 095 |
| | 239 148 285 | 232 168 232 |
| IGR Participation and mandating cost (councillors) | | |
| Sitting allowance | 2 333 110 | 2 933 993 |
| Travel allowance | 2 795 419 | 3 405 077 |
| | 5 128 529 | 6 339 070 |
| OLG Mandate implementation cost | | |
| Member support – professional and advisory services | 27 098 880 | 40 280 746 |
| Travel expenditure | 18 492 962 | 22 222 430 |
| Venue hire and accommodation | 25 766 739 | 39 084 041 |
| Capacity building expenditure | 10 108 558 | 1 274 380 |
| Logistical support expenses | 6 681 600 | 7 973 724 |
| | 88 148 738 | 110 835 320 |
| | 332 425 552 | 349 342 623 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

| | 2020 | 2019 |
|---|------------|------------|
| 20. Government grants and subsidies | | |
| Transfers and subsidies - Executive Authority | 33 879 000 | 33 100 000 |

Conditional grant -LGSETA – Integrated Councillor Induction Programme (ICIP) Grant

| | | |
|--|----------|----------|
| Balance unspent at beginning of year | - | - |
| Current-year receipts | - | - |
| Conditions met - transferred to revenue (refer note 17) | - | - |
| Included in trade and other receivables (sundry receivables) (refer note 10) | - | 20 498 |
| Balance unspent at end of year | - | - |

Conditions still to be met – remaining liability (refer note 13)

A conditional grant was obtained from the LGSETA to assist in SALGA's programme to induct the new Councillors, after the 3 August 2016 local government elections, into the local government sphere.

Conditional grant - Deutsche Gesellschaft fur Internationale Zusammenarbeit (GIZ) - LED Network Grant)

| | | |
|--------------------------------|---------|---------|
| Balance unspent at end of year | 105 260 | 105 260 |
|--------------------------------|---------|---------|

Conditions still to be met – remaining liability (refer note 13)

The grant is funded by Deutsche Gesellschaft fur Internationale Zusammenarbeit (GIZ) to build capacity within SALGA for a Local Economic Development (“LED”) specialist.

Conditional grant -Local Government SETA Leadership Development Workshops (LDW)

| | | |
|--------------------------------|-----------|-----------|
| Balance unspent at end of year | 1 151 838 | 1 151 838 |
|--------------------------------|-----------|-----------|

Conditions still to be met – remaining liability (refer note 13)

The grant is from the Local Government Sector Education and Training Authority (LG SETA). Its intention is to provide support to SALGA's capacity building programmes targeted to SALGA members, i.e. municipalities, and its primary aim is to fund the Leadership Development Workshop (LDW).

Conditional grant -Local Government SETA (Capacity Building)

| | | |
|--------------------------------------|--------|--------|
| Balance unspent at beginning of year | 23 330 | 23 330 |
|--------------------------------------|--------|--------|

Conditions still to be met – remaining liability (refer note 13)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

2020

2019

20. Government grants and subsidies (continued)

The grant is for the activation of capacity building through a Human Resources Development Indaba that will inform SALGA's programme on Human Resource Development for the sector. The grant received from the LGSETA will also fund the following projects:

- (i) capacity building;
- (ii) conducting a feasibility study for the facilitation of Local Government Leadership Academy Scoping; and
- (iii) Development of requirements specification for the HRM&D Information Systems.

Conditional grant - Commonwealth Local Government Forum (LED)

| | | |
|---|-------------|----------------|
| Balance unspent at beginning of year | 467 800 | - |
| Current-year receipts | 1 110 000 | 467 800 |
| Conditions met – transferred to revenue (refer note 17) | (1 577 800) | - |
| Balance unspent at end of year | - | 467 800 |

Conditions still to be met – remaining liability (refer note 13)

The grant from the Commonwealth Local Government Forum (CLGF) is to fund SALGA's partnership with CLGF to support local government in promoting local economic development. The objectives of the intervention are to address the following key actions to enable local government to play its full role in LED.

- Provide clear national framework for LED
- Create an enabling environment
- Local strategies to promote LED partnerships with the private sector.

Conditional grant - LGSETA Portfolio Based Councillor Development Programme (PBCDP)

| | | |
|---|----------|-------------|
| Balance unspent at beginning of year | - | (1 085 382) |
| Current-year receipts | - | - |
| Conditions met - transferred to revenue (refer note 17) | - | - |
| Included in trade and other receivables (sundry receivables) (refer note 9) | - | 1 085 382 |
| Balance unspent at end of year | - | - |

Conditions still to be met – remaining liability (see note 13)

The grant is from the LGSETA and it is intended to provide financial support to SALGA to enable the roll-out of a Portfolio based Councillor Development Programme (PBCDP). The programme is targeted at reaching at least 5 000 councillors to be provided with portfolio-based training based on their respective roles in municipalities.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

2020

2019

20. Government grants and subsidies (continued)

Conditional grant - European Union (EU) – Strengthening Governance and Capacity in Local Government (SCLG)

| | | |
|---|---------------|------------------|
| Balance unspent at beginning of year | 1 865 272 | 698 687 |
| Current-year receipts | - | 2 274 159 |
| Conditions met - transferred to revenue (refer note 17) | (1 788 973) | (1 107 574) |
| | 76 299 | 1 865 272 |

Conditions still to be met – remaining liability (refer note 13)

The grant is from the European Union (EU) – SCLG to fund SALGA to strengthen governance and capacity building in municipalities

Conditional grant – Local Government SETA (CAC)

| | | |
|---|------------------|------------------|
| Balance unspent at beginning of year | 3 350 988 | 2 988 510 |
| Current-year receipts | - | 1 000 000 |
| Conditions met – transferred to revenue (refer note 17) | - | (637 522) |
| | 3 350 988 | 3 350 988 |

Conditions still to be met – remaining liability (refer note 13)

The grant is from LGSETA-CAC and it is intended to establish Local Government competency assessment centre and general administration.

Conditional grant – Local Government SETA (MaSE)

| | | |
|---|------------------|------------------|
| Balance unspent at beginning of year | 2 037 191 | (737 522) |
| Current-year receipts | - | 2 774 713 |
| Conditions met - transferred to revenue (refer note 17) | (90 563) | - |
| Included in trade and other receivables (sundry receivables) (refer note 9) | - | - |
| | 1 946 628 | 2 037 191 |

Conditions still to be met – remaining liability (refer note 13)

The grant is from LGSETA-(MaSE) and it is intended to implement the National Skills Development Strategy III by improving effectiveness and efficiency of the skills development system. This programme will assist in promoting and supporting the integration of theoretical learning with work place training

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

2020

2019

20. Government grants and subsidies (continued)

Conditional grant – Federation of Canadian Municipalities (BIGM)

| | | |
|---|-------------|----------------|
| Balance unspent at beginning of year | 408 627 | 35 805 |
| Current-year receipts | 2 220 997 | 5 647 462 |
| Conditions met - transferred to revenue (refer note 17) | (3 998 431) | (5 274 640) |
| Included in trade and other receivables (sundry receivables) (refer note 9) | 1 368 807 | |
| | - | 408 627 |

Conditions still to be met – remaining liability (refer note 13)

This grant is from the Federation of Canadian Municipalities to support municipalities to improve their capacity, develop and implement plans for green infrastructure, trade and economic development and enhance SALGA's capacity to provide institutional support to its members.

Conditional grant – Department of Public Service and Administration (Tirelo Boshia)

| | | |
|---|----------|-----------|
| Balance unspent at beginning of year | - | 575 135 |
| Current-year receipts | - | 175 015 |
| Conditions met – transferred to revenue (refer note 17) | - | (750 150) |
| | - | - |

Conditions still to be met – remaining liability (refer note 13)

This grant is from Department of Public Service and Administration. It is intended to support member municipalities to improve their capacity and develop and implement plans for green infrastructure and trade and economic development and enhance SALGA's capacity to provide institutional support to its member municipalities.

Conditional grant – European Union (Enhance Municipal Capacity for Development)

| | | |
|---|----------------|----------------|
| Balance unspent at beginning of year | 779 560 | 4 412 597 |
| Current-year receipts | 4 693 266 | - |
| Conditions met – transferred to revenue (refer note 17) | (4 740 678) | (3 633 037) |
| | 732 148 | 779 560 |

Conditions still to be met – remaining liability (refer note 13)

This conditional grant is funded by European Union. The main purpose is to enhance municipalities' capacity for economic development.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

2020

2019

20. Government grants and subsidies (continued)

Conditional grant – Local Government SETA (LiGO)

| | | |
|---|-----------|---------------|
| Balance unspent at beginning of year | 59 057 | 278 702 |
| Current-year receipts | - | 91 200 |
| Conditions met - transferred to revenue (refer note 17) | (675 963) | (310 845) |
| Included in trade and other receivables (sundry receivables) (refer note 9) | 616 906 | |
| | - | 59 057 |

Conditions still to be met – remaining liability (refer note 13)

This grant is funded by LGSETA. It is aimed at providing skills programmes in Leadership governance and oversight such as policy leadership, strategy and planning, leading local economies and financial leadership.

Conditional grant – VVSG (Enhancing Capacity in Local Government Waste Management)

| | | |
|---|---------------|----------------|
| Balance unspent at beginning of year | 243 687 | - |
| Current-year receipts | - | 384 326 |
| Conditions met - transferred to revenue (refer note 17) | (207 616) | (140 639) |
| | 36 071 | 243 687 |

Conditions still to be met – remaining liability (refer note 13)

The grant is funded by the Association of Flemish Cities and Municipalities (VVSG). The objectives of the grant are to: (1) enhance the capacity of local government in SA to contribute to the implementation of the integrated waste management policies respecting the principles of good local governance and (2) contribute to good, inclusive local governance through the enhance digital capacity for smart governance and improved service delivery of SALGA and its member municipalities.

Conditional grant – Local Government SETA (LLLC)

| | | |
|---|-------------|---------------|
| Balance unspent at beginning of year | 93 904 | - |
| Current-year receipts | - | 340 358 |
| Conditions met - transferred to revenue (refer note 17) | (2 536 360) | (246 453) |
| Included in trade and other receivables (sundry receivables) (refer note 9) | 2 442 456 | |
| | - | 93 904 |

Conditions still to be met – remaining liability (refer note 13)

The grant is funded by the LGSETA. It is intended for the implementation of the NSDS III by improving the effectiveness and efficiency of the skills development systems. In addition, to promote and support the integration of theoretical learning with workplace training.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

2020

2019

20. Government grants and subsidies (continued)

Conditional grant – Department of Science and Technology (MIMI)

| | | |
|---|------------------|----------------|
| Balance unspent at beginning of year | 718 200 | - |
| Current-year receipts | 1 291 481 | 718 200 |
| Conditions met - transferred to revenue (refer note 17) | (526 573) | - |
| | 1 483 110 | 718 200 |

Conditions still to be met – remaining liability (refer note 13)

The grant is funded by Department of Science and Technology to develop a Municipal Innovation Maturity Index (MIMI)

21. Other revenue

| | | |
|--|------------------|-------------------|
| Delegate fees - national and provincial members assembly | 4 231 075 | 10 558 691 |
| Sundry revenue | 727 262 | 1 562 308 |
| Commission revenue | 1 528 | 2 155 |
| Rent revenue | 73 980 | 73 979 |
| Loss on foreign exchange differences | (1 754) | (159 157) |
| | 5 032 091 | 12 037 976 |

22. Administrative expenditure

| | | |
|--|--------------------|--------------------|
| Impairment loss | 192 641 | 716 682 |
| Lease rentals | 47 767 751 | 45 581 660 |
| Allowance for doubtful debt | 89 880 139 | 53 133 400 |
| Repairs and maintenance | 7 007 305 | 6 704 466 |
| (Gain) or Loss on disposal of assets | 20 317 | (269 907) |
| Investment property fair value adjustments | 624 000 | (1 190 000) |
| Other overheads | 10 568 477 | 8 714 774 |
| | 156 060 629 | 113 391 074 |

SOUTH AFRICAN LOCAL GOVERNMENT ASSOCIATION

Registered Employer Body in terms of the Labour Relations Act, 66 of 1996. Registration No. LR/2/6/3/350

(A Schedule 3A Public Entity i.t.o. the Public Finance Management Act, 1 of 1999 and recognised i.t.o. the Organised Local Government Act, 52 of 1997)

Annual Financial Statements for the year ended 31 March 2020

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

| | 2020 | 2019 |
|--|-------------------|-------------------|
| 23. Other operational expenditure | | |
| Advertising | 2 079 570 | 3 044 357 |
| Auditors remuneration | 4 194 205 | 2 252 112 |
| Bank charges | 209 244 | 201 789 |
| Cleaning | 1 342 565 | 1 069 690 |
| IT consumables | 593 600 | 149 268 |
| Professional and advisory services | 11 823 897 | 4 987 620 |
| Gifts | 90 899 | 41 976 |
| Insurance | 705 139 | 617 531 |
| Community development initiatives | 314 985 | 347 252 |
| IT support and licence fees | 21 444 516 | 17 459 865 |
| Marketing | 5 345 592 | 6 221 384 |
| Magazines, books and periodicals | 7 445 | 44 954 |
| Motor vehicle expenses | 136 903 | 214 313 |
| Postage and courier | 1 009 075 | 1 072 476 |
| Printing and stationery | 4 725 588 | 3 666 901 |
| Municipal profiling | 1 124 161 | 2 959 555 |
| Security costs | 3 260 142 | 2 982 488 |
| Staff welfare | 1 105 882 | 1 251 484 |
| Subscriptions and membership fees | 578 696 | 527 978 |
| Telephone and fax | 2 157 125 | 2 468 186 |
| Training | 3 996 518 | 3 785 699 |
| Assets expensed | 3 280 | 24 156 |
| Municipal charges – utilities | 7 618 166 | 7 101 157 |
| Municipal charges – other levies | 6 249 079 | 5 497 593 |
| Uniforms | 278 746 | 254 442 |
| Other office accommodation costs | 354 173 | 393 348 |
| Recruitment costs | 2 042 130 | 427 547 |
| Corporate Governance costs | 951 049 | 1 209 558 |
| General expenses | 2 945 | - |
| | 83 745 315 | 70 274 679 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

2020

2019

24. Operating surplus or (deficit)

Operating surplus or (deficit) for the year is stated after accounting for the following amongst others:

Operating lease charges

Premises

- Straight-lined amounts

43 859 071

45 385 847

Equipment

- Lease expenses

(500 396)

(130 399)

47 767 751

45 255 448

Loss/(profit) on sale of property, plant and equipment

20 317

(269 907)

Legal fees

4 684 927

2 139 876

Repairs and maintenance

7 007 305

6 704 466

Impairment on property, plant and equipment

192 641

716 682

Amortisation of intangible assets

4 457

12 146

Depreciation of property, plant and equipment

6 508 395

7 155 107

Municipal advisory and support service cost

264 538 104

232 168 232

Employee costs

65 658 338

100 380 204

Amount expensed in respect of retirement benefit plans:

18 152 508

19 576 104

Defined contribution funds

18 152 508

19 576 104

Defined benefit funds

-

-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

2020

2019

25. Employee-related costs

The disclosed personnel cost is inclusive of direct expenditure for municipal advisory and support service cost which are necessary for the organisation to provide member support.

The distribution of personnel costs between core services i.e. implementation of SALGA's mandate and administration support is as follows:

| | | |
|---|--------------------|--------------------|
| Municipal advisory and support service cost (refer note 18) | 239 148 285 | 232 168 232 |
| Administration support | 91 048 158 | 100 380 204 |
| | 330 196 443 | 332 540 436 |

Core services accounts for 80% (2019: 70%) of total employee-related costs.

Personnel cost

| | | |
|--|-------------------|--------------------|
| Annual remuneration | 70 715 778 | 78 583 972 |
| Performance rewards | 5 705 031 | 5 754 890 |
| Employer contribution medical aid | 4 782 185 | 5 026 474 |
| UIF | 260 454 | 308 641 |
| WCA | 666 659 | 638 569 |
| SDL | 855 666 | 897 755 |
| Other payroll levies | 803 813 | 1 077 176 |
| Leave pay accrual charge | (1 411 718) | (414 478) |
| Cell phone allowance | 1 174 009 | 1 265 849 |
| Employer contribution group risk | 1 430 638 | 1 612 874 |
| Other short term costs | 526 003 | 728 647 |
| Defined contribution plan – Employer contribution pension fund | 5 386 443 | 5 977 718 |
| Long-term benefits – retention incentive scheme | 153 197 | (1 077 883) |
| | 91 048 158 | 100 380 204 |

Remuneration of senior management

| | | |
|--|-------------------|-------------------|
| Annual remuneration | 15 478 825 | 16 432 217 |
| Employer contribution to retirement fund | 1 136 314 | 1 298 250 |
| Performance rewards | 1 491 015 | 1 864 987 |
| Subsistence, cell phone, and travel allowances | 845 830 | 825 704 |
| Employer contribution to group risk | 304 414 | 307 370 |
| Employer contribution to medical aid | 183 401 | 207 214 |
| | 19 439 799 | 20 935 743 |

Also refer to note 33: Related parties for further details on remuneration of senior management.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

| | 2020 | 2019 |
|--|-------------------|-------------------|
| 26. Investment revenue | | |
| Interest revenue | | |
| Bank | 13 361 908 | 12 792 742 |
| Trade and other receivables at amortised cost – interest revenue | 21 686 887 | 17 518 255 |
| | 35 048 795 | 30 310 996 |

Total interest revenue, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R 35 048 795 (2019: R 30 310 996).

27. Fair value adjustments

| | | |
|---|-----------|-------------|
| Investment property (Fair value model) (see note 2) | (624 000) | (1 190 000) |
|---|-----------|-------------|

28. Impairment of assets

Impairments

Property, plant and equipment

An impairment loss has been recognised on items of property, plant and equipment due to the said assets having no future service potential. Furniture and fixtures that is broken and thus having no service potential R 51 872 (2019: R 440 057). Whilst impairment losses were recognised for IT equipment no longer required for delivery of services to members over the longer planning period due to technological obsolescence R 8 147 (2019: R 142 392). Office equipment amounting to R 132 621 (2019: 135 490) were impaired due to the equipment having no service potential over the longer planning period. All these assets are not required for the delivery of services to members, either currently, or over the longer planning period and some have physical damage to the asset.

| | | |
|--|----------------|----------------|
| | 192 641 | 717 939 |
| | 192 641 | 717 939 |

Reversal of impairments

Property, plant and equipment

Impairment previously recognised on Furniture and fixtures and Office equipment reversed due to the change on the intent/commitment to use the assets for service delivery to members, thereby significantly increasing the need for the assets service potential – Furniture and fixtures R nil (2019: R 1 044) and Office equipment – R nil (2019: R 213). The recoverable service amount of the asset was based on its value in use.

| | | |
|--|----------------|----------------|
| | - | (1 257) |
| | - | (1 257) |
| Total impairment losses recognised (reversed) | 192 641 | 716 682 |

The main classes of assets affected by impairment losses are:

- Furniture and fixtures – R 51 872 (2019: R 440 057)
- IT equipment – R 8 147 (2019: R 142 392)
- Office equipment – R 132 621 (2019: R 135 490).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

2020

2019

28. Impairment of assets (continued)

The main events and circumstances that led to the recognition of these impairment losses are as follows:

- Furniture and fixtures - was damaged/broken resulting in these assets having no service potential.
- IT Equipment – these assets are not required for the delivery of services to members, either currently, or over the longer planning period due to technological obsolescence.
- Office equipment – these assets are not required for the delivery of services to members, either currently, or over the longer planning period and some have evidenced physical damage to the asset.

The main classes of assets affected by impairment reversal are as follows:

- Furniture and fixtures – R nil (2019: R 1 044)
- Office equipment – R nil (2019: R 213)

Value in use

In determining the recoverable amount of the assets subjected to impairment SALGA considered the following:

- Usefulness of the assets and their current state. SALGA's IT department/experts confirming that the intangible assets have an indefinite useful life and will be assessed annually for usefulness.
- The intention of management on the current use of the assets and upgrades effected on specific assets.
- The nature/classes of the assets affected, being both intangible and tangible i.e. software, furniture and fittings and office equipment.
- The appropriateness of the carrying value of the assets prior the change in use.
- In the absence of an active market for the same assets due to technological advancements and change in design, management opted for the cost replacement approach to determine value in use, this was done through the application of Consumer Price Increase (CPI) on the affected assets.

SALGA determined the value in use of the assets affected by impairment as follows:

A depreciated replacement cost approach was used, where the replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. In the absence of an active market for assets of a similar condition the depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

29. Finance costs

| | | |
|---|------------------|------------------|
| Trade and other payables | 3 062 | 11 331 |
| Finance leases | 293 768 | 324 306 |
| Trade and other payables at amortised cost – interest expense | 1 109 527 | 1 072 828 |
| | 1 406 357 | 1 408 466 |

Total interest expense, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R 1 406 357 (2019: R 1 408 466).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

2020

2019

30. Taxation

No provision is made for taxation as SALGA is exempt from Income Tax in terms of section 10(1) of the Income Tax Act.

No Value Added Tax was applicable to SALGA, as it is exempt from complying with Value Added Tax Act, 58 of 1962.

31. Auditors' remuneration

| | | |
|------------|-----------|-----------|
| Audit fees | 4 194 205 | 2 252 112 |
|------------|-----------|-----------|

32. Cash generated from operations

| | | |
|--|-------------------|-------------------|
| Surplus | 40 489 644 | 13 329 175 |
| Adjustments for: | | |
| Depreciation and amortisation | 6 512 852 | 7 167 253 |
| Gain / (loss) on sale of assets | 20 317 | (269 907) |
| Gain / (loss) on foreign exchange | (1 754) | (159 157) |
| Fair value adjustment to investment property | 624 000 | (1 190 000) |
| Recognised Impairment loss | 192 641 | 716 682 |
| Increase in allowance for doubtful debt | 89 880 139 | 53 133 400 |
| Movements in operating lease assets and accruals | (815 590) | (441 948) |
| Movements in retirement benefit liability | - | (691 374) |
| Movements in provisions | (12 922 723) | 2 499 212 |
| Decrease in accruals relating to employee costs | (383 233) | (809 818) |
| Transfers from WIP | - | 1 569 499 |
| Changes in working capital: | | |
| Trade and other receivables from exchange transactions | (103 816 149) | (52 334 883) |
| Trade and other receivables from non-exchange transactions | 23 788 070 | 4 727 377 |
| Trade and other payables from exchange transactions | 15 448 805 | 1 634 039 |
| (Overspent)/Unspent conditional grants and receipts | (2 399 043) | 1 034 849 |
| | 56 617 976 | 29 914 399 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

| | 2020 | 2019 |
|--|-------------------|-------------------|
| 33. Commitments | | |
| Authorised capital expenditure | | |
| Already contracted for but not provided for | | |
| • Property, plant and equipment | 856 854 | 181 490 |
| Total capital commitments | 856 854 | 181 490 |
| • Already contracted for but not provided for | 856 854 | 181 490 |
| Authorised operational expenditure | | |
| Already contracted for but not provided for | | |
| • Expenditure | 42 941 068 | 28 922 295 |
| Total operational commitments | 42 941 068 | 28 922 295 |
| Already contracted for but not provided for | 42 941 068 | 28 922 295 |
| Total commitments | | |
| Authorised and contracted capital expenditure | 856 854 | 181 490 |
| Authorised and contracted operational expenditure | 42 941 068 | 28 922 295 |
| | 43 797 923 | 29 103 785 |

This committed operational expenditure relates to expenditure where purchase orders were issued and handed-over to suppliers as at year-end. All these commitments will be realised in the normal operating cycle of SALGA and are funded from internal resources.

Operating leases - as lessee (expense)

Minimum leases payments due

| | | |
|--------------------------------------|-------------------|-------------------|
| - within one year | 38 632 857 | 31 832 194 |
| - in second to fifth years inclusive | 29 259 776 | 21 263 596 |
| | 67 892 633 | 53 095 790 |

SALGA has nine operating leases for office accommodation across all provinces. Operating lease payments represent rentals payable by SALGA for its administrative office accommodation.

Leases are negotiated for an average term of five years. The average extension period is 1.7 years (2019: 0.8 years). The average escalation rate is 9%.

All leases, except for those in Gauteng, have extension options included in the contracts. Four of the lease contracts (National Office, KwaZulu-Natal, Northern Cape and North West) have extension options that are subject to negotiation between SALGA and the Lessors at the end of the current contracts. SALGA normally enters into negotiations to extend lease contracts at least six months before the termination of the lease.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

2020

2019

33. Commitments (continued)

Operating leases – as Lessor (income)

Minimum leases payments due

| | | |
|--------------------------------------|------------------|---------------|
| - within one year | 103 629 | 95 360 |
| - in second to fifth years inclusive | 493 781 | - |
| - later than five years | 876 015 | - |
| | 1 473 425 | 95 360 |

SALGA leases a portion of its property in KwaZulu-Natal to a cellular phone operator for a cellular phone mast. The lease period on integration of SALGA KwaZulu-Natal into the SALGA fold expired 31 March 2020 and has been renewed for a period of 119 months from 01 April 2020. The annual escalation is 8% and the remaining lease term is 119 months.

34. Related parties

Relationships

Members of the National Executive Committee (“NEC”)

| | |
|---|---|
| President of SALGA (Office bearer) | Cllr. Thembisile Nkadimeng Executive Mayor – Polokwane Municipality |
| Deputy President of SALGA (Office bearer) | Cllr. Sebenzile Ngangelizwe Executive Mayor – Lejweleputswa District Municipality |
| Deputy President of SALGA (Office bearer) | Cllr. Zandile Gumede Executive Mayor – Ethekewini Metropolitan Municipality |
| Deputy President of SALGA (Office bearer) | Cllr. Deon De Vos Mayor – Dr Beyers Naude Local Municipality |
| Member of the NEC | Cllr. Charles Stofile Speaker – Matjhabeng Local Municipality |
| Member of the NEC | Cllr. Thami Ngubane Executive Mayor – Umvoti Local Municipality |
| Member of the NEC | Cllr. Sara Modinoge Mogale- Letsie Mayor – Merafong Local Municipality |
| Member of the NEC | Cllr. Jesta Sidell Mayor – Enhlanzeni District Municipality |
| Member of the NEC | Cllr. Linah Malatjie Mayor – Emalahleni Local Municipality |
| Member of the NEC | Cllr. Justice T Mokolomakwa Executive Mayor – Ngaka-Modiri District Municipality |
| Member of the NEC | Cllr. Mpho Khunou Executive Mayor – Thabo Rustenburg Local Municipality |
| Member of the NEC | Cllr. Xola Pakati Executive Mayor – Buffalo City Metropolitan Municipality |
| Member of the NEC | Cllr. Xolani Sotashe Councillor - City of Cape Town Metropolitan Municipality |
| Member of the NEC | Cllr. Xanthea Limberg MMC for Corporate Services and Compliance – City of Cape Town |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

34. Related parties (continued)

| Members of the National Executive Committee ("NEC") | |
|--|--|
| Member of the NEC | Cllr. Memory Booyen Executive Mayor – Eden District Municipality |
| Ex-officio member of the NEC | Cllr. Flora Noliqwa Boltman Councillor – Gert Sibande Local Municipality |
| Member of the NEC | Cllr. Bongani Baloyi Mayor – Midvaal Local Municipality |
| Member of the NEC | Cllr. Sipho S'thonga Mayor – Emthanjeni Local Municipality |
| Member of the NEC | Cllr. Gillian Pieters Councillor – Namakwa Local Municipality |
| Ex-officio member of the NEC | Cllr. Mxolisi Koyo Speaker – Chris Hani District Municipality |
| Ex-officio member of the NEC | Cllr. Olly Sarah Matawana Mlameli Executive Mayor – Mangaung Municipality |
| Ex-officio member of the NEC | Cllr. Busisiwe Modisakeng Mayor – Sedibeng District Municipality |
| Ex-officio member of the NEC | Cllr. Nomfundo Mkhulisi Mayor – King Cetshwayo District Municipality |
| Ex-officio member of the NEC | Cllr. Gibson Chirwa Executive Mayor – Gert Sibande District Municipality |
| Ex-officio member of the NEC | Cllr. Sofia Mosikatsi Executive Mayor – John Taolo Gaetsewe District Municipality |
| Member of the NEC | Cllr. Stanley Ramaila Executive Mayor – Sekhukhune District Municipality |
| Ex-officio member of the NEC | Cllr. Maria Fetsang Executive Mayor – Bojanala District Municipality |
| Ex-officio member of the NEC | Ald. Anton Coetsee Speaker – Overstrand Local Municipality |
| Member of the NEC | Cllr. Pule Shayi Councillor – Mopani Local Municipality |
| Former President of SALGA | Cllr. Parks Tau (up to May 2019) Councillor - City of Johannesburg Metropolitan Municipality |
| Former Member of the NEC | Cllr Nomakhosazana Meth (up to May 2019) Executive Mayor – OR Tambo District Municipality |
| Former Member of the NEC | Cllr. Sindiswa Gomba Councillor – Buffalo City Metropolitan Municipality |
| Former Member of the NEC | Cllr. Robert Mashego (up to May 2019) MMC – Ekurhuleni Metropolitan Municipality |
| Former Member of the NEC | Cllr. Nombulelo Hermans (up to May 2019) Speaker – Pixley Ka-Seme District Municipality |
| Former Member of the NEC | Cllr. Bongile Mhaleni Mayor – Mogareng Local Municipality |
| Former Member of the NEC | Cllr. Phumelele Ndoni (deceased) Councillor – Nelson Mandela Bay Metropolitan Municipality |
| Ex-officio member of the NEC | Cllr. Xolile George CEO – SALGA |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

34. Related parties (continued)

Executive Authority

| | |
|---------------------|--|
| Executive Authority | National Department of Co-operative Governance and Traditional Affairs |
|---------------------|--|

Members of the Audit and Risk Committee

| | |
|---|----------------------|
| Chairperson of Audit and Risk Committee | Mr. Andrew Mashifane |
| Member of Audit and Risk Committee | Ms. Nosisa Kekana |
| Member of Audit and Risk Committee | Mr. Zukisani Samsam |
| Member of Audit and Risk Committee | Mr. Victor Songelwa |

Members of the Performance Management and Remuneration Committee

| | |
|--|-------------------------|
| Chairperson of Performance Management and Remuneration Committee | Mr. Chose Choeru |
| Member of Performance Management and Remuneration Committee | Adv. Motlajo Ralefatane |
| Member of Performance Management and Remuneration Committee | Ms. Barbara Lombard |
| Member of Performance Management and Remuneration Committee | Ms. Rosetta Xaba |

Executive Management Team

| | |
|--------------------|---|
| Mr. XC George | Chief Executive Officer |
| Mr. NJ Mqoqi | Chief Financial Officer (1 April to August 2019) |
| | Acting Lead Official: Municipal Finance, Fiscal Policy & Economic Growth (April to November 2019) |
| Mr. N Makate | Acting Chief Financial Officer: 1 September 2019 to 22 February 2020 |
| Mr. PR Nolutshungu | Chief Officer: Municipal Capabilities & Governance |
| Ms. J De La Harpe | Portfolio Head: Trading Services |
| | Acting Chief Officer Infrastructure Delivery, Spatial Transformation Services & Sustainability (April to November 2019) |
| Mr. L Joel | Chief of Operations |
| Mr. MS Kolisa | Chief Officer Infrastructure Delivery, Spatial Transformation Services & Sustainability (Joined December 2019) |
| Ms. P Gida | Portfolio Head: Human Capital and Corporate Services (Joined 2 January 2020) |
| Ms. MD Letsatsi | Chief Officer: Municipal Finance, Fiscal Policy and Economic Growth (Joined 1 December 2019) |
| Ms. TA Mthethwa | Chief Financial Officer (Joined 1 March 2020) |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

34. Related parties (continued)

Municipalities

All transactions with the below listed municipalities are at arm's length and in terms of SALGA's Constitution; policies and procedures. All transactions are on terms and conditions that are no more or less favourable than those which it is reasonable to expect SALGA to have adopted if dealing with any other municipality or entity in the same circumstances.

All terms and conditions are within the normal operating parameters established by SALGA's legal mandate.

The nature of transactions entered into with related parties are comprised primarily of membership levies that SALGA levies to all its members, conference/event registration fees and tuition fees for capacity building programmes. All outstanding balances emanate from these transactions.

These municipalities are related party to SALGA by virtue of either an Executive Mayor, Speaker or Councillor being elected to serve on SALGA's NEC.

City of Mangaung Metropolitan Municipality

Ethekwini Metropolitan Municipality

Lejweleputswa District Municipality

Dr Beyers Naude District Municipality

Nelson Mandela Bay Metropolitan Municipality

Umvoti Local Municipality

Merafong Local Municipality

Ehlanzeni District Municipality

Ngaka Modiri District Municipality

Rustenburg Local Municipality

Garden Route District Municipality

Chris Hani District Municipality

Sedibeng District Municipality

Polokwane Local Municipality

John Taolo District Municipality

Bojanala Platinum District Municipality

Overstrand Local Municipality

Namakwa District Municipality

Mopani District Municipality

King Cetshwayo District Municipality

Emthanjeni Local Municipality

Midvaal Local Municipality

Gert Sibande District Municipality

Buffalo City Metropolitan Municipality

City of Cape Town Metropolitan Municipality

Mathlabeng Local Municipality

Greater Sekhukhune District Municipality

Emalahleni Local Municipality

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

2020

2019

34. Related parties (continued)

Other entities

All transactions with the below listed entities are at arm's length and in terms of SALGA's Constitution; policies and procedures. All transactions are on terms and conditions that are no more or less favourable than those which it is reasonable to expect SALGA to have adopted if dealing with any other municipality or entity in the same circumstances.

All terms and conditions are within the normal operating parameters established by SALGA's legal mandate.

The nature of the transactions are membership fees ordinarily paid local government associations; capacity building initiatives and pursuance of common mandate initiatives and strengthening of local government associations.

These entities are related party to SALGA by virtue of either an NEC member; Executive Management Team member serves on the board or governance structure of these entities.

Local Government Sector Education and Training Authority (LGSETA)

South African Cities Network (SACN)

United Cities and Local Governments (UCLG)

United Cities and Local Governments of Africa (UCLGA)

United Cities and Local Governments of Africa – Southern Africa Regional Office (UCLGA-SARO)

Related party transactions

Transfers – Government grant and subsidies

| | | |
|--|------------|------------|
| Department of Cooperative Governance and Traditional Affairs | 33 879 000 | 33 100 000 |
|--|------------|------------|

The grant paid by the Department of Cooperative Governance and Traditional Affairs to SALGA is part of normal funding that Government grants to public entities to further state policies.

Key management information

| Class | Description | Number |
|---|--|--------|
| Non-executive board sub-committee members | Audit and Risk Committee (4) and Performance Management and Remuneration Committee (4) | 8 |
| Non-executive board members | Accounting Authority | 29 |
| Executive board member | Chief Executive Officer | 1 |
| Executive management | Executive Management Team (Senior Management excludes the Chief Executive Officer) | 10 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

35. Key Management Personnel

National Executive Committee members

In terms of the notice issued in terms of the Remuneration of Public Office Bearers Act, 20 of 1998, SALGA is required to pay sitting allowances to councillors appointed to governance structures of Organised Local Government. The said allowance is limited to R1 020 per sitting of the Provincial Executive Committee or National Executive Committee or any committee of organised local government, regardless of the number of meetings that are attended by such councillor on a specific day. The sitting allowance is also payable to members of SALGA deployed to formal intergovernmental relations forums.

No loans were advanced to NEC members and no remuneration or compensation was provided to close family members of NEC members. There were no transactions entered with entities that are owned by NEC members.

Executive Management Team

No loans were advanced to Senior Management and no remuneration or compensation was provided to close family members of Senior Management. There were no transactions entered with entities that are owned by Senior Executives of SALGA.

Audit and Risk Committee members

No loans were advanced to Audit and Risk Committee members and no remuneration or compensation was provided to close family members of Audit Committee members. There were no transactions entered with entities that are owned by Audit Committee members.

Performance Management and Remuneration Committee members

No loans were advanced to Audit and Committee Members and no remuneration or compensation was provided to close family members of Remuneration Committee members. There were no transactions entered with entities that are owned by Remuneration Committee members.

Entities, Department and Agencies

The grants paid by the Department of Cooperative Governance and Traditional Affairs to SALGA are part of normal funding that Government grants to public entities to further the policies of government.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

35. Key Management Personnel (continued)

National Executive Committee (NEC)

2020

| | Sitting allowance ** | Reimbursed travel allowance * | Subsistence allowance (local) * | Subsistence allowance (foreign) * | Expense refund | ICIP Facilitation fee*** | Total |
|--------------------------------|-------------------------|-------------------------------|---------------------------------|-----------------------------------|----------------|--------------------------|----------------|
| Cllr. Thembisile Nkadimeng | 13 260 | | | 144 989 | | | 158 249 |
| Cllr. Sebenzile Ngangelizwe | 8 160 | | | | | | 8 160 |
| Cllr. Deon De Vos | 7 140 | 11 358 | 670 | | | | 19 168 |
| Cllr. Zandile Gumede | 4 080 | | | | | | 4 080 |
| Cllr. Bhekumuzi Charles Stofle | 22 440 | | 536 | 74 578 | | | 97 554 |
| Cllr. Mxolisi Koyo | 11 220 | | 2 010 | | 780 | | 14 010 |
| Cllr. Gibson Chirwa | 6 120 | | | | | | 6 120 |
| Cllr. Anton Coetsee | 29 580 | 49 991 | 5 503 | | 1 543 | | 86 617 |
| Cllr. Busisiwe Modisakeng | 9 180 | | | | | | 9 180 |
| Cllr. Xolani Sotashe | 7 140 | | | 47 820 | | | 54 960 |
| Cllr. Thami Ngubane | 6 120 | | | | | | 6 120 |
| Cllr. Stanley Ramaila | 2 040 | | | | | | 2 040 |
| Cllr. Sofa Mosikatsi | 7 140 | 3 523 | 402 | | | | 11 065 |
| Cllr. Mpho Khunou | 2 040 | | | | | | 2 040 |
| Cllr. Xola Pakati | 6 120 | | | | | | 6 120 |
| Cllr. Memory Booysen | 8 160 | 7 519 | 804 | | | | 16 483 |
| Cllr. Sarah Mogale-Letsie | 14 222 | | | 25 761 | | | 39 983 |
| Cllr. Jesta Sidell | 3 060 | | | | | | 3 060 |
| Cllr. Linah Malatjie | 4 080 | | | | | | 4 080 |
| Cllr. Justice T Makolomakwa | 3 060 | | | | | | 3 060 |
| Cllr. Flora N Boltman | 10 200 | 19 082 | 1 474 | | 830 | | 31 586 |
| Cllr. Siphon Sithonga | 4 080 | 2 202 | 134 | | | | 6 416 |
| Cllr. Gillian Pieters | 13 260 | 43 688 | 1 840 | 15 585 | | | 74 373 |
| Cllr. Sarah Mlamleli | 5 100 | | | | | | 5 100 |
| Cllr. Nomfundo Mkhulisi | 8 160 | | | 16 501 | | | 24 661 |
| | 215 162 | 137 363 | 13 373 | 325 234 | 3153 | - | 694 285 |

* Reimbursed travel and local subsistence allowances is remitted to NEC members in terms of SALGA policy for participating in governance structures of organised local government (where applicable). The rates used for local travel and subsistence are based on SARS rates deemed as expended. An international per diem is paid to NEC members who undertake SALGA's mandate of strategic profiling. For example, SALGA's President partakes in Governance structures of international bodies such as the local government Pan-African body, United Cities and Local Governments of Africa (UCLGA). The President of SALGA also presides over the world body United Cities and Local Government (UCLG). SALGA also participates at these world bodies: Commonwealth Local Government Forum (CLGF) and Metropolis, UN Habitat and UN Panel. In pursuit of SALGA's mandate in these bodies the SALGA NEC mandates NEC members to participate at these bodies from time to time.

** In terms of the notice issued in terms of the "Remuneration of Public Office Bearers Act, 20 of 1998, SALGA is required to pay sitting allowances to councillors appointed to governance structures of Organised Local Government as well as to Councillors deployed to formal Intergovernmental Relations forums. The said allowance is limited to R962 per sitting regardless of the number of meetings that are attended by such councillor on a specific day.

*** As part of ushering in new councillors' post the local government elections, Trainers accredited by the LGSETA are used to impart knowledge to new councillors. These trainers are paid a daily fee for each session that is facilitated for instance in the Integrated Councillor Induction Programme (ICIP).

SOUTH AFRICAN LOCAL GOVERNMENT ASSOCIATION

Registered Employer Body in terms of the Labour Relations Act, 66 of 1996. Registration No. LR/2/6/3/350

(A Schedule 3A Public Entity i.t.o. the Public Finance Management Act, 1 of 1999 and recognised i.t.o. the Organised Local Government Act, 52 of 1997)

Annual Financial Statements for the year ended 31 March 2020

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

35. Key Management Personnel (continued)

National Executive Committee (NEC)

2019

| | Sitting allowance ** | Reimbursed travel allowance * | Subsistence allowance (local) * | Subsistence allowance (foreign) * | Expense refund | ICIP Facilitation fee*** | Total |
|---------------------------------|-------------------------|-------------------------------|---------------------------------|-----------------------------------|----------------|--------------------------|----------------|
| Cllr. Parks Tau | 7 140 | | | 181 481 | | | 188 621 |
| Cllr. Sebenzile Ngangelizwe | 7 140 | | | 36 298 | | | 43 438 |
| Cllr. Thembisile Nkademeng | 11 220 | | | 56 884 | | | 68 104 |
| Cllr. Nomakhosazana Meth | 4 080 | | | 24 536 | | | 28 616 |
| Cllr. Deon De Vos | 7 140 | 9 429 | 768 | | | | 17 337 |
| Cllr. Bhekumuzi Charles Stofile | 23 402 | | | 32 645 | | | 56 047 |
| Cllr. Robert Mashego | 6 120 | | | 29 903 | | | 36 023 |
| Cllr. Florence Radzelane | 3 906 | | | | | | 3 906 |
| Cllr. Nombulelo Hermans | 3 060 | 23 180 | 1 536 | | 603 | | 28 379 |
| Cllr. Bongile Mhaleni | 1 020 | | | | | | 1 020 |
| Cllr. Memory Booysen | 6 120 | 7 734 | 1 152 | | | | 15 006 |
| Cllr. Mxolisi Koyo | 10 200 | | 384 | | | 9 168 | 19 752 |
| Cllr. Busisiwe Modisakeng | 8 160 | | | 15 751 | | | 23 911 |
| Cllr. Mluleki Ndobe | 10 084 | | | 15 751 | | | 25 835 |
| Cllr. Gibson Chirwa | 9 180 | | 384 | | 2 057 | | 9 180 |
| Cllr. Sofa Mosikatsi | 9 122 | 3 061 | 2 944 | | 328 | | 14 624 |
| Ald. Anton Coetsee | 12 240 | 37 793 | 2 944 | | | 18 336 | 53 305 |
| Cllr. Sindiswa Gomba | 5 100 | 780 | 2 432 | 51 595 | | | 78 242 |
| Cllr. Xola Pakati | 3 060 | | | | | | 3 060 |
| Cllr. Xolani Sotashe | 13 260 | | | 22 519 | | | 35 779 |
| | 160 754 | 81 977 | 9 600 | 467 363 | 2 988 | 27 504 | 750 186 |

* Reimbursed travel and local subsistence allowances is remitted to NEC members in terms of SALGA policy for participating in governance structures of organised local government (where applicable). The rates used for local travel and subsistence are based on SARS rates deemed as expended. An international per diem is paid to NEC members who undertake SALGA's mandate of strategic profiling. For example, SALGA's President partakes in Governance structures of international bodies such as the local government Pan-African body, United Cities and Local Governments of Africa (UCLGA). The President of SALGA also presides over the world body United Cities and Local Government (UCLG). SALGA also participates at these world bodies: Commonwealth Local Government Forum (CLGF) and Metropolis, UN Habitat and UN Panel. In pursuit of SALGA's mandate in these bodies the SALGA NEC mandates NEC members to participate at these bodies from time to time.

** In terms of the notice issued in terms of the "Remuneration of Public Office Bearers Act, 20 of 1998, SALGA is required to pay sitting allowances to councillors appointed to governance structures of Organised Local Government as well as to Councillors deployed to formal Intergovernmental Relations forums. The said allowance is limited to R962 per sitting regardless of the number of meetings that are attended by such councillor on a specific day.

*** As part of ushering in new councillors' post the local government elections, Trainers accredited by the LGSETA are used to impart knowledge to new councillors. These trainers are paid a daily fee for each session that is facilitated for instance in the Integrated Councillor Induction Programme (ICIP).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

35. Key Management Personnel (continued)

Executive Management Team

2020

| | Basic salary | Bonuses and performance related payments ** | Subsistence and other allowances * | Employer contribution to pension and retirement funds | Employer contribution to medical aid | Employer contribution to group risk | Total |
|-----------------------|-------------------|---|------------------------------------|---|--------------------------------------|-------------------------------------|-------------------|
| Mr. Xolile George | 4 453 939 | 593 075 | 351 517 | 327 244 | 33 465 | 86 150 | 5 845 390 |
| Mr. Nceba Mqoqi | 2 095 382 | 219 441 | 32 855 | 153 884 | 33 465 | 41 240 | 2 576 267 |
| Mr. Rio Nolutshungu | 2 005 453 | 172 240 | 119 165 | 147 274 | - | 39 549 | 2 483 681 |
| Ms. Jean De La Harpe | 1 764 288 | 171 465 | 38 306 | 129 548 | 33 465 | 34 940 | 2 172 012 |
| Mr. Lance Joel | 2 133 530 | 228 058 | 136 369 | 154 823 | 33 465 | 41 492 | 2 727 737 |
| Mr. Mthobeli Kolisa | 663 360 | - | 36 830 | 49 282 | 10 296 | 13 377 | 773 145 |
| Mr. Nkosana Makate | 1 186 512 | 106 736 | 109 180 | 87 081 | 33 465 | 23 898 | 1 546 872 |
| Ms. Pindiwe Gida | 414 529 | - | 7 972 | 31 238 | 5 780 | 8 532 | 468 051 |
| Ms. Khomotso Letsatsi | 600 595 | - | 10 909 | 44 100 | - | 12 018 | 667 622 |
| Ms. Thembeka Mthethwa | 161 237 | - | 2 727 | 11 840 | - | 3 218 | 179 022 |
| | 15 478 825 | 1 491 015 | 845 830 | 1 136 314 | 183 401 | 304 414 | 19 439 799 |

* Other allowances comprise travel allowance; cell phone allowance and acting allowance (where applicable). International per diem is paid to employees who undertake SALGA's mandate of strategic profiling. SALGA's chairperson partakes in Governance structures of internal bodies such as the local government Pan-African body, United Cities and Local Governments of Africa (UCLGA) as Vice President; he is also President of the UCLGA Southern Africa Regional Office (UCLGA-SARO); SALGA also participates in other world-wide bodies such as United Cities and Local Government (UCLG), Commonwealth Local Government Forum (CLGF) and Metropolis. In pursuit of SALGA's mandate in these bodies the chairperson is supported by the Chief Executive of the organisation.

** Performance related bonuses are per the SALGA Performance Management policy that is implemented with an oversight role of the Performance Management and Remuneration Committee comprised by independent non-executive members. The applicable performance rewards are based on merit and the applicable reward rates matrix range from 9% (minimum) to 20% (maximum).

SALGA's Performance Management and Remuneration Committee is charged with normalising of SALGA's remuneration framework, particularly in instances where salary bands of some executives are on a "personal to holder basis" till the expiry of the contract or through natural attrition or earlier. The Chief executive officer's current remuneration has been identified to be one of these category of employees. Notwithstanding, the efforts to manage the escalation of remuneration at SALGA, particularly those of Executives, it is important to note that SALGA had to review its remuneration policies as it pertains to its Executives and benchmark these with municipalities particularly Metro's since metropolitan municipalities pose the greatest direct remuneration competitor to SALGA (also see report of the chairperson of SALGA's Performance Management and Remuneration Committee in the annual report).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

35. Key Management Personnel (continued)

Executive Management Team

2019

| | Basic salary | Bonuses and performance related payments ** | Subsistence and other allowances * | Employer contribution to pension and retirement funds | Employer contribution to medical aid | Employer contribution to group risk | Total |
|--|-------------------|---|------------------------------------|---|--------------------------------------|-------------------------------------|-------------------|
| Mr. Xolile George | 4 382 272 | 596 936 | 315 837 | 348 209 | 31 521 | 80 117 | 5 754 892 |
| Mr. Nceba Mqoqi | 1 996 812 | 243 625 | 32 727 | 157 100 | 31 521 | 38 361 | 2 500 147 |
| Mr. Seana Nkhahle | 1 822 737 | 181 572 | 98 228 | 143 392 | 31 521 | 35 118 | 2 312 569 |
| Mr. Simphiwe Dzengwa (resigned 31 Oct 2018) | 1 385 263 | 175 281 | 59 781 | 90 992 | 18 088 | 22 224 | 1 751 629 |
| Mr. Rio Nolutshungu | 1 915 670 | 169 353 | 80 057 | 170 805 | - | 36 850 | 2 372 734 |
| Ms. Jean De La Harpe | 1 682 905 | 167 629 | 35 388 | 132 381 | 31 521 | 31 895 | 2 081 719 |
| Ms. Mirriam Lehlokoa | 1 311 971 | 130 642 | 36 081 | 103 172 | 31 521 | 25 603 | 1 638 990 |
| Mr. Lance Joel | 1 934 586 | 199 950 | 167 605 | 152 200 | 31 521 | 37 202 | 2 523 063 |
| | 16 432 217 | 1 864 987 | 825 704 | 1 298 250 | 207 214 | 307 370 | 20 935 743 |

* Other allowances comprise travel allowance; cell phone allowance and acting allowance (where applicable). International per diem is paid to employees who undertake SALGA's mandate of strategic profiling. SALGA's chairperson partakes in Governance structures of internal bodies such as the local government Pan-African body, United Cities and Local Governments of Africa (UCLGA) as Vice President; he is also President of the UCLGA Southern Africa Regional Office (UCLGA-SARO); SALGA also participates in other world-wide bodies such as United Cities and Local Government (UCLG), Commonwealth Local Government Forum (CLGF) and Metropolis. In pursuit of SALGA's mandate in these bodies the chairperson is supported by the Chief Executive of the organisation.

** Performance related bonuses are per the SALGA Performance Management policy that is implemented with an oversight role of the Performance Management and Remuneration Committee comprised by independent non-executive members. The applicable performance rewards are based on merit and the applicable reward rates matrix range from 9% (minimum) to 20% (maximum).

SALGA's Performance Management and Remuneration Committee is charged with normalising of SALGA's remuneration framework, particularly in instances where salary bands of some executives are on a "personal to holder basis" till the expiry of the contract or through natural attrition or earlier. The Chief executive officer's current remuneration has been identified to be one of these category of employees. Notwithstanding, the efforts to manage the escalation of remuneration at SALGA, particularly those of Executives, it is important to note that SALGA had to review its remuneration policies as it pertains to its Executives and benchmark these with municipalities particularly Metro's since metropolitan municipalities pose the greatest direct remuneration competitor to SALGA (also see report of the chairperson of SALGA's Performance Management and Remuneration Committee in the annual report).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

35. Key Management Personnel (continued)

Audit and Risk Committee and Performance Management and Remuneration Committee members

2020

| | Attendance fees * | Reimbursed travel cost ** | Other fees *** | Expense refund ** | Retainer | Total |
|--|-------------------|---------------------------|----------------|-------------------|----------------|----------------|
| Audit and Risk Management Committee | | | | | | |
| Mr. Andrew Mashifane (chairperson) | 107 994 | 2 741 | 11 619 | - | 51 768 | 174 122 |
| Mr. Nala Mhlongo (retired) | 345 | - | - | - | 34 512 | 34 857 |
| Ms. Nosisa Kekana | 90 393 | 2 342 | - | - | 34 512 | 127 247 |
| Mr. Zukisani Samsam | 77 321 | 1 372 | - | - | 34 512 | 113 205 |
| Mr. Victor Songelwa | 74 417 | 1 516 | - | - | 34 512 | 110 445 |
| Performance Management and Remuneration Committee | | | | | | |
| Mr. Chose Choeu (chairperson) | 49 899 | 1 061 | - | - | 51 768 | 102 728 |
| Adv. Motlatjo Ralefatane | 49 726 | 1 791 | - | - | 34 064 | 85 581 |
| Ms. Barbara Lombard | 49 726 | 5 226 | 61 000- | - | 34 512 | 150 464 |
| Ms. Rosetta Xaba | 17 774 | 116 | - | - | 34 512 | 52 401 |
| | 517 595 | 16 164 | 72 619 | - | 344 672 | 951 049 |

* Members of SALGA's NEC sub-committees are remunerated for participating in SALGA's governance structures based on SALGA's policy for remuneration of NEC sub-committees. Attendance fees are based on an hourly rate and claimable hours are capped regardless of the duration on the meeting or preparation time.

** Reimbursed travel allowance is remitted to members based on the applicable SARS rates deemed as expended.

*** Other meetings relate to engagements of the members outside the normal meeting like interviews and Employee Recognition Awards evaluation work.

2019

| | Attendance fees * | Reimbursed travel cost ** | Other fees *** | Expense refund ** | Retainer | Total |
|--|-------------------|---------------------------|----------------|-------------------|----------------|------------------|
| Audit and Risk Management Committee | | | | | | |
| Mr. Andrew Mashifane (chairperson) | 102 184 | 2 202 | - | - | 51 768 | 156 154 |
| Mr. Nala Mhlongo | 81 678 | 2 275 | - | - | 34 512 | 118 465 |
| Ms. Nosisa Kekana | 70 059 | 1 562 | - | - | 34 512 | 106 134 |
| Mr. Zukisani Samsam | 84 583 | 1 373 | - | - | 34 512 | 120 468 |
| Mr. Victor Songelwa | 84 583 | 1 516 | - | - | 34 512 | 120 611 |
| Performance Management and Remuneration Committee | | | | | | |
| Mr. Chose Choeu (chairperson) | 174 803 | 2 830 | - | - | 51 768 | 229 402 |
| Adv. Motlatjo Ralefatane | 64 250 | 1 343 | - | - | 34 512 | 100 105 |
| Ms. Barbara Lombard | 122 345 | 2 253 | - | - | 34 512 | 159 110 |
| Ms. Rosetta Xaba | 64 250 | 347 | - | - | 34 512 | 99 108 |
| | 848 736 | 15 701 | - | - | 345 120 | 1 209 558 |

* Members of SALGA's NEC sub-committees are remunerated for participating in SALGA's governance structures based on SALGA's policy for remuneration of NEC sub-committees. Attendance fees are based on an hourly rate and claimable hours are capped regardless of the duration on the meeting or preparation time.

** Reimbursed travel allowance is remitted to members based on the applicable SARS rates deemed as expended.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

2020

2019

36. Risk management

Financial risk management

SALGA's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash. SALGA receives cash in the form of membership levies from its members and grants from government. The entity maintains liquidity by limiting capital and operational expenditure within the approved budget.

SALGA's risk to liquidity is as a result of inadequate funds available to cover future commitments. SALGA manages liquidity risk through an ongoing review of future commitments and credit facilities.

2020

Maturity analysis

Not later than one month
 Later than one month and not later than three months
 Later than three months and not later than one year
 Later than one year and not later than five years

| Trade payables | Other payables |
|-------------------|-------------------|
| 31 404 287 | - |
| 36 358 214 | - |
| 3 836 291 | 18 169 965 |
| - | 3 789 180 |
| 71 598 792 | 21 959 145 |

2019

Maturity analysis

Not later than one month
 Later than one month and not later than three months
 Later than three months and not later than one year
 Later than one year and not later than five years

| Trade payables | Other payables |
|-------------------|-------------------|
| 27 972 080 | - |
| 23 662 546 | - |
| 4 605 749 | 16 830 031 |
| - | 18 788 464 |
| 56 241 375 | 35 618 495 |

Values presented in the maturity analysis are undiscounted according to the terms of the instrument. These amounts will all be settled in cash. Trade payables are considered to mature in 30 days after year end as these suppliers require 30 days' settlement terms. No changes between the current and prior year assumptions have been made.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

36. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade receivables. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise of municipalities which are invoiced once a year based on their budgeted salary cost. There is no independent rating, therefore management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The entity establishes an impairment that represents its estimate of incurred losses in respect of trade receivables.

Market risk

Interest rate risk

SALGA's interest rate risks arises from market and economic factors, loans and other payables, cash and cash equivalents and loans and other receivables. The entity's exposure to interest rate risk is minimal due to the following factors:

- no interest is levied on overdue trade receivables;
- interest paid on trade payables is limited as it is the policy of the entity to settle within the credit terms, cash flow permitting in order to comply with the Public Finance Management Act (PFMA) requirements; and
- the PFMA does not allow for the entity to utilise bank overdrafts, without prior approval of the Executive Authority and Minister of Finance.

Based on the activities of SALGA the only area affected by interest rate risk is finance leases and investment income earned on call deposits and other bank balances.

At 31 March 2020, if interest rates at that date had been 200 basis points lower with all other variables held constant, surplus for the year would have been R 672 849 (2019: R578 051) lower arising mainly as a result of lower interest earned on call deposits and bank balances.

If interest rates had been 200 basis points higher, with all other variables held constant, surplus would have been R 672 849 (2019: R 578 051) higher, arising mainly as a result of higher interest expense on variable payable and receivables.

| Interest sensitivity analysis | Change in Interest rate | 2020 | 2019 |
|--|-------------------------|-------------------|-------------------|
| Net interest expense Income | | 33,642,438 | 28,902,531 |
| If interest rates were 2% higher the net interest income | +200 | 34,315,287 | 29,480,581 |
| If interest rates were 2% lower the net interest income | -200 | 32,969,589 | 28,324,480 |
| Thus the net interest revenue /(expense) would have been | +200 | 672,849 | 578,051 |
| Thus the net interest revenue /(expense) would have been | -200 | (672,849) | (578,051) |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

36. Risk management (continued)

Cash flow interest rate risk

SALGA's exposure to this type of risk arises when the entity has a financial instrument with a floating interest rate. The entity is seldom exposed to this type of risk. When the need arises management employs conservative approaches with a limited risk exposure such as Call Accounts or limit the risk completely by employing fixed deposits. The following credit facilities are available, which are payable 30 days from statement date:

Fair value interest rate risk

SALGA's exposure to this type of risk is slightly higher than the cash flow interest rate risk, primarily due to the conservative investment philosophy. Ordinarily fixed deposits expose the entity to this type of risk. The entity manages this risk by keeping fixed investments on a shorter-term to mitigate the impact that this type of risk might have on the organisation.

Foreign exchange risk

SALGA does not hedge foreign exchange fluctuations.

SALGA is seldom exposed to this type of risk. Whenever the risk arises it is normally on the incurrence of per diem for international travel. The organisation's policy on international travel allows for payment of USD 215 per day. As the allowance is denominated in foreign currency, SALGA is exposed to currency fluctuations on payment based on the ruling spot rate. Furthermore, an infrequent incurrence of a foreign currency denominated expenditure relating to Microsoft product suite licences, the organisation is also exposed to this risk as it settles these expenditures at the ruling spot rate on payment date.

Due to the infrequent nature and magnitude of the expenditure management does not employ any hedging mechanisms against this risk.

Price risk

The entity's exposure to price risk is limited to the effect that inflation has on the market prices for goods and services ordinarily procured by the organisation. The risk arises when the entity's revenue does not escalate at a similar or better rate than the prevailing market conditions, this is rare since the entity's major source of revenue is its membership levies which due to the basis of deriving the levy amount normally escalates at a rate higher or equivalent to the prevailing inflationary trends.

Other than membership levies adjusted annually, there are no special mechanisms employed by management to manage this kind of risk other than pursuing a fair market value/price through a 'dip-stick' in the market, viz. sourcing formal price quotations and open tenders per the organisations SCM policy.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

2020

2019

37. Going concern

We draw attention to the fact that at 31 March 2020, SALGA had accumulated surpluses of R213 395 251 and that the entity's total assets exceed its liabilities by R215 654 817, indicating that the organisation is solvent.

The annual 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.

The ability of SALGA to continue as a going concern is dependent on a number of factors. The most significant of these is the recognition of SALGA by the Minister of Cooperative Governance and Traditional Affairs in terms of the Organised Local Government Act, 52 of 1997, as the sole voice of local government.

2020/2021 Considerations in light of COVID-19

- Travel Costs, catering costs, Hotel and Venue bookings which are material for SALGA should decrease significantly as we gravitate towards the culture of virtual meetings.
- Revenue should follow the trend of last year as shown by the latest Levies Report; the take up of early settlement discounts has reached its annual high of R8 million for the year.
- The ability of the CEO to negotiate discounts as provided by the NEC will lead to better collections.
- The NEC incentive of providing municipalities with a 10% discount on opening balances will also assist the organization. We shall begin to see the impact of this when Membership levies are actually due on 31 July 2020 as many municipalities pay their SALGA levies, some after getting their equitable share from government.
- International Donor Funding Organizations will continue to fund SALGA programmes as is LG SETA due to congruence in mandate.
- The general culture of working remotely will decrease other overheads like consumables and energy consumption.

38. Events after the reporting date

There are no material facts or circumstances that have arisen between the reporting date and the date of approval, which affect the financial position of SALGA as reflected in these annual financial statements.

39. Fruitless and wasteful expenditure

| | | |
|---|--------------|----------|
| Opening balance | - | - |
| Fruitless and wasteful expenditure | 3 062 | 11 331 |
| Less: Fruitless and wasteful expenditure recouped | - | - |
| Over-recovery of fruitless and wasteful expenditure | - | - |
| Less: Fruitless and wasteful expenditure (condoned) | - | (11 331) |
| | 3 062 | - |

Fruitless and wasteful expenditure amounting to R 3062 (2019: R11 331) was incurred during the financial year. The interest charged by vendors, no official was responsible for the incurrence. The accounting authority condoned the fruitless and wasteful expenditure on 28 May 2020.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

40. Statement of comparative budget and actual information

The SALGA budget is prepared on an accrual basis which is comparable with the financial statements. The original budget for the 2019/2020 financial year was approved by the Accounting Authority on 11-12 February 2019.

The budget covers the periods 1 April 2019 to 31 March 2020. The budget is prepared on the accrual basis using a classification based on the nature of expenses in the statement of financial performance.

Budget on comparable basis

| Actual 31 March 2019 | Figures in Rand | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual |
|-------------------------|---|----------------------|---------------------|----------------------|---|---|
| | Revenue | | | | | |
| | Revenue from exchange transaction | | | | | |
| 563,848,319 | Revenue from exchange transaction | 588,948,759 | 24,042,970 | 612,991,729 | 619,790,665 | 6,798,937 |
| 12,037,976 | Other revenue from exchange transactions | 2,050,000 | 2,529,795 | 4,579,795 | 5,032,091 | 452,296 |
| 30,310,996 | Investment revenue | 6,500,000 | 6,500,000 | 13,000,000 | 35,048,795 | 22,048,795 |
| 606,197,291 | Total revenue from exchange transactions | 597,498,759 | 33,072,765 | 630,571,524 | 659,871,552 | 29,300,028 |
| | Revenue from non-exchange transactions | | | | | |
| 637,522 | Grant recognised – LGSETA (LGCAC) | 0 | 0 | 0 | 0 | 0 |
| 0 | Grant recognised – LGSETA (MaSE) | 0 | 400,000 | 400,000 | 90,563 | (309,438) |
| 0 | Grant recognised – LGSETA (CB) | 14,500,000 | (13,500,000) | 1,000,000 | 0 | (1,000,000) |
| 33,100,000 | Government grants and subsidies – Executive Authority | 33,879,000 | 0 | 33,879,000 | 33,879,000 | 0 |
| 5,274,640 | Grant recognised – Federation of Canadian Municipalities (BIGM) | 24,711,799 | (20,611,799) | 4,100,000 | 3,998,431 | (101,569) |
| 3,136,522 | Sponsorships and donations from non-exchange transactions | 0 | 2,000,000 | 2,000,000 | 1,795,800 | (205,000) |
| 0 | Grant recognised – Commonwealth Local Government Forum | 0 | 2,000,000 | 2,000,000 | 1,577,800 | (422,200) |
| 750,150 | Grant recognised – DPSA (Tirelo Boshu) | 0 | 600,000 | 600,000 | 0 | (600,000) |
| 1,866,375 | Grant recognised – European Union (SGCLG) | 3,964,662 | (2,741,166) | 1,223,497 | 1,788,973 | 565,477 |
| 310,845 | Grant recognised – LGSETA (LiGO) | 0 | 1,000,000 | 1,000,000 | 675,963 | (324,037) |
| 246,453 | Grant recognised – LGSETA (LLLC) | 0 | 3,200,000 | 3,200,000 | 2,536,360 | (663,640) |
| 3,633,037 | Grant recognised – EU (Enhancing Municipal Capacity) | 4,019,800 | 780,200 | 4,800,000 | 4,740,678 | (59,322) |
| 140,639 | Grant recognised – VVSG (Enhancing Capacity in LG Waste) | 300,000 | (300,000) | 0 | 207,616 | 207,616 |
| 0 | Grant recognised – Department of Science & Technology (MIMI) | 0 | 800,000 | 800,000 | 526,572 | (273,428) |
| 49,096,183 | Total Revenue from exchange revenue | 81,375,261 | (26,372,765) | 55,002,496 | 51,816,955 | (3,185,541) |
| 655,293,474 | Total Revenue | 678,874,020 | 6,700,000 | 685,574,020 | 711,688,507 | 26,114,487 |
| | Expenses | | | | | |
| (100,380,204) | Employee costs | (86,335,812) | (21,200,420) | (107,536,232) | (91,048,158) | 16,488,074 |
| (349,342,62) | Programme costs | (434,994,728) | 32,434,535 | (402,560,193) | (332,425,552) | 70,134,641 |
| (113,391,074) | Administrative expenses | (74,130,621) | 2,409,673 | (71,720,948) | (156,060,629) | (84,339,681) |
| (7,167,253) | Depreciation and amortisation expense | (8,744,074) | 1,942,758 | (6,801,316) | (6,512,852) | 288,464 |
| (70,274,679) | Other expenditure | (72,727,016) | (22,336,546) | (95,063,562) | (83,745,315) | 11,318,247 |
| (1,408,466) | Finance costs | (1,367,158) | 0 | (1,367,158) | (1,406,357) | (39,199) |
| (641,964,299) | Total Expenses | (678,299,409) | (6,750,000) | (685,049,409) | (671,198,864) | 13,850,545 |
| 13,329,175 | Surplus for the year | 574,611 | (50,000) | 524,611 | 40,489,643 | 39,965,032 |

Explanation of variances between actuals and final approved budget (variances greater or equal to 10 percent) is included in the CFO's Overview.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

| | 2020 | 2019 |
|--|----------------|----------------|
| 41. Irregular Expenditure | | |
| Opening balance | 167 966 | - |
| Add: Irregular expenditure – current year | - | 167 966 |
| Add: Irregular expenditure – prior year (discovered in current year) | - | - |
| Less: Amounts condoned | - | - |
| Less: Amounts recoverable (not condoned) | - | - |
| Less: Amounts not recoverable (not condoned) | - | - |
| | 167 966 | 167 966 |

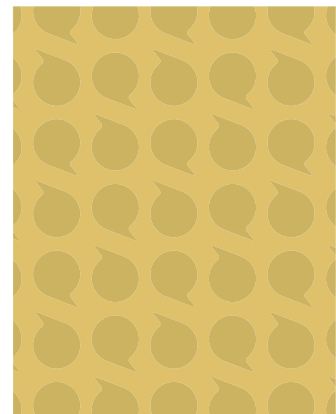
The organisation incurred irregular expenditure for the year of R nil (2019: R167 966). SALGA is awaiting approval/condonation from National Treasury.

| Details of irregular expenditure – prior year | | |
|---|---|---------|
| Details | Steps taken by the organisation | Amount |
| Incorrect allocation of BBBEE points to a supplier – whose BEE Certificate had expired at the time of award | SALGA processed this non-compliance in accordance with the latest INSTRUCTION NOTE ON IRREGULAR EXPENDITURE FRAMEWORK issued on 16 May 2019 and effective from 17 May 2019. SALGA has since written to the National Treasury in December 2019 requesting condonation of the expenditure. The organisation was still awaiting approval at the time of submitting this report. | 167 966 |



PART H

APPENDICES



APPENDIX A: PERFORMANCE AGAINST PREDETERMINED OBJECTIVES 2019/2020

| Output No | Strategic Goal | Strategic Objectives | Mandate | 2019/20 Key Performance Indicator | 2019/20 Outputs | 2019/2020 Progress Report against the KPIs | Reason for variance | Performance Status |
|-----------|--|--|-----------------------------|---|--|--|---------------------|--------------------|
| 1 | Goal 1: Sustainable Inclusive Economic Growth underpinned by Spatial Transformation | To implement a sustainable Urban Development Programme | Lobby, Advocate & Represent | Relevant structures lobbied on the implementation of housing framework by 31 March 2020 | Consolidated outcomes report on implementation of the housing accreditation support plan and mechanisms for housing funding by 31 March 2020 | Various structures were lobbied on the implementation of the housing framework to ensure that LG interests were accommodated: on Priority Housing Development Areas (PHDAs), SALGA lobbied the Human Settlements MINMEC to ensure that the PHDAs are anchored on the relevant Municipal IDPs On land for housing, SALGA lobbied for the land reform programme to factor in urban land with a particular focus of ensuring that strategically located land is made available for housing development especially in urban municipalities. On Mechanisms for housing funding, SALGA lobbied for municipalities to not be required to pay for acquisition of urban land for housing and considering that many municipalities have financial constraints. | Not applicable | Achieved |
| 2 | Goal 1: Sustainable Inclusive Economic Growth underpinned by Spatial Transformation | To promote high quality and reliable service provision and infrastructure investment (capacity and renewal) in support of economic strategies (energy, water, sanitation, 5th utility) | Lobby, Advocate & Represent | Relevant structures engaged to consider broadband as a 5th utility in municipalities by 31 March 2020 | SALGA strategy to lobby for broadband to become the 5th utility developed by 31 March 2020 | Following the development of the SALGA 5th Utility Vision and Implementation Model, the 5th Utility Needs Analysis was conducted with a detailed report produced on the outcome of the analysis, recommendations and close out report. These provides a differentiated approach for the different municipal needs. The following structures were engaged on the process: a) Department of Telecommunications and Postal Services as the policymaker b) ICASA as the regulator in Telecommunications regulations c) CSIR as the research institute that has conducted studies on the current Telecommunications policies d) FTTH Africa Council as the mother body of all the Telecommunications operators in South Africa e) Municipalities Further, an ICT Capability (Service & Governance Management) Maturity Assessment was conducted and the results were shared with the four municipalities for their Process Improvement Plans going forward, namely: • Ray Nkonyeni Municipality in KwaZulu-Natal • Makana Municipality in the Eastern Cape • EMalaheni Municipality in Mpumalanga • Makhuduthamaga Municipality in Limpopo | Not applicable | Achieved |

APPENDIX A: PERFORMANCE AGAINST PREDETERMINED OBJECTIVES 2019/2020 (CONTINUED)

| Output No | Strategic Goal | Strategic Objectives | Mandate | 2019/20 Key Performance Indicator | 2019/20 Outputs | 2019/2020 Progress Report against the KPIs | Reason for variance | Performance Status |
|-----------|---|--|-----------------------------|---|---|--|---------------------|--------------------|
| 3 | <p>Goal 1: Sustainable Inclusive Economic Growth underpinned by Spatial Transformation</p> | To promote high quality and reliable service provision and infrastructure investment (capacity and renewal) in support of economic strategies (energy, water, sanitation, 5th utility) | Lobby, Advocate & Represent | Relevant structures lobbied on the roll out of the Energy Summit implementation plan by 31 March 2020 | Consolidated outcomes report on the roll out of the Energy Summit Implementation Plan application for year 1 by 31 March 2020 | <p>Relevant structures were lobbied on the roll out of the Energy Summit implementation plan, through the following:</p> <ol style="list-style-type: none"> 1. Training of 40 municipalities in all 9 provinces on Small Scale Embedded Generation done. 2. Development of Energy Master plans in two Metros, the Nelson Mandela Bay and Garden Route District Municipality 3. Cost of Supply studies project implemented in municipalities. 4. SALGA developed comments to the IRP on municipalities' role in Generation. 5. The minister of DMRE Made an announcement that Municipalities will be able to procure generation from other parties. 6. Development of the Support Package for Municipalities on Small Scale Embedded Generation | Not applicable | Achieved |
| 4 | <p>Goal 1: Sustainable Inclusive Economic Growth underpinned by Spatial Transformation</p> | To promote high quality and reliable service provision and infrastructure investment (capacity and renewal) in support of economic strategies (energy, water, sanitation, 5th utility) | Lobby, Advocate & Represent | Dept. of Water and Sanitation lobbied on the proposed legislative/policy changes by 31 March 2020 | Proposal developed on legislative/policy gap identified on Water and Sanitation by 31 March 2020 | <p>Proposal on policy and legislative gaps were developed and tabled at the Water and Sanitation Working Group held on the 12th March 2020. The item was also placed on the Human Settlement, Water and Sanitation MINTEC, wherein an agreement with the DG of DWS for a bilateral between SALGA and DWS was reached (but couldn't take place due to COVID 19 restrictions), and a letter with proposals also submitted to DWS.</p> | Not applicable | Achieved |
| 5 | <p>Goal 1: Sustainable Inclusive Economic Growth underpinned by Spatial Transformation</p> | To promote high quality and reliable service provision and infrastructure investment (capacity and renewal) in support of economic strategies (energy, water, sanitation, 5th utility) | Support & Advice | Differentiated instruments for devolving the environmental function to municipalities by 31 March 2020 | A model on implementation protocols for Environmental Management is developed for the three municipal categories by 31 March 2020 | <p>Devolution Framework and Model for Implementation Protocols for different municipal categories developed. Following the finalisation of the framework it was also presented to the SALGA Working Group for approval. The framework was also presented at the Local Government Sector Forum.</p> <p>The framework will be workshopped with municipalities for adoption and application in their municipalities.</p> | Not applicable | Achieved |
| 6 | <p>Goal 1: Sustainable Inclusive Economic Growth underpinned by Spatial Transformation</p> | To promote high quality and reliable service provision and infrastructure investment (capacity and renewal) in support of economic strategies (energy, water, sanitation, 5th utility) | Lobby, Advocate & Represent | Mechanism for cooperation between SALGA, ESKOM and municipalities on devolution of electricity by 31 March 2020 | Framework of cooperation between SALGA and ESKOM developed by 31 March 2020 | <p>Cooperation between SALGA, ESKOM and municipalities on devolution of electricity was actioned in the following ways:</p> <ol style="list-style-type: none"> 1) The Final Draft Framework for Cooperation between Eskom and SALGA was completed by end of March 2020. 2) SALGA together with Eskom embarked on supporting municipalities on the implementation of the Cost of Supply Studies. 3) Hosted Cost of Supply and Wheeling Framework Master classes together with Eskom. 4) Development of Risk Matrix for Service Delivery Agreement in collaboration with Eskom 5) A Draft Model for SALGA, Eskom and MISA to assist municipalities following Eskom | Not applicable | Achieved |

APPENDIX A: PERFORMANCE AGAINST PREDETERMINED OBJECTIVES 2019/2020 (CONTINUED)

| Output No | Strategic Goal | Strategic Objectives | Mandate | 2019/20 Key Performance Indicator | 2019/20 Outputs | 2019/2020 Progress Report against the KPIs | Reason for variance | Performance Status |
|-----------|--|--|------------------|--|--|--|---------------------|--------------------|
| 7 | Goal 1: Sustainable Inclusive Economic Growth underpinned by Spatial Transformation | To promote high quality and reliable service provision and infrastructure investment (capacity and renewal) in support of economic strategies (energy, water, sanitation, 5th utility) | Support & Advice | Relevant structures lobbied on devolution of transport function by 31 March 2020 | A transport resource guide is developed to advise municipalities on devolution of transport function by 31 March 2020 | A framework for devolution of public transport functions to municipalities was completed, include guidelines as framed by the Constitution, NLTA and Municipal Structures Act and COGTA IUDF 2016, Public Transport Assignment Study NT 2016, FFC 2014, Competition Commission 2020. Lobbying processes nesting within devolution of public transport functions where SALGA was challenging the constitutionality of the NLTA Bill particularly on the contracting function, sourced Senior Council legal opinion in April 2019. SALGA also continued to lobby in parliament the Portfolio Committee, petitioned the office of the President in March 2020; joint lobbying process between SALGA and COGTA on the District Service Delivery Model including the public transport regulations function; peer learning technical sessions (SALGA and COGTA) with Mpumalanga and Gauteng on clarification - roads and transport functions and devolution June 2019; Limpopo Transport and Roads workshop - roles functions and regulatory entity function September 2019. | Not applicable | Achieved |
| 8 | Goal 1: Sustainable Inclusive Economic Growth underpinned by Spatial Transformation | To promote high quality and reliable service provision and infrastructure investment (capacity and renewal) in support of economic strategies (energy, water, sanitation, 5th utility) | Support & Advice | Municipalities supported on waste management through Phakisa by 31 March 2020 | SALGA collaboration with relevant stakeholders to support the implementation of Waste Phakisa targets by 31 March 2020 | Municipalities have been supported to implement waste Phakisa targets. The support ranged from 1. The development/revision of waste bylaws, 2. Lobbying for funding of waste vehicles and equipment using MIG, 3. Training of municipalities on the operations of landfill sites as well as waste separation at source initiatives. This support was provided in collaboration with Department of Environmental Affairs - National and provincial | Not applicable | Achieved |
| 9 | Goal 1: Sustainable Inclusive Economic Growth underpinned by Spatial Transformation | To promote high quality and reliable service provision and infrastructure investment (capacity and renewal) in support of economic strategies (energy, water, sanitation, 5th utility) | Support & Advice | Number of selected municipalities supported on Climate Change Finance by 31 March 2020 | Climate Change Finance support mechanisms is developed together with its implementation plan by 31 March 2020 | SALGA in collaboration with Department of Environmental Forestry and Fisheries (DEFF) and Deutsche Gesellschaft für internationale Zusammenarbeit (GIZ) developed and implemented the Climate Finance Support Implementation Plan. A training manual for climate finance project preparation was produced and training sessions were conducted in WC, LP and MP in collaboration with DEA, GIZ and CLEI. | Not applicable | Achieved |

APPENDIX A: PERFORMANCE AGAINST PREDETERMINED OBJECTIVES 2019/2020 (CONTINUED)

| Output No | Strategic Goal | Strategic Objectives | Mandate | 2019/20 Key Performance Indicator | 2019/20 Outputs | 2019/2020 Progress Report against the KPIs | Reason for variance | Performance Status |
|-----------|---|--|-----------------------------|---|---|--|-----------------------|--------------------|
| 10 | <p>Goal 1: Sustainable Inclusive Economic Growth underpinned by Spatial Transformation</p> | <p>To support regional economic strategies and effective Land Use Management approaches as drivers of economies of scale and social cohesion</p> | <p>Support & Advice</p> | <p>Co-operation and partnership agreements for regional economic development in the Karoo and other selected small towns outside the Karoo by 31 March 2020</p> | <p>Outcome report on the implementation of the Karoo region cross-boundary Regional spatial development framework by 31 March 2020.</p> | <p>In an endeavour to entrench cross-boundary regional planning that transcends municipal boundaries, a Municipal Dialogue was held from 18-19 September 2019 in the Bojanala Region of North West Province, through this dialogues, SALGA was able to present to municipalities the cross-boundary regional planning concept, and this was accompanied by practical demonstrations on local cases where the concept can be best applied. The dialogue further facilitated a peer to peer learning platform for municipalities, and explored economic diversification proposals for the region.</p> <p>SALGA also hosted another dialogue on economic development, focusing in mainstreaming women, youth and people with disabilities in LED. The dialogue was held from 7-8 October 2019, and was attended by municipalities from the Karoo Region.</p> <p>From 27-28 November 2019, SALGA hosted the 4th Karoo Small Town Regeneration Conference. The conference addressed matters relating to the proclamation of the Karoo region and the development of the Regional Spatial Development Framework, the institutionalization of the Karoo Region STR Programme in municipalities and to strengthen resource mobilization.</p> <p>SALGA further convened sessions with the Mbombela and Waterberg municipalities on regional and local economic development.</p> | <p>Not applicable</p> | <p>Achieved</p> |
| 11 | <p>Goal 1: Sustainable Inclusive Economic Growth underpinned by Spatial Transformation</p> | <p>To support regional economic strategies and effective Land Use Management approaches as drivers of economies of scale and social cohesion</p> | <p>Support & Advice</p> | <p>Rural development programmes facilitated in selected municipalities by 31 March 2020</p> | <p>Outcome report supported provided to municipalities on rural development programmes by 31 March 2020.</p> | <p>SALGA secured a partnership with the Department of Agriculture, Rural Development and Land Reform. Through this partnership, the following was delivered:</p> <ol style="list-style-type: none"> 1. The delivery of Land Claim beneficiaries in all Provinces. This was the first initiative with the Department of Land Management issues. SALGA is expected to align with its Governance Structure on Rural Development and Public Works programme by institutionalizing the issues of Rural Development. 2. SALGA conducted a study in the last financial year 2018/19 on Land Release and Acquisition. The work of SALGA has been presented to various Minnec of the Department of Agriculture, Rural Development and Land Reform, it was further tabled at the Inter Ministerial Committee (IMC) on Land Reform. Through participation at this structure, SALGA was invited to be part of a study tour in Botswana on Land Management. The relevance of this study tour, speaks to methods that are used by Botswana government in the distribution and ownership patterns of Land. The rural nature of the Botswana provide similarities on how Traditional Authorities govern Rural Land. 3. SALGA in partnership with Ehlanzeni District Municipality and Department of Rural Development developed a District Rural Development Plan which seek to integrate existing national provincial and municipal plans to ensure integrated and sustainable rural development. Ehlanzeni District Rural Development Steering Committee was established to implement the district rural development plan in conjunction with the DRDLR. 4. The Rural densification programmes continue to be rolled out in municipalities and has now been implemented in the Eastern Cape Provinces | <p>Not applicable</p> | <p>Achieved</p> |

APPENDIX A: PERFORMANCE AGAINST PREDETERMINED OBJECTIVES 2019/2020 (CONTINUED)

| Output No | Strategic Goal | Strategic Objectives | Mandate | 2019/20 Key Performance Indicator | 2019/20 Outputs | 2019/2020 Progress Report against the KPIs | Reason for variance | Performance Status |
|-----------|--|---|-------------------|--|--|--|---------------------|--------------------|
| 12 | Goal 1: Sustainable Inclusive Economic Growth underpinned by Spatial Transformation | To support regional economic strategies and effective Land Use Management approaches as drivers of economies of scale and social cohesion | Support & Advice | Municipalities receiving support on rural densification by 31 March 2020 | Rural densification implemented in selected municipalities by 31 March 2020. | <p>A rural densification programme knowledge product was developed, and it followed the successful implementation of the Bushbuckridge pilot during the 2018/19 financial year. The knowledge product was put together with a view of creating a repository of lessons drawn from the Bushbuckridge experience, and is being disseminated to all municipalities.</p> <p>With regards to providing support on the rural densification programme to municipalities:</p> <ol style="list-style-type: none"> King Sabata Dalindyebo was supported on the 7th of November 2020 through an engagement. The engagement was intended to introduce the programme to the municipality as they had previously expressed interest to be the next pilot site. As part of profiling the work of SALGA to an international audience, the Bushbuckridge pilot, including designs, were exhibited at the 6th Congress of the United Cities and Local Governments held in Durban from 11–15 November 2019. Support was further extended to Thembeisile Hani from 6–7 February 2020, where in addition to the engagement, spatial data was collected and a site visit undertaken. This culminated in SALGA designing a town planning layout for the municipality, which is part of SALGA's value added service offering. <p>On the 17th of March 2020, SALGA hosted a rural densification seminar in the Eastern Cape Province, where participants were apprised of the rural densification concept, its rationale, purpose, and overall applicability in the South African context.</p> | Not applicable | Achieved |
| | Goal 1: Sustainable Inclusive Economic Growth underpinned by Spatial Transformation | To support regional economic strategies and effective Land Use Management approaches as drivers of economies of scale and social cohesion | Capacity Building | Differentiated SPLUM support in selected municipalities by 31 March 2020 | SPLUM differentiated support and capacity building implemented in selected municipalities by 31 March 2020 | <p>Due to the fact that municipalities are different and have different challenges, SALGA provide differentiated SPLUM support to municipalities. The following support was rolled-out:</p> <ol style="list-style-type: none"> A gap analysis was conducted to establish the municipal challenges for SALGA's support. Differentiated support was provided in municipalities in all the provinces. SALGA also established and convened the Land Use Scheme focus group whose task is to coordinate participation of Municipalities on the state of readiness with the implementation of wall to wall town planning schemes. The forum consist of the Department of Agriculture, Rural Development and Land Reform, COGTA and SALGA which met 4 December 2019 and 4 Mar 2020. It was established that Municipalities may not be in a position to comply with the SPLUMA regulation on the implementation of Town Planning schemes. SALGA wrote to the Minister for the extension of the deadline that was set given the challenges that Municipalities were experiencing. IDPs are a policy instrument for planning in Municipalities in terms of the Municipal Systems Act. This planning instrument ensure that the spatial planning, projects prioritization, budget implementation, and alignment of other sector plans outside the Municipalities. SALGA has facilitated engagement with Municipalities on the use of credible data to inform planning at Municipal level. This session was held in the Western Cape Province. SALGA also developed technical comments on IDP Guidelines. | Not applicable | Achieved |
| 13 | Goal 1: Sustainable Inclusive Economic Growth underpinned by Spatial Transformation | To support regional economic strategies and effective Land Use Management approaches as drivers of economies of scale and social cohesion | Capacity Building | Differentiated SPLUM support in selected municipalities by 31 March 2020 | SPLUM differentiated support and capacity building implemented in selected municipalities by 31 March 2020 | <p>Due to the fact that municipalities are different and have different challenges, SALGA provide differentiated SPLUM support to municipalities. The following support was rolled-out:</p> <ol style="list-style-type: none"> A gap analysis was conducted to establish the municipal challenges for SALGA's support. Differentiated support was provided in municipalities in all the provinces. SALGA also established and convened the Land Use Scheme focus group whose task is to coordinate participation of Municipalities on the state of readiness with the implementation of wall to wall town planning schemes. The forum consist of the Department of Agriculture, Rural Development and Land Reform, COGTA and SALGA which met 4 December 2019 and 4 Mar 2020. It was established that Municipalities may not be in a position to comply with the SPLUMA regulation on the implementation of Town Planning schemes. SALGA wrote to the Minister for the extension of the deadline that was set given the challenges that Municipalities were experiencing. IDPs are a policy instrument for planning in Municipalities in terms of the Municipal Systems Act. This planning instrument ensure that the spatial planning, projects prioritization, budget implementation, and alignment of other sector plans outside the Municipalities. SALGA has facilitated engagement with Municipalities on the use of credible data to inform planning at Municipal level. This session was held in the Western Cape Province. SALGA also developed technical comments on IDP Guidelines. | Not applicable | Achieved |

APPENDIX A: PERFORMANCE AGAINST PREDETERMINED OBJECTIVES 2019/2020 (CONTINUED)

| Output No | Strategic Goal | Strategic Objectives | Mandate | 2019/20 Key Performance Indicator | 2019/20 Outputs | 2019/2020 Progress Report against the KPIs | Reason for variance | Performance Status |
|-----------|---|--|----------------------------|---|---|--|---|---------------------|
| 13 | <p>Goal 1: Sustainable Inclusive Economic Growth underpinned by Spatial Transformation</p> | <p>To support regional economic strategies and effective Land Use Management approaches as drivers of economies of scale and social cohesion</p> | <p>Capacity Building</p> | <p>Differentiated SPLUM support in selected municipalities by 31 March 2020</p> | <p>SPLUM differentiated support and capacity building implemented in selected municipalities by 31 March 2020</p> | <p>4. National Spatial Development Framework gives a policy framing of the National spatial pattern and how it can be better used to respond to issues of development, settlements both in urban and rural, and land prioritization based on needs. SALGA made comments on the draft NSDF. SALGA further provided technical support to Municipalities in the EC, FS, GP, KZN, LP, MP, NW and WC on SPLUMA compliance. Comprehensive report was developed on the SPLUMA compliance in Municipalities. This assessment assisted SALGA to lobby on behalf of Municipalities for necessary capacity support and prioritization of resources.</p> <p>5. Further, a Planning Law Conference was in KwaZulu Natal. The purpose of this Conference was to share experiencing Municipalities on land legal matters and how Municipalities can be better equipped to avoid litigation. Municipalities are always taken to court by developers and citizens on wrong planning decisions. This platform presented an opportunity for sharing of experiences in various Municipalities.</p> | <p>Not applicable</p> | <p>Achieved</p> |
| | <p>Goal 1: Sustainable Inclusive Economic Growth underpinned by Spatial Transformation</p> | <p>To implement a sustainable Urban Development Programme</p> | <p>Strategic Profiling</p> | <p>Spatial transformation index reviewed by 31 March 2020</p> | <p>Report on the review of the spatial transformation developed by 31 March 2020</p> | <p>SALGA in partnership with CSIR embarked on a research project on the review of the spatial transformation index. The outcome report was released on the development of a Tool kit on Neighbourhood Spatial Transformation. A publication was also developed.</p> <p>A workshop was conducted in the Eastern Cape on the 11th -12th of February 2020 on Spatial transformation. The Spatial transformation is a concept and its objective is captured in the New Urban Agenda and used globally, within South Africa. The concept also carries a unique element which is the imperative to reverse apartheid era spatial planning which was designed, and intended, to divide.</p> <p>The Spatial. The provisional working definition of spatial transformation that has been developed by SALGA entails</p> <ol style="list-style-type: none"> 1) the overhaul of an inherited segregator spatial dispensation and preventing it from re-establishing itself in new forms of post-apartheid class and income-based spatial segregation and spatial inequality. As such, it entails well-planned and decisive actions, such as <ul style="list-style-type: none"> • The provision of quality, well-located housing that meets the needs of all income groups; • The facilitation of security of tenure and the redistribution of land to address the unequal access to (land ownership of) land in towns and cities, especially with reference to strategically located land; • The location of economic, educational, health, recreational, safety and security infrastructure and services in communities that were historically disadvantaged, thereby making them more self-sufficient. | <p>A study was conducted which produced a toolkit on the Neighbourhood Spatial Transformation and not the review of the Spatial transformation index as planned</p> | <p>Not Achieved</p> |
| 14 | <p>Goal 1: Sustainable Inclusive Economic Growth underpinned by Spatial Transformation</p> | <p>To implement a sustainable Urban Development Programme</p> | <p>Strategic Profiling</p> | <p>Spatial transformation index reviewed by 31 March 2020</p> | <p>Report on the review of the spatial transformation developed by 31 March 2020</p> | <p>SALGA in partnership with CSIR embarked on a research project on the review of the spatial transformation index. The outcome report was released on the development of a Tool kit on Neighbourhood Spatial Transformation. A publication was also developed.</p> <p>A workshop was conducted in the Eastern Cape on the 11th -12th of February 2020 on Spatial transformation. The Spatial transformation is a concept and its objective is captured in the New Urban Agenda and used globally, within South Africa. The concept also carries a unique element which is the imperative to reverse apartheid era spatial planning which was designed, and intended, to divide.</p> <p>The Spatial. The provisional working definition of spatial transformation that has been developed by SALGA entails</p> <ol style="list-style-type: none"> 1) the overhaul of an inherited segregator spatial dispensation and preventing it from re-establishing itself in new forms of post-apartheid class and income-based spatial segregation and spatial inequality. As such, it entails well-planned and decisive actions, such as <ul style="list-style-type: none"> • The provision of quality, well-located housing that meets the needs of all income groups; • The facilitation of security of tenure and the redistribution of land to address the unequal access to (land ownership of) land in towns and cities, especially with reference to strategically located land; • The location of economic, educational, health, recreational, safety and security infrastructure and services in communities that were historically disadvantaged, thereby making them more self-sufficient. | <p>A study was conducted which produced a toolkit on the Neighbourhood Spatial Transformation and not the review of the Spatial transformation index as planned</p> | <p>Not Achieved</p> |

APPENDIX A: PERFORMANCE AGAINST PREDETERMINED OBJECTIVES 2019/2020 (CONTINUED)

| Output No | Strategic Goal | Strategic Objectives | Mandate | 2019/20 Key Performance Indicator | 2019/20 Outputs | 2019/2020 Progress Report against the KPIs | Reason for variance | Performance Status |
|-----------|--|---|------------------|---|---|---|---------------------|--------------------|
| 15 | Goal 1: Sustainable Inclusive Economic Growth underpinned by Spatial Transformation | To support regional economic strategies and effective Land Use Management approaches as drivers of economies of scale and social cohesion | Support & Advice | Land release framework lobbied with relevant department and IGR structures by 31 March 2020 | Selected municipalities support based on land release framework by 31 March 2020 | Most Municipalities do not have a correct, relevant and up-to-date information on land ownership within their areas of jurisdiction. Through SALGA study on Land Acquisition and Release, it was evident that there is a need for support on land audit. SALGA participated in DRDLR MinMEC, Mintech, JCC on State Land Release, IMC on Land Reform, Technical coordination committee for Land Reform IMC (various dates). There forum represent Local Government on Land Reform matters and on programmes that are geared towards addressing the land ownership and inequalities. | Not applicable | Achieved |
| | | | | | | SALGA conducted an assessment on land support intervention needs gap analysis on the support required on land audit. A broad consultation was facilitated to workshop the study on Land Acquisition and Release with Eastern Cape municipalities convened on the (27 Jun 2019). The objective of this session was to share with Municipalities the findings and recommendations of the study. SALGA also Published Land Acquisition and Release Framework in Town and Regional Planning Journal (Dec 2019). This journal reach out to all registered Town Planners and all those who are in the built environment. This same work will also be accessible to students who are in the School of Town Regional Planning. Further, municipalities were supported in EC, FS, NP, NC, NW and WC | | |
| 16 | Goal 1: Sustainable Inclusive Economic Growth underpinned by Spatial Transformation | To support regional economic strategies and effective Land Use Management approaches as drivers of economies of scale and social cohesion | Support & Advice | Relevant stakeholders lobbied on the creation of public employment in municipalities by 31 March 2020 | Municipalities supported on public employment creation programmes by 31 March 2020. | 1. The Department of Public Works was engaged of the 18th of September and 3rd of October 2019 regarding the implementation of the Expanded Public Works Programme (EPWP) at municipal level. The purpose of the engagements was to establish a collaborative partnership with the Department to better support municipalities in executing the programme, particularly at the District level. The engagement culminated in a session with the Department on the 18th of October 2020, where the meeting agreed to have targeted workshops at a District level, with Limpopo being the first in line. The following districts, Sekhukhune, Vhembe and Waterberg are identified. The Waterberg District was identified on the basis that it is one of the Districts where the District Delivery Model (DDM) was launched, it was agreed to proper positioning of the programme, it could be a generator of employment in municipality, particularly for the unskilled. More importantly, there was consensus that the programme can be repurposed to serve as a launch pad for the accumulation of skills that workers can use elsewhere once their contracts have lapsed. The next steps will entail the finalisation of a programme and reaching agreement on the content of the workshops and the dates thereof. These activities will be undertaken during the 2020/21 financial year. 2. A workshop was also held in Limpopo on EPWP together with Department of Public Works. | Not applicable | Achieved |
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APPENDIX A: PERFORMANCE AGAINST PREDETERMINED OBJECTIVES 2019/2020 (CONTINUED)

| Output No | Strategic Goal | Strategic Objectives | Mandate | 2019/20 Key Performance Indicator | 2019/20 Outputs | 2019/2020 Progress Report against the KPIs | Reason for variance | Performance Status |
|-----------|---|--|-----------------------------|--|---|--|-----------------------|--------------------|
| 16 | <p>Goal 1: Sustainable Inclusive Economic Growth underpinned by Spatial Transformation</p> | <p>To support regional economic strategies and effective Land Use Management approaches as drivers of economies of scale and social cohesion</p> | <p>Support & Advice</p> | <p>Relevant stakeholders lobbied on the creation of public employment in municipalities by 31 March 2020</p> | <p>Municipalities supported on public employment creation programmes by 31 March 2020.</p> | <p>3. SALGA further developed a proposal for the creation of public employment opportunities in local government. On the informal economy front, SALGA developed a position paper on the sector, with the primary focus of creating an enabling environment for the sector to flourish, and for the creation of employment opportunities in the sector. The support was based on the informal sector being one of the biggest generators of jobs in the country. In the main, SALGA sought to assist municipality with the review of municipal bylaws as to ensure that they are constitutionally sound and allow informal businesses to operate within the city/town.</p> <p>4. SALGA further hosted a think tank with stakeholders on the 3rd of December 2019. Consensus was reached that all actors will need to work cohesively to ensure municipalities put in place bylaws that are permissive to informal trading, in light of the sector being a significant contributor to the country's economic output.</p> | <p>Not applicable</p> | <p>Achieved</p> |
| | | | | | | | | |
| 17 | <p>Goal 1: Sustainable Inclusive Economic Growth underpinned by Spatial Transformation</p> | <p>To support regional economic strategies and effective Land Use Management approaches as drivers of economies of scale and social cohesion</p> | <p>Support & Advice</p> | <p>Recommendations from the Trade and Investment Study implemented in selected municipalities by 31 March 2020</p> | <p>Selected municipalities supported to promote, package and retain trade and investment initiatives by 31 March 2020</p> | <p>The project is a follow on to the research conducted in the previous financial year on Municipal Trade and Investment Situational Analysis. The research was conducted in 6 municipalities (KSD, JHB, NMB, Zululand, Rustenburg, uMzimkhulu, SALGA commissioned UNISA BMR to conduct the research.</p> <p>1. The research was finalised during the current year through validation of results, final editing and design. The results of the research, strategic direction and recommendations were shared with various stakeholders as follows. The aim was to raise awareness on the project and advise municipalities to implement the recommendations:</p> <p>a) Trade and Investment and Economic Empowerment working groups</p> <p>b) Municipalities from Eastern Cape during the Red Tape Reduction workshop</p> <p>c) Limpopo municipalities through the Economic Development Working group</p> <p>d) Free State municipalities through the Trade and Investment workshop</p> <p>e) Mpumalanga municipalities through the Business/ Municipality workshop</p> <p>f) Western Cape municipalities at the Business LG roundtable and revenue management master class.</p> <p>g) The Eastern Cape municipalities, provincial government and business stakeholders during the Buffalo City investment Conference</p> <p>2. As part of the strategic stakeholder establishment and management, SALGA is now part of the Economic Development Coordination Forum and will be part of the 7 work streams. SALGA is also part of the National Red Tape Reduction Task Team implementing policies. This is critical for SALGA as one of the challenges highlighted in the research report shows poor or no intergovernmental coordination between the 3 spheres of government and that the local government inputs in national decision making is absent.</p> <p>3. In the following financial year, SALGA will convene the Municipal Investment Conference. A concept note has been developed together with the terms of reference to procure a service provider to assist with the conference.</p> | <p>Not applicable</p> | <p>Achieved</p> |

APPENDIX A: PERFORMANCE AGAINST PREDETERMINED OBJECTIVES 2019/2020 (CONTINUED)

| Output No | Strategic Goal | Strategic Objectives | Mandate | 2019/20 Key Performance Indicator | 2019/20 Outputs | 2019/2020 Progress Report against the KPIs | Reason for variance | Performance Status |
|-----------|--|---|---------------------|--|---|---|---------------------|--------------------|
| 18 | Goal 1: Sustainable Inclusive Economic Growth underpinned by Spatial Transformation | To strengthen the role of Local Government in Community Development and Social Cohesion | Strategic Profiling | Index of indicators for measuring impact of community development programmes by 31 March 2020 | Data towards an index for Municipal Health, Safety, Vulnerable groups and Social Cohesion defined by 31 March 2020 | SALGA through the Municipal Barometer appointed a service provider to investigate and develop indicators to measure local government performance. Following this research report, SALGA also developed data towards an index for Municipal Health, Safety, Vulnerable Groups and Social Cohesion. This project was aligned to the SALGA consolidated Local Government and Development Indicators. Municipalities were engaged through the Municipal Health Services Managers Forum. This is a coordinating structure of Municipal Practitioners that are responsible for Municipal Health Services. The active nature of this forum provide a solid platform for engagement with strategic partners beyond Local Government. These indicators are going to shape, formulate Local Government response to issues of Municipal Health Services, and identify capacity challenges and the location of the assignment. | Not applicable | Achieved |
| 19 | Goal 1: Sustainable Inclusive Economic Growth underpinned by Spatial Transformation | To strengthen the role of Local Government in Community Development and Social Cohesion | Support & Advice | Number of municipalities supported based on MHS Norms and Standards supported by 31 March 2020 | 20 Municipalities supported based on MHS Norms and Standards by 31 March 2020 | SALGA nine municipalities to receive direct support from the SALGA national office while eleven municipalities in MP, FS and GP received support directly from the SALGA provincial offices. The support provided to municipalities included the MHS audit, devolution, costing and norms and standards compliance. Further, SALGA convened the Municipal Health Forums/Summits in all the nine provinces which were attended by the Municipal Health Practitioners. | Not applicable | Achieved |
| 20 | Goal 1: Sustainable Inclusive Economic Growth underpinned by Spatial Transformation | To strengthen the role of Local Government in Community Development and Social Cohesion | Support & Advice | Number of municipalities supported on coordination and implementation of HIV/TB and STI Response programmes by 31 March 2020 | 24 municipalities supported on coordination and implementation of HIV/TB and STI Response programmes by 31 March 2020 | 26 municipalities were supported to establish AIDS councils and to ensure that where they do not exist they are re-established. Support was also provided on assessing the functionality of the existing AIDS Councils where they exist as well as providing advice on planning and budgeting of HIV/TB and STI response programmes. The municipalities were also assisted in the development and strengthening the implementation of the HIV and AID workplace policy. | Not applicable | Achieved |
| 21 | Goal 1: Sustainable Inclusive Economic Growth underpinned by Spatial Transformation | To strengthen the role of Local Government in Community Development and Social Cohesion | Support & Advice | Number of municipalities supported in safety planning by 31 March 2020 | 27 municipalities supported in safety planning by 31 March 2020 | A national capacity building workshop was held in partnership with GIZ where issues of Public Safety were discussed. A number of initiatives have been driven at provincial level, Western Cape, Mpumalanga and Free State. The objective of SALGA driving this initiative is to strengthen municipal capacities in dealing with issues of safety and the general wellbeing of its citizens. The Disaster Management Act 57 of 2002, Section 57 states that disaster management is a function of all spheres of government. Chapter 5 of the Act defines the role of local government and gives guidance to the local government in dealing with pre, intra and post disasters. The documents on Emergency Procurement and funding arrangements and placement of the disaster management function in municipalities was developed. Those documents were presented in the DRM round table where targeted municipalities and stakeholders were engaged and guided through them. | Not applicable | Achieved |

APPENDIX A: PERFORMANCE AGAINST PREDETERMINED OBJECTIVES 2019/2020 (CONTINUED)

| Output No | Strategic Goal | Strategic Objectives | Mandate | 2019/20 Key Performance Indicator | 2019/20 Outputs | 2019/2020 Progress Report against the KPIs | Reason for variance | Performance Status |
|-----------|---|---|------------------|--|---|---|---------------------|--------------------|
| 21 | <p>Goal 1: Sustainable Inclusive Economic Growth underpinned by Spatial Transformation</p> | To strengthen the role of Local Government in Community Development and Social Cohesion | Support & Advice | Number of municipalities supported in safety planning by 31 March 2020 | 27 municipalities supported in safety planning by 31 March 2020 | All Municipalities in Northern Cape and Eastern Cape were provided supported due to disasters they experienced. Climate Smart Technologies workshop was held in KZN where Disaster Smart technology was presented in support enhancing early warning systems. The objective of these engagement was to support Municipalities that are more vulnerable to disaster, improve their response when disaster occurs. | Not applicable | Achieved |
| 22 | <p>Goal 1: Sustainable Inclusive Economic Growth underpinned by Spatial Transformation</p> | To strengthen the role of Local Government in Community Development and Social Cohesion | Support & Advice | Percentage of municipalities supported to mainstream issues of vulnerable groups on policy and programme implementation by 31 March 2020 | 25% of municipalities supported to mainstream issues of vulnerable groups on policy and programme implementation by 31 March 2020 | <p>The European Union Commission (EU) partnered with SALGA to implement the three year 'Strengthening Governance and Capacity in Local Government Project. The project aimed to capacitate municipalities to design sustainable Community Services plans that improve service delivery and accountability while enhancing the lives of vulnerable groups. Four Provinces were identified where the following Municipalities participated on the project: Dr Nkosazana Dhlamini-Zuma LM, Ehlangeni DM, Knysna LM, Lepelle-Nkumpi LM, Modimolle-Mookgophong LM, Thaba Chweu LM, Witzenberg LM and uMkhanyakude DM. The objectives of this project was to: To provide democratic and accountable government for local communities; ensure the provision of services to communities in a sustainable manner; promote social and economic development; promote safe and healthy environment.</p> <p>Women: A women's Conference was held in Gauteng. All Municipalities were represented and the Provincial Conference. This session was preceded Gauteng Gender Peer Review was held in Gauteng. Sign Language: SALGA Facilitated training on Sign Language. This is in line with the need for Local Government to be able to offer service to communities irrespective of their physical challenges. The provision in Constitution makes emphases on the need for government to more responsive without any form of discrimination. The Programme provide an opportunity for Municipalities to be better equipped as the centre of service delivery.</p> <p>Vulnerable Group: SALGA has undertaken a study to assess how best municipalities can be able to address the needs of the Vulnerable groups through the use of indicators. The aim of the project is to provide indicators for planning and performance measurement for Local Government overall. This document provides information on the indicators for Vulnerable</p> <p>Groups and Community Services from two categories:</p> <ol style="list-style-type: none"> 1) The approved and vetted indicators recommended by SALGA and data experts 2) The indicators identified by municipalities' during provincial engagements. A comprehensive study on the Indicators for Vulnerable groups has been completed. <p>Children: SALGA partnered with Save the Children South Africa (SCSA) to develop a training manual that explains the Child-friendly Communities Framework and also details the legal obligations of the municipalities to prioritise children into their planning and budgeting processes.</p> | Not applicable | Achieved |

APPENDIX A: PERFORMANCE AGAINST PREDETERMINED OBJECTIVES 2019/2020 (CONTINUED)

| Output No | Strategic Goal | Strategic Objectives | Mandate | 2019/20 Key Performance Indicator | 2019/20 Outputs | 2019/2020 Progress Report against the KPIs | Reason for variance | Performance Status |
|-----------|---|--|--|---|--|--|-----------------------|--------------------|
| 23 | <p>Goal 1: Sustainable Inclusive Economic Growth underpinned by Spatial Transformation</p> | <p>To strengthen the role of Local Government in Community Development and Social Cohesion</p> | <p>Lobby, Advocate & Represent</p> | <p>Number of municipalities supported on issues of sports & recreation, arts, culture and heritage by 31 March 2020</p> | <p>Relevant structures engaged on local government mandate for sport & recreation, arts, culture and heritage by 31 March 2020</p> | <p>Various engagement were undertaken by SALGA with relevant structures on matters that impact Local Government. In all engagements, Municipalities have been actively involved on at sectoral level and their inputs have shared the common agenda of Local Government on this subject matter. The objective of these engagement were to ensure Local Government perform its mandate and continue to advance interest of Local communities through ensuring that services are delivered. SALGA also assisted Municipalities on matters that require policy shift and proposal for lobbying of policy amendments The following engagement were facilitated by SALGA:</p> <p>Art, Culture and Heritage: The implementation of the programme on arts, culture and heritage was done through partnerships with Tshwane University of Technology, European Union, Department of Cooperative Governance, Department of Sports, Arts and Culture and Sibiwe Art Centre. SALGA convened a roundtable on 28 June 2019 with the above mentioned partners. Another dialogues took place on 02-03 March 2020 in Port Elizabeth and 05-06 March 2020 in Durban. The purpose of the roundtable was to synergise plans with strategic partners on how best to respond to Arts, Culture and Heritage issues at the Local Government level.</p> <p>Cemeteries: SALGA convened a roundtable on 28 June 2019 with various partners including the South African Cemeteries Association (SACA). The purpose of the roundtable was to synergise plans with strategic partners on how best to respond to Cemeteries Management issues at the Local Government level. A workshop on Cemeteries Management on 06 August 2019. Stakeholders who participated included the Department of Environmental Affairs, Department of Military Veterans and Municipalities. The purpose of the engagement was Provide support and address the issue of land, focus on norms and standards and the role of media in the advocacy of cemeteries (in order to change the mind-sets of communities). SALGA convened a stakeholder engagement in Limpopo, workshopped the draft framework on Cemeteries developed for Municipalities.</p> <p>Libraries: SALGA convened a roundtable on 26 June 2019 with partners including the Department of Basic Education and the Auditor General. The purpose of the roundtable was to synergise plans with strategic partners on how best to respond to Libraries Management issues at the Local Government level.</p> | <p>Not applicable</p> | <p>Achieved</p> |

APPENDIX A: PERFORMANCE AGAINST PREDETERMINED OBJECTIVES 2019/2020 (CONTINUED)

| Output No | Strategic Goal | Strategic Objectives | Mandate | 2019/20 Key Performance Indicator | 2019/20 Outputs | 2019/2020 Progress Report against the KPIs | Reason for variance | Performance Status |
|-----------|--|--|--|---|---|---|---|--------------------|
| 24 | Goal 12: Good governance and resilient municipal institution | To strengthen oversight and accountability for effective, accountable and transparent leadership practices | Lobby Advocate & Represent | Relevant structures lobbied on the consequences and accountability framework for municipalities to apply it as a guide by 31 March 2020 | Report on the lobby process on the consequences and accountability framework by 31 March 2020 | In the 2018/19 financial year, SALGA developed the Consequences and Accountability Framework. Following NEC engagements and discussions with AG outcomes on the MFMA audit, the NEC recommended further refinements on the framework as a result, the name of the framework was reviewed from the Consequence and Accountability Framework to Accountability and Consequences Management Protocol. The framework was further consulted with relevant stakeholders on 13-14 June 2019, 19 November 2019 and 5-6 March 2020. One of the key mandates of SALGA is to Lobby, Representation & Advocate on behalf of LG within the intergovernmental system. SALGA developed a framework for SALGA's participation and representation in the IGR structures, which is enhanced by the governance and mandating process of SALGA. 1. An impact assessment was conducted of SALGA's participation in the IGR structures. Further, an evaluation form was also developed for participants to rate the process for SALGA's improvement. | Not applicable | Achieved |
| | 25 | Goal 12: Good governance and resilient municipal institution | To strengthen oversight and accountability for effective, accountable and transparent leadership practices | Strategic Profiling | SALGA coordinates all its IGR activities and obligations as informed by the SALGA IGR Strategy by 31 March 2020 | Impact assessment report on SALGA's participation and influence in IGR processes by 31 March 2020 | SALGA implemented the Municipal Audit Support Programme to the targeted 62 municipalities during the year under review. Even though the number of Disclaimer opinions increasing from 26 to 33 the medium term target was achieved. Of the 62 municipalities supported, 11 municipalities had improved audit outcomes which makes 18% of the targeted municipalities. Over and above the targeted 62 municipalities supported, a further 67 municipalities also benefited from the support provided to the targeted municipalities. These 67 municipalities participated in the sessions held with the targeted municipalities in their provinces. Part of the support provided on MASP included: 1. Based on AGSA report indicating the root cause of poor municipal audits to lack of records management, SALGA developed a records management toolkit with the AGSA Records Management Toolkit which provided guideline for municipalities with records keeping. 2. In partnership with AGSA and National Archives SALGA rolled out the records management training and awareness. 3. Developed Accountability publication which profiled local government good practices as well as SALGA's municipal finance programmes. 4. SALGA continued to partner with the AGSA and provided training to Auditor General first year trainees in all provinces. The purpose of the training is to ensure that the trainee accountants are empowered with knowledge and understanding of local government that when they gather information from municipalities, they have knowledge of the sector. 5. Support provided to municipalities in the different provinces | Not applicable |
| 26 | Goal 12: Good governance and resilient municipal institution | To strengthen oversight and accountability for effective, accountable and transparent leadership practices | Support & Advice | Percentage of significant audit findings in municipalities by 31 March 2020 | Municipal Audit support Programme is implemented by 31 March 2020 | SALGA implemented the Municipal Audit Support Programme to the targeted 62 municipalities during the year under review. Even though the number of Disclaimer opinions increasing from 26 to 33 the medium term target was achieved. Of the 62 municipalities supported, 11 municipalities had improved audit outcomes which makes 18% of the targeted municipalities. Over and above the targeted 62 municipalities supported, a further 67 municipalities also benefited from the support provided to the targeted municipalities. These 67 municipalities participated in the sessions held with the targeted municipalities in their provinces. Part of the support provided on MASP included: 1. Based on AGSA report indicating the root cause of poor municipal audits to lack of records management, SALGA developed a records management toolkit with the AGSA Records Management Toolkit which provided guideline for municipalities with records keeping. 2. In partnership with AGSA and National Archives SALGA rolled out the records management training and awareness. 3. Developed Accountability publication which profiled local government good practices as well as SALGA's municipal finance programmes. 4. SALGA continued to partner with the AGSA and provided training to Auditor General first year trainees in all provinces. The purpose of the training is to ensure that the trainee accountants are empowered with knowledge and understanding of local government that when they gather information from municipalities, they have knowledge of the sector. 5. Support provided to municipalities in the different provinces | The 67 extra municipalities participated in the sessions held with the targeted municipalities in their provinces. | Achieved |

APPENDIX A: PERFORMANCE AGAINST PREDETERMINED OBJECTIVES 2019/2020 (CONTINUED)

| Output No | Strategic Goal | Strategic Objectives | Mandate | 2019/20 Key Performance Indicator | 2019/20 Outputs | 2019/2020 Progress Report against the KPIs | Reason for variance | Performance Status |
|-----------|--|---|----------------------------|--|---|---|---------------------|--------------------|
| 27 | Goal 12: Good governance and resilient municipal institution | To strengthen oversight and accountability for effective, accountable and transparent leadership practices | Lobby Advocate & Represent | Improved councillor welfare dispensation (benefits, salary and capacity building) by 31 March 2020 | Lobby relevant structure for reforms for councillor support and welfare to ensure equity by 31 March 2020 | The Minister of COGTA has the ultimate responsibility to determine the salaries of Councillors, within this context and following the appointment of a new Minister of COGTA a meeting was convened between the SALGA Presidency and the Minister on 30 July 2019 to brief the new Minister on key developments pertaining to Councillor Remuneration and lobby for improvement of key aspects of the remuneration of Councillors. This meeting was also followed up with a letter to the Minister on 16 August 2019 to re-emphasize SALGA concerns. Following enquiries from the President of the Republic as a consequence of engagements in the 2018/19 financial year, SALGA further developed for the Presidency the respective Profiles, Roles and Responsibilities of Councillors. These role profiles will be used as part of finalising the structural review of the Remuneration of Councillors which draft was completed in the previous financial with extensive SALGA contributions. SALGA also made comments on the draft Upper Limits Notice for the 2019/20 financial year that led to the introduction of improvements in the salaries of Councillors for the 2019/20 financial year. | Not applicable | Achieved |
| 28 | Goal 2: Good governance and resilient municipal institution | To Modernise governance systems and processes through the use of digital technology and exploration of new models of interface with communities | Support & Advice | Enhanced citizen participation in municipal governance by 31 March 2020 | Integrated framework towards enhanced inclusive governance and public participation rolled out by 31 March 2020 | Through partnership with the European Union, SALGA developed a guideline on public participation which aim to guide municipalities on how to ensure public participation in their municipal engagements. Further to the guidelines developed, municipal engagements were held in all provinces to engage on the guideline and support municipalities on the use of the guideline. SALGA in partnership with EU coordinated support to 12 municipalities to benefit from the EU project. Part of the project included conducting an assessment of the municipal capability to implement public participation programmes. Tools were developed for municipalities to assess the readiness of their processes to involve their communities in their decision making processes while the other tools was meant for communities to rate the level of participation in their municipal processes. The outcomes reports were developed out of the assessments conducted and shared with all the 12 municipalities on the recommendations of the assessment conducted. The 12 municipalities that participated in this project are in the North West, the Bojanala District, the Rustenburg LM, Madibeng LM and Moses Kotane LM, in the FS Gariep LM, Matjhabeng LM and Masiyane LM, in WC, the participating municipalities were the Ootshoorn and Prince Albert municipalities, in the NC, it was the Witzenberg, Siyancuma and Umsombomvu municipalities in the Emathanjeni District. | Not applicable | Achieved |

APPENDIX A: PERFORMANCE AGAINST PREDETERMINED OBJECTIVES 2019/2020 (CONTINUED)

| Output No | Strategic Goal | Strategic Objectives | Mandate | 2019/20 Key Performance Indicator | 2019/20 Outputs | 2019/2020 Progress Report against the KPIs | Reason for variance | Performance Status |
|-----------|---|---|---------------|--|---|--|---------------------|--------------------|
| 29 | Goal 2: Good governance and resilient municipal institution | To foster sound and productive labour relations | Employer Body | Municipalities complying with a multi-year Salary and Wage Collective Agreement by 31 March 2020 | Monitor compliance on the implementation of the multi-year Salary and Wage Collective Agreement by 31 March 2020 | A multi-year Salary and Wage Collective Agreement was secured and shared with municipalities for implementation. In the year under review, SALGA monitored the compliance of municipalities on implementation of the agreement. While the majority of municipalities complied with the agreement, there were four municipalities that applied for exemption which are the City of Tshwane, City of Cape Town, eThekweni and Ilembe municipalities. SALGA facilitated a SALGBC investigation into the non-compliance with the signing of Settlement Agreement by the parties at the City of Tshwane and further supported the City of Cape Town in the exemption application and a favourable jurisdictional ruling was issued as raised by SALGA. eThekweni Metro was also supported in the Wage Dispute that threatened the 2019 Elections. SALGA successfully represented Inkosi Langalibalele LM in the Wage Exemption application and a Certificate was issued The SALGBC Circular 1/2019 on Wage & Salary increase for the period 1 July 2019 – 30 June 2020 was distributed to all municipalities to enable them to finalize their budget processes. | Not applicable | Achieved |
| | | | | | | | | |
| 30 | Goal 2: Good governance and resilient municipal institution | To foster sound and productive labour relations | Employer Body | Number of municipalities represented on labour related matters by 31 March 2020 | Municipalities represented on labour related matters (advise, arbitrations, mediations and conciliations by 31 March 2020 | 1. SALGA supported and advised 116 municipalities on various labour relations matters including 229 arbitrations, 84 conciliations and 126 disciplinary hearings. 2. In April 2019 SALGA issued a Circular 07-2019 on Labour Unrest in Municipalities 3. Finalised the Local Labour Forum training manual 4. SALGA completed the investigation on Compensation Benefits and compiled a report which was presented at the Free State and Limpopo PMAs. 5. The planned 3rd Annual Local Government Labour Law Seminar could not proceed as it was scheduled to take place end of March 2020. More than 300 delegates had already enrolled for attendance. | Not applicable | Achieved |
| | | | | | | | | |
| 31 | Goal 2: Good governance and resilient municipal institution | To foster sound and productive labour relations | Employer Body | Negotiations facilitated at the SALGBC on pension Fund Restructuring by 31 March 2020 | Collective agreements on Wage Curve and Pension Fund Restructuring in local government concluded by 31 March 2020 | 1. SALGA issued a Circular to municipalities and a Questionnaire requesting for information on the operating Pension Funds in the different municipalities and the received information was consolidated 2. The SALGBC parties have signed Facilitator proposal on the Pension Fund Restructuring (Collective Agreement) 3. SALGA developed a position on Wage Curve Negotiations 4. Medical Schemes have been accredited by the EBWVG with SAMWUMED being provisionally accredited 5. SALGBC parties agreed to revert to the Bargaining Council on the 15 May 2020 in order make the agreement effective from the 01 July 2020 6. The process has been further delayed by the litigation pending by pension funds. 7. SALGA has written various letters to municipalities 8. The SALGBC parties are also waiting for a date from the COGTA Ministry to ensure the support of the Minister on the restructuring process. | Not applicable | Achieved |
| | | | | | | | | |

APPENDIX A: PERFORMANCE AGAINST PREDETERMINED OBJECTIVES 2019/2020 (CONTINUED)

| Output No | Strategic Goal | Strategic Objectives | Mandate | Key Performance Indicator | 2019/20 Outputs | 2019/2020 Progress Report against the KPIs | Reason for variance | Performance Status |
|-----------|--|-------------------------------------|-------------------|--|---|---|---|--------------------|
| 32 | Goal 12: Good governance and resilient municipal institution | To Professionalise Local Government | Employer Body | Number of municipalities supported on PMS support by 31 March 2020 | Performance Management System support programme implemented in municipalities and cascaded by 31 March 2020 | <p>46 municipalities in all provinces benefitted from the Performance Management Support Programme (PMS) aimed at strengthening municipal performance management processes in municipalities.</p> <p>Further, SALGA rolled-out a Multi-Stream Accredited Municipal Performance Management Training Programme which benefitted a total of 319 learners. Cohort 1 of the Practitioner Stream. This training programme was officially launched on 27 February 2020 and a total of 122 learners who successfully completed the training programme were awarded certificates of competency. The number of people trained can be summarise as follows:</p> <ul style="list-style-type: none"> Gauteng (2 Groups): 18-22 Nov 2019 = 36 trained Limpopo : 25-29 Nov 2019 = 23 trained Northern Cape: 02-06 Dec 2019 = 19 trained Eastern Cape: 09-13 Dec 2019 = 23 trained North West: 09-13 Dec 2019 = 30 trained KwaZulu Natal (2 Groups): 17-21 February 2020 = trained 42 Western Cape (2 Groups): 02-06 March 2020 = 41 trained Mpumalanga: 02-06 March 2020 = 54 trained Free State (2 Groups): 16-20 March 2020 = 51 trained <p>Convened a 3rd Annual Local Government Performance Management Seminar on 27-28 February 2020 at the Birchwood Hotel & Conference Centre under the theme "Entrenching Accountability and Consequences Management as Levers for High Performing Municipalities", which was attended by 541 municipal delegates. The seminar was granted the Provisional Accreditation as a Talent Management Competency Programme with 6 Continuous Professional Development (CPD) Points by the South African Board for People Practice (SABPP).</p> | Three municipalities from the EC were also supported based on adhoc requests and included in the targeted support plan of the pre-identified 43 municipalities at the beginning of the year | Achieved |
| | Goal 2: Good governance and resilient municipal institution | To Professionalise Local Government | Capacity Building | Number of councillors and officials capacitated on various capacity building programmes by 31 March 2020 | Integrated capacity building programmes to councillors and officials rolled out by 31 March 2020 | <p>A total of 8467 councillors and municipal officials benefited from the capacity building programmes implemented under the auspices of the SALGA Centre for Leadership and Governance training programmes. The following programmes were rolled out in the year under review:</p> <ol style="list-style-type: none"> Media and Stakeholder Engagement Programme Leadership in Municipal Governance ICIP Credit Bearing Phase 2 Accredited Local Labour Forum Training Programme Accredited Municipal Performance Management Training Programme Senior Management Induction Programme Leadership for Innovation <p>Further, SALGA designed and developed the following programmes for future implementation</p> <ol style="list-style-type: none"> Senior Managers Development Programme, Women Leadership Development Programme, LLF Training and Accredited Multi-stream Performance Management Training, The implementation of the Leadership in Municipal Governance Programme Leadership Impact and Innovation <p>Funding to the tune of R19 044 000.00 was secured from the LGSETA for the implementation of various capacity building programmes.</p> | Not applicable | Achieved |
| 33 | | | | | | | | |

APPENDIX A: PERFORMANCE AGAINST PREDETERMINED OBJECTIVES 2019/2020 (CONTINUED)

| Output No | Strategic Goal | Strategic Objectives | Mandate | 2019/20 Key Performance Indicator | 2019/20 Outputs | 2019/2020 Progress Report against the KPIs | Reason for variance | Performance Status |
|-----------|---|-------------------------------------|------------------|---|---|--|---------------------|--------------------|
| | Goal 12: Good governance and resilient municipal institution | To Professionalise Local Government | Support & Advice | Number of municipalities supported on post profiling by 31 March 2020 | Post-profiling support and reassessment of human capital management in selected municipalities by 31 March 2020 | <p>21 municipalities across all provinces were supported on Human Resource related support.</p> <p>1. On the Re-Profiling of Maturity Levels: six municipalities were engaged to reassess whether there have been improvements on their maturity level subsequent to support provided on the various HR value chain elements (Knysna LM, Garden Route DM, Mossel Bay LM, Overstrand LM and Saldanha Bay LM)</p> <p>2. Development Human Capital Management Strategy: 11 municipalities have been supported to review and develop Human Capital Management Strategy, namely:</p> <ul style="list-style-type: none"> a) KZN: Umzinyathi; uMsunduzi and Mpofana Municipalities on 11 March 2020 b) NW: Dr Kenneth Kaunda; Tswaing; Moterele; Dr Ruth Segomotsi Mompoti Municipalities on 12 March 2020 c) LP: Mogalakwena Municipality on 23 January 2020 d) MP: City of Mbombela Municipality on 09 March 2020; Dipaliseng Municipality on 11 March 2020 and EMalahleni Municipality on 12 March 2020 <p>3. Development of Data Sets/Intelligence on Senior Managers: Data sets on various human capital management value chain elements are being developed for the Local Government Human Resource Information Management System (LGHIRMS) that SALGA has conceptualised and work is in progress for its establishment. Data received has been used to develop reports on vacancy rate versus filled positions of Senior Managers in municipalities which is currently 22%.</p> <p>4. Establishment of the Local Government Human Resource Information Management System (LGHIRMS): A Transaction Advisor has been appointed to update the current Blueprint on the system, provide Technical Advisory Services in the implementation of the LGHIRMS, Mobilise funding and drive the establishment of partnerships with external stakeholders in order to ensure that the envisaged system objectives are realised.</p> <p>5. Facilitate Knowledge Sharing and Municipal Peer Learning on Professionalization Best Practice: The 2nd Annual Local Government Talent Management Seminar held on the 30-31 January 2020 and attended by 337 delegates. Municipalities participated in the programme by sharing their respective case studies on subthemes addressing delegates on talent management issues. The following municipalities were part of the discussion panel:</p> <ul style="list-style-type: none"> • City of Tshwane Metro: Expanded Public Works Programme (EPWP) Lottery Recruitment System • City of uMhlatuze LM: Exit Management Standard Operating Procedure Presentation • City of Ekurhuleni Metro: E-Recruitment System. • Blouberg LM: Time and Attendance Management System | Not applicable | Achieved |

| Output No | Strategic Goal | Strategic Objectives | Mandate | 2019/20 Key Performance Indicator | 2019/20 Outputs | 2019/2020 Progress Report against the KPIs | Reason for variance | Performance Status |
|-----------|--|---|---------------------------------|--|---|--|---------------------|--------------------|
| 34 | <p>Goal 2: Good governance and resilient municipal institution</p> | To Professionalise Local Government | Support & Advice | Number of municipalities supported on post profiling by 31 March 2020 | Post-profiling support and reassessment of human capital management in selected municipalities by 31 March 2020 | <p>6. Institutionalise the Service Charter in Municipalities: SALGA enlisted the expertise of the Democracy, Governance and Service Delivery (DGSD) Department of the Human Sciences Research Council (HSRC) to lead the development of minimum service standards to support municipalities and inform service delivery. These standards would be supported by the guidelines for application and optimization of standards, a tool to measure service delivery satisfaction and as well as a redress mechanism, to address citizens' complaints.</p> <p>7. Monitor and facilitate Compliance with Employment Legislation: In collaboration with the Department of Labour 05 – 06 February 2020 SALGA conducted a workshop on the Health and Safety and Compensation for Occupational Injuries and Diseases Acts which was attended by 41 delegates who are critical role players responsible for enforcing municipal compliance with these legislation from the following municipalities: Fezile Dabi, Mafube, Metsimaholo, Mqhashaka and Ngwatho.</p> | Not applicable | Achieved |
| 35 | <p>Goal 3: Financial Sustainability of local government and greater fiscal equity</p> | To support innovative revenue enhancement strategies for local government | Knowledge & Information Sharing | Relevant structures lobbied and municipalities supported on infrastructure sustainability by 31 March 2020 | Guidelines on infrastructure financing, grants and operations for municipalities developed by 31 March 2020 | <p>The strategic plan for the financial year 2019/20 was anchored on the outcomes and the resolutions of the Innovative Infrastructure Finance Conference. The conference themes entailed financing, grants and operations and our programme for the year was aligned to these themes. The following was achieved:</p> <ol style="list-style-type: none"> 1. Updated the financing instruments papers on Municipal Bonds and Municipal Pooled Financing. 2. A catalogue of the financing options as per our papers was developed together with a brochure on project preparation facilities within the sector. 3. SALGA lobbied the National Treasury and Moody's Credit Rating Agency. In partnership with Moody's SALGA facilitated workshops with municipalities on their credit rating methodology. 4. An assessment of Public Private Partnerships (PPP) was conducted, which resulted in the agreement to conduct a comprehensive PPP study for the sector. 5. Infrastructure Grants a Community of Practice (COP) for Human Settlements was established in partnership with Cities Support Programme and Centre for Affordable Housing Finance. 6. An assessment of SALGA's engagements in supporting municipalities in infrastructure grant spending was conducted. 7. A Grant Management Framework was developed with key strategic directions in terms of SALGA's role in supporting municipalities in infrastructure grant spending in future. 8. Through the BIGM programme a comprehensive workshop was conducted on Asset Management and Climate Change where issues around strategic asset management that responds to socio-economic and environmental were discussed and workshoped. Out of this workshop an asset management readiness scale was shared with the municipalities. 9. The Bulk water tariff consultations were undertaken with the water boards | Not applicable | Achieved |

APPENDIX A: PERFORMANCE AGAINST PREDETERMINED OBJECTIVES 2019/2020 (CONTINUED)

| Output No | Strategic Goal | Strategic Objectives | Mandate | 2019/20 Key Performance Indicator | 2019/20 Outputs | 2019/2020 Progress Report against the KPIs | Reason for variance | Performance Status |
|-----------|---|---|--|--|--|---|---|--------------------|
| 36 | Goal 13: Financial Sustainability of local government and greater fiscal equity | To strengthen financial management strategies for local government | Lobby, Advocate & Represent | % reduction in debt owed to and by municipalities by 31 March 2020 | Municipalities supported to manage debt owed to and by municipalities by 31 March 2020 | <p>Municipal Debtors decreased by 1,7% year on year while Municipal Creditors decreased by 6,63% year on year. SALGA continued to provide support to municipalities in managing debt owed to and by them during the financial year under review. The following support was provided:</p> <ol style="list-style-type: none"> SALGA performed a diagnostic analysis on a sample of 12 approved 2019/20 municipal budgets in order to assess the credibility of these budgets and their compliance with balanced budget principles and guidelines and presented to the National Working Group. SALGA provided inputs during the Mid-year budget benchmarking sessions conducted at OR Tambo and Ekurhuleni Metro municipalities respectively where recommendations were adopted in the meeting. SALGA developed the Single and Integrated Revenue Management Framework (SIRMF) which identified 4 municipalities to be supported to address areas of challenges and potential improvements. SALGA presented the findings of the 2015/16 debt and billing study at the Revenue Management Steering Committee which resulted in an allocation of R100mil in the next FY budget to implement amongst others pre-paid meters in selected municipalities. SALGA also presented its research on the feasibility of establishing a district collection agency as well as shared various inputs on the "culture of payment" campaign. The Roll out for the campaign has been developed and SALGA and COGTA successfully lobbied NT for R30 million to kick start the campaign. The campaign will focus on the need to pay for services and show the benefits of paying for services. This will increase revenue levels and reduce debt as a consequence. Addressing Organ of State Debt- SALGA as part of the National Intergovernmental Task Team (NIGTT), contributed towards the task team and through lobbying managed to secure R100 million over the next 2 years from NT to assist in the completion of the exercise where Limpopo was chosen as a pilot province. Debtors' data integrity project - Facilitated the pilot data exchange process between SARS and EThekweni MM, to improve revenue collection through the data exchange project by providing municipalities with access to the SARS customer database which will subsequently improve customer data integrity. SALGA presented its Tariff modelling tool to NT & provided input into the newly developed "municipal tariff setting methodology" in various consultative sessions. The tool is aimed at setting cost-reflective tariffs that will assist municipalities to generate enough revenue. This will result in a fully funded budget, once subsidies, property rates, other income sources, surpluses and deficits have been accounted for. SALGA in collaboration with National Treasury and COGTA engaged and discussed on the training and rolling out the tool to provincial colleagues and test case municipalities. | Not applicable | Achieved |
| | 37 | Goal 13: Financial Sustainability of local government and greater fiscal equity | To develop and support the implementation of financial strategies for the long-term sustainability and viability of local government | Lobby, Advocate & Represent | Improved allocation to LG from nationally raised revenue (equitable share and grants) by 31 March 2020 | SALGA position in terms of the division of revenue allocation for LG developed by 31 March 2020 | <p>SALGA developed a Local Government position for presentation at the Budget Forum. As a result of SALGA's lobbying at the Budget Forum, the Local Government will receive an improved allocation. The Local Government Equitable Share increased with 11,5% from R67b to R74,7b. On average, over the MTEF, local government growth in equitable share increase by 9,2%, provincial equitable share also increased by 6,3% while the national transfers increased by 2,6%. Local government conditional grant will also grow by 2,4% over the MTEF.</p> | Not applicable |

APPENDIX A: PERFORMANCE AGAINST PREDETERMINED OBJECTIVES 2019/2020 (CONTINUED)

| Output No | Strategic Goal | Strategic Objectives | Mandate | 2019/20 Key Performance Indicator | 2019/20 Outputs | 2019/2020 Progress Report against the KPIs | Reason for variance | Performance Status |
|-----------|--------------------|---|---------------------------------|--|--|---|---------------------|--------------------|
| 38 | Strategic Enablers | Efficient and Effective Administration | Knowledge & Information Sharing | Unqualified audit opinion for the financial year ended 31 March 2020 | Compliance with all legislative requirements for public entities and SALGA policies by 31 March 2020 | <p>SALGA complied with all the requirements of the PFMA as it relates to planning and reporting. The following were completed during the year under review:</p> <ol style="list-style-type: none"> 1. Annual Performance Plan for the 2020/2021 financial year was developed following the revised framework for strategic and annual performance plan from Department of Planning, Monitoring and Evaluation (DPME). The SALGA APP was presented at all the Provincial Members Assemblies for approval and adoption with the final approval sought from the National Executive Committee held in Polokwane on 4-6 March 2020. Following the approval of the APP by the NEC, SALGA tabled the APP in Parliament on 12 March 2020. 2. The SALGA Annual Report for the 2018/2019 was developed, published and tabled in Parliament on 7 October 2019. Quarterly report were developed, presented at the relevant structure and submitted accordingly to the Accounting Authority. | Not applicable | Achieved |
| 39 | Strategic Enablers | Research Knowledge Management Innovation Data Intelligence Internal ICT | Strategic Profiling | Municipalities informed and updated on Local Government matters by 31 March 2020 | Local government profiled by 31 March 2020 | <ol style="list-style-type: none"> 1. The SALGA Knowledge Hub was reviewed and improved. Further, the sector was profiled through packaging knowledge products that were developed and shared with members through the Knowledge Hub, at events as well as media platforms. 2. Municipal briefs were developed and disseminated in SALGA platforms. A SALGA Mobi APP platform was also created and launched at the UCLG Congresses held in KZN. The tool tracks quantitative and geographical information by ensuring that the basic data, reported in the form of a spreadsheet, is extrapolated and plotted into graphs and spatial illustrations in terms of the province, municipality, ward village and/or township where the incidents have taken place. The app pinpoints the actual position of the mobile device used for reporting, in order to enable responsive attention to problem areas. 3. SALGA continued to implement the EU partnership implementation plan on Strengthening Governance and Capacity in Local Government in municipalities: <ol style="list-style-type: none"> a. Trained SALGA champions on the understanding and implementation of QMS. b. The Violence Study Report was finalised and presented with the SALGA Mobi at the NEC meeting on 12 February 2020. Developed and printed a brochure as a brief guideline to navigating the APP. c. Developed a case study for Knysna municipality focusing on community and social development and special programmes. d. Concluded the process to appoint a service provider to assist municipalities with incorporating regionalism into mainstream integrated development planning. | Not applicable | Achieved |

APPENDIX B: SALGA EMPLOYEE WELLNESS INTERVENTIONS 2019/20

| Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 |
|---|--|---|---|
| Careways Targeted intervention one-on-one sessions with all SALGA Executives | MTN/Radio 702 Walk The with 80 participants from National and Gauteng office | Sports Day | Coordination and provision of support to provinces on the development of employee wellness (EW) annual health calendar |
| Careways focus group feedback sessions at National office in response to the reported sexual harassment allegations | Women's Day dialogue sessions focusing on women empowerment | Careways focus group feedback sessions to National and Western Cape offices | VC meeting was held with Finance managers and Careways on the development of the Wellness calendar Careways feedback on utilisation rates and trends |
| Targeted intervention focus group/one-on-one sessions with Careways in all provinces | Session on financial health management training for women and men | Mental health awareness article | Meeting with Careways Case Manager on utilisation rates and wellness trends Submission of Careways annual report to management |
| 3 Corporate Wellness Days/ health screening | Workout session conducted by a Virgin Active training instructor | Employee Recognition Awards (ERA) nomination process opened | Improving work relationships and good behaviour session |
| Men's Dialogue Meeting | | ERA presentation in SALGA Free State | Session on stress management in the workplace |
| Mental health Illness and Resilience session | | ERA presentation in SALGA Eastern Cape | Session on mental health and emotional wellbeing |
| Eight (8) physical wellness sessions inclusive of road races, aerobics and indoor sport | | ERA process briefing with all SALGA offices | Awareness and education on COVID-19 through posters, emails and TV screens |
| Diet and nutrition wellness session | | ERA selection process in different provinces | Bereavement support and visit to the family of the deceased colleague in Bloemfontein |
| Obesity in children awareness session | | 16 Days of No Violence Against Women and Children Awareness | Prevention and management of lifestyle disease session |
| Workplace bullying session | | Provinces and Directorates submission of ERA selection reports and all nominations collated for adjudication | |
| Financial awareness session | | Adjudication process held at National Office | |
| Book Club meeting | | Financial management session | |
| | | BMI Assessments presentation on having personal trainer Educational talk on wild snake handling 5km Fun-walk and Health talk | |
| | | Oral Health awareness session | |
| | | Team building games game drive | |
| | | Financial management training | |
| | | Resilience and Loss Wellness Programme | |
| | | Breast and prostate cancer awareness | |

APPENDIX C: SALGA GOVERNANCE STRUCTURES AND PURPOSE

| No | Governance Structure | Purpose of Governance Structure |
|-----|--|---|
| 1. | National Executive Committee | The National Executive Committee shall exercise the authority of SALGA between National Conferences and National Members' Assemblies |
| 2. | Provincial Executive Committee | The Provincial Executive Committee shall exercise the authority of the provincial member between Provincial Conferences and Provincial Members' Assemblies |
| 3. | Presidency | Oversee the implementation of decisions at the National Conference, National Members' Assembly and National Executive Committee by all SALGA governance structures and functionaries |
| 4. | Oversight Committee | Oversight committees provide a specialized support to the NEC on specific matters ie financial and non-financial performance of the organization and the overall Individual and organisational performance management |
| 5. | Municipal Finance and Fiscal Policy | <ul style="list-style-type: none"> • Intergovernmental fiscal policies • Municipal finance: Credit control and enforcement mechanisms, revenue generation strategies and municipal finance management • municipal owned entities (performance and governance) • Municipal capital projects • Infrastructure investment • Municipal debt management and review • mSCOA Review |
| 6. | Human Settlements and Municipal Planning | <ul style="list-style-type: none"> • Housing and planning strategies • Affordable housing markets • Spatial planning and land-use management • Integrated Urban Development Framework (IUDF) |
| 7. | Urban Agenda and City Development | <ul style="list-style-type: none"> • Urbanisation and sustainable development • Broad urban economy • Urban planning and the new urban agenda • Managing urbanisation • City Development Strategies (GDS) |
| 8. | Health and Emergency Services | <ul style="list-style-type: none"> • HIV and AIDS • Environmental health • Municipal health services • Primary health care • Global and national agenda • Continental agenda • National agenda • Alignment with SALGA Strategic Plan and Annual Performance Plan |
| 9. | Public Safety and Security | <ul style="list-style-type: none"> • Global and national agendas • Single qualification for police • Implementation of the White Papers on Police and Safety • Safer spaces portal |
| 10. | Community Development and Social Cohesion | <ul style="list-style-type: none"> • HIV/Aids awareness • Health • Poverty alleviation • Arts and culture • Public safety, incl local crime prevention, disaster Management, policing and law enforcement and emergency and fire services • Youth development programmes • Children and the elderly • Gender mainstreaming and disability |
| 11. | Environmental Planning, Climate Resilience | <ul style="list-style-type: none"> • Environmental regulations and Policies • Air pollution • Climate change, environmental affairs and sustainability • Paris Agenda on Climate Change • Environmental management programmes |

APPENDIX C: SALGA GOVERNANCE STRUCTURES AND PURPOSE (CONTINUED)

| No | Governance Structure | Purpose of Governance Structure |
|-----|--|---|
| 12. | Economic Empowerment and Public Employment | <ul style="list-style-type: none"> • Integrated development planning (IDPs, GDS, NSDP) • Town planning and land use management • Public Employment Programmes • Expanded Public Works Programme (EPWP) • Community Works Programme • Municipal-private sector innovation on public employment initiatives |
| 13. | Electricity and Energy Provision | <ul style="list-style-type: none"> • Energy matters • Electricity value chain • Licensing and NERSA matters • Tariff modelling and technology systems • Integrated Resource Plan (IRP) • Renewable Energy |
| 14. | Rural Development and Public Works | <ul style="list-style-type: none"> • Land reform programme • Comprehensive rural development programme • Rural enterprise infrastructure development • Agri-parks and land audits • Land restitution and redistribution programmes • Land tenure regulations and policies |
| 15. | Capacity Building and Institutional Resilience | <ul style="list-style-type: none"> • Capacity development: Human resources, capacity building and labour relations implications • Restructuring of municipalities • Labour relations matters • Institutional issues relating to municipal service partnerships |
| 16. | Councillor Welfare and Empowerment, Governance and IGR | <ul style="list-style-type: none"> • Councillor remuneration, indemnity and related matters, welfare and empowerment • Roles of elected municipal representatives • Review of the local government legislation • Public participation • Develop a social charter for municipalities • Assess integrity management in municipalities • Assess the process of handling petitions, complaints and community protest actions in municipalities • Assess current practices on offices of a community ombudsman • Oversight and accountability |
| 17. | Water and Sanitation | <ul style="list-style-type: none"> • Water, sanitation and waste management • Tariff modelling • Water Boards and bulk water distribution and reticulation value chain |
| 18. | International Programmes and Partnerships | <ul style="list-style-type: none"> • Municipal international relations • Support for organised local governments in the continent • UCLGA, UCLG, SADC, NEPAD, AU imperatives • Mentoring; twinning partnerships |
| 19. | Public Transport and Roads | <ul style="list-style-type: none"> • Public roads and transport • Road asset management systems • Road policies and bylaws |
| 20. | Municipal Innovations and IT | <ul style="list-style-type: none"> • ICT, knowledge sharing and barometer • SALGA Municipal Awards • Disruptive technologies and systems |
| 21. | Trade and Investment | <ul style="list-style-type: none"> • Tourism • Economic empowerment • Trade, export and investment in municipal areas • Industrial development and localised investment • Business licencing. |

APPENDIX D: SALGA GOVERNANCE STRUCTURE MEETINGS 2019/2020

| NEC Meetings | Presidency Meetings | Oversight Committees |
|--|--|---|
| Dates | Dates | Dates |
| 13 June 2019 | 12 June 2019 | ARC 08 March 2019 |
| 19 July 2019 | 22 October 2019 | ARC 24 May 2019 |
| 30 July 2019 | 6 February 2020 | ARC 26 September 2019 |
| 6 November 2019 | | ARC 13 December 2019 |
| 11 February 2020 | | ARC 21 February 2020 |
| 5 – 6 March 2020 (Lekgotla) | | ARC 20 March 2020 |
| | | REMPANEL 29 March 2019 |
| | | REMPANEL 12 July 2019 |
| | | REMPANEL 29 November 2019 |
| | | REMPANEL 27 March 2020 |
| Municipal Finance and Fiscal Policy Working Group | Human Settlements and Municipal Planning Working Group | Urban Agenda and City Development Working Group |
| Dates | Dates | Dates |
| 5 March 2019 | 15 March 2019 | 15 March 2019 |
| 3 September 2019 | 4 September 2019 | 4 September 2019 |
| March 2020 meetings postponed | March 2020 meetings postponed | March 2020 meetings postponed |
| Health and Emergency Services Working Group | Public Safety and Security Working Group | Community Development and Social Cohesion Working Group |
| Dates | Dates | Dates |
| 5 March 2019 | 5 March 2019 (No quorum, meeting not held) | 5 March 2019 |
| 3 September 2019 | 3 September 2019 | 19 September 2019 |
| March meetings postponed | March meetings postponed | March meetings postponed |
| Environmental Planning, Climate Resilience Working Group | Economic Empowerment and Public Employment Working Group | Electricity and Energy Provision Working Group |
| Dates | Dates | Dates |
| 13 March 2019 | 26 March 2019, | 19 March 2019 |
| 10 September 2019 | 5 September 2019 | 10 September 2019 |
| 12 – 13 March 2020 | 12 March 2020 | 12-13 March 2020 |
| Rural Development and Public Works Working Group | Capacity Building and Institutional Resilience Working Group | Councillor Welfare and Empowerment, GIGR Working Group |
| Dates | Dates | Dates |
| 26 March 2019 | 29 March 2019 | 12 March 2019 |
| 5 September 2019 | 6 September 2019 | 5 September 2019 |
| 12 March 2020 | 13 March 2020 | 12 – 13 March 2020 |
| Water and Sanitation Working Group | International Programmes and Partnerships Working Group | Public Transport and Roads Working Group |
| Dates | Dates | Dates |
| 13 March 2019 | 12 March 2019 | 13 March 2019 |
| 10 September 2019 | 5 September 2019 | 10 September 2019 |
| 12-13 March 2020 | 12 – 13 March 2020 | 12-13 March 2020 |
| Municipal Innovations and IT Working Group | Trade and Investment Working Group | Women's Commission |
| Dates | Dates | Dates |
| Round Robin for March 2019 | 5 March 2019 | 15 March 2019 |
| 4 September 2019 | 3 September 2019 | 4 September 2019 |

APPENDIX E: PROVINCIAL EXECUTIVE COMMITTEES

PRESIDENCY MEETINGS

| MEMBER | 6/12/2019 | 22/10/2019 | 6/2/2020 | TOTAL |
|----------------------------|-----------|------------|----------|-------|
| Cllr T Nkadameng | Present | Present | Present | 100% |
| Cllr Zandile Gumede | Present | Apology | Apology | 33% |
| Cllr Sebenzile Ngangelizwe | Present | Present | Present | 100% |
| Cllr D De Vos | | | Present | 100% |

NATIONAL EXECUTIVE COMMITTEE MEETINGS

| MEMBER | DATE | DATE | DATE | DATE | DATE | DATE | % ATTENDANCE |
|-----------------------|----------|----------|----------|-----------|-----------|----------|--------------|
| | 13/06/19 | 19/07/19 | 30/07/19 | 6/11/2019 | 11/2/2020 | 4/3/2020 | |
| Cllr T Nkadameng | Present | Present | Present | Present | Present | Present | 100% |
| Cllr Zandile Gumede | Apology | Apology | Apology | Apology | Present | Present | 33% |
| Cllr S Ngangelizwe | Present | Present | Apology | Present | Present | Present | 83% |
| Cllr Deon De Vos | Present | Present | Present | Present | Present | Present | 100% |
| Cllr Bheke Stofile | Present | Present | Present | Present | Present | Present | 100% |
| Cllr Thami Ngubane | Present | Present | Present | Present | Present | Present | 100% |
| Cllr Jesta Sidell | Present | Present | Apology | Present | Present | Present | 83% |
| Cllr J Makolomakwa | Present | Present | Apology | Present | Apology | Apology | 50% |
| Cllr Mpho Khunou | Present | Present | Apology | Apology | Apology | Apology | 33% |
| Cllr X Limberg | Present | Apology | Apology | Present | Present | Present | 67% |
| Cllr Memory Booysen | Apology | Present | Present | Apology | Apology | Present | 50% |
| Cllr Mxolisi Koyo | Present | Present | Apology | Present | Present | Present | 83% |
| Cllr M Mlamleli | Apology | Apology | Apology | Present | Apology | Present | 33% |
| Cllr B Modisakeng | Present | Present | Present | Present | Present | Present | 100% |
| Cllr Gibson Chirwa | Present | Present | Present | Present | Apology | Present | 83% |
| Cllr Sofia Mosikatsi | Apology | Present | Present | Apology | Present | Present | 67% |
| Cllr Fetsang Molosiwa | Present | Present | Apology | Present | Present | Present | 83% |
| Cllr Anton Coetsee | Present | Present | Present | Present | Present | Present | 100% |
| Cllr Xolani Sotashe | Present | Present | Present | Present | Apology | Present | 83% |
| Cllr Xola Pakati | Present | Present | Apology | Present | Present | Present | 83% |
| Cllr Maphefo Letsie | Present | Present | Apology | Present | Apology | Present | 67% |
| Cllr S Ramaila | Present | Present | Apology | Present | Apology | Present | 67% |
| Cllr Linah Malatjie | Present | Present | Present | Present | Present | Present | 100% |
| Cllr NNP Mkhulisi | Present | Apology | Apology | Present | Present | Present | 67% |
| Cllr Pule Shayi | N/A | | Present | Apology | Present | Present | 67% |
| Cllr F Maboja-Boltman | N/A | | | | Present | Present | 100% |
| Cllr Siphon Sthonga | | | | | | Present | 100% |
| Cllr Gillian Pieters | | | | | | Present | 100% |

EASTERN CAPE

| # | COUNCILLOR | 27/06/2019 | 12/9/2019 | 26/11/2019 | 03/12/2019 | MEETINGS | % |
|---------------|-----------------------|------------|-----------|------------|------------|-------------------|-----|
| 1. | Cllr Koyo | Y | Y | Y | Y | 4/4 | 100 |
| 2. | Cllr Sobuthongo | | Y | Y | Y | 4/4 | 100 |
| 3. | Cllr T Sokhanyile | N | N | Y | Y | 2/4 | 50 |
| 4. | Cllr A Mtsi | Y | Y | Y | Y | 4/4 | 100 |
| 5. | Cllr S Janda | Y | Y | Y | Y | 4/4 | 100 |
| 6. | Cllr R Shweni | Y | Y | Y | Y | 4/4 | 100 |
| 7. | Cllr L Jacobs | Y | Y | Y | Y | 4/4 | 100 |
| 8. | Cllr B Van Heerden | | Y | Y | Y | 3/3 | 100 |
| 9. | Cllr N Mlombile-Cingo | | Y | Y | Y | 3/3 | 100 |
| 10. | Cllr M Njadayi | | N | Y | Y | 2/3 | 75 |
| 11. | Cllr B Mafaya | Y | N | N | N | 1/4 | 25 |
| 12. | Cllr N Lengs | Y | Y | Y | N | 3/4 | 75 |
| 13. | Cllr H Hendricks | Y | Y | Y | Y | 4/4 | 100 |
| 14. | Cllr L Ntlonze | Y | Y | Y | Y | 4/4 | 100 |
| 15. | Chief M Nonkonyane | Y | Y | Y | Y | 4/4 | 100 |
| Quorum | | Yes | | | | 4 MEETINGS | |

FREE STATE

| # | COUNCILLOR | 12/6/2019 | 11/9/2019 | 25/10/2019 | 3/3/2020 | MEETINGS | % |
|---------------|--------------------------|------------|-----------|------------|----------|-------------------|-----|
| 1 | Cllr MS Mlamleli | Y | Y | Y | Y | 4/4 | 100 |
| 2 | Cllr M Vilakazi | N | Y | N | N | 1/4 | 25 |
| 3 | Cllr N Speelman | Y | Y | Y | Y | 4/4 | 100 |
| 4 | Cllr Z Mangcotywa | Y | Y | Y | N | 3/4 | 75 |
| 5 | Cllr M Siyonzana | N | Y | Y | Y | 3/4 | 75 |
| 6 | Cllr JR Nteso | Y | Y | Y | Y | 4/4 | 100 |
| 7 | Cllr L Makhalema | N | N | Y | N | 1/4 | 25 |
| 8 | Cllr N Mashiya | Y | Y | N | Y | 3/4 | 75 |
| 9 | Cllr L Tshongwe | N | Y | Y | Y | 3/4 | 75 |
| 10 | Cllr JM Sehanka | Y | Y | N | Y | 3/4 | 75 |
| 11 | Cllr BE Seakge | Y | Y | N | Y | 3/4 | 75 |
| 12 | Cllr V De Beer-Mthombeni | N | Y | N | Y | 2/4 | 50 |
| 13 | Cllr V Ntakumbana | Y | N | Y | Y | 3/4 | 75 |
| 14 | Cllr P Phooko | Y | Y | N | Y | 3/4 | 75 |
| 15 | Cllr X Sotashe | N | Y | N | Y | 2/4 | 50 |
| Quorum | | Yes | | | | 4 MEETINGS | |

GAUTENG

| # | MEMBER | 03/06/19 | 11/06/19 | 21/08/19 | 03/11/19 | Total | % |
|---------------|----------------------------|------------|----------|----------|----------|-------------------|-----|
| 1. | Cllr Busisiwe Modisakeng | Y | Y | Y | N | 3/4 | 75 |
| 2. | Cllr Aletta Mashigo | Y | N | Y | N | 2/4 | 50 |
| 3. | Cllr Naga Lipudi | Y | Y | Y | Y | 4/4 | 100 |
| 4. | Cllr Dady Mollo | Y | Y | Y | Y | 4/4 | |
| 5. | Cllr Matshidiso Mfikoe | Y | Y | Y | Y | 4/4 | 100 |
| 6. | Cllr Nonkoliso Tundzi-Hawu | Y | Y | Y | Y | 4/4 | 100 |
| 7. | Cllr Jongizizwe Dlabathi | N | Y | Y | N | 2/4 | 50 |
| 8. | Cllr Johnny Tsotetsi | Y | Y | N | N | 2/4 | 50 |
| 9. | Cllr Farouk Bhayat | Y | Y | Y | N | 3/4 | 75 |
| 10. | Cllr Eunice Mgcina | Y | Y | N | N | 2/4 | 50 |
| 11. | Cllr Kgosi Maepa | | | N | Y | 1/2 | 50 |
| 12. | Cllr Rebecca Morudu | | | Y | Y | 2/2 | 100 |
| Quorum | | Yes | | | | 4 MEETINGS | |

KWAZULU-NATAL

| # | MEMBER | 17/05/2019 | 11/7/2019 | 3/10/2019 | 31/01/2020 | Total | % |
|---------------|--------------|------------|-----------|-----------|------------|-------------------|-----|
| 1. | ME Ndobe | Y | Resigned | | | 1/1 | 100 |
| 2. | NNP Mkhulisi | Y | Y | Y | Y | 4/4 | 100 |
| 3. | WL Mapena | Y | Y | Y | N | 3/4 | 75 |
| 4. | TS Mkhombo | Y | Y | Y | Y | 4/4 | 100 |
| 5. | T Maphumulo | Y | Y | Y | Y | 4/4 | 100 |
| 6. | F Khumalo | Y | Resigned | | | 1/1 | 100 |
| 7. | S Ngcobo | Y | N | Y | Y | 3/4 | 75 |
| 8. | D Shandu | N | Y | Y | Y | 3/4 | 75 |
| 9. | M Ngubane | N | Y | Y | Y | 2/4 | 50 |
| 10. | B Nhlabathi | Y | Y | Y | Y | 4/4 | 100 |
| 11. | P Zulu | Y | Y | Y | Y | 4/4 | 100 |
| 12. | M Lourens | N | Y | Y | N | 2/4 | 50 |
| 13. | PMS Ngubane | | | | Y | 1/1 | 100 |
| 14. | B Mtolo | | | | Y | 1/1 | 100 |
| 15. | P Strydom | | | | Y | 1/1 | 100 |
| Quorum | | Yes | | | | 4 MEETINGS | |

LIMPOPO

| # | COUNCILLOR | 1/04/2019 | 28/06/2019 | 27/09/2019 | 12/09/2020 | MEETINGS | % |
|-----|---------------------------|------------|------------|------------|------------|-------------------|-----|
| 1. | Cllr Morris Mataboge | Y | N | Y | Y | 3/4 | 75 |
| 2. | Cllr John Mpe | N | N | Y | Y | 2/4 | 50 |
| 3. | Cllr Nkakareng Rakgoale | N | | | | 0/1 | 0 |
| 4. | Cllr Julia Mathebe | Y | Y | Y | Y | 4/4 | 100 |
| 5. | Cllr Sophi Makhubele | Y | Y | Y | Y | 4/4 | 100 |
| 6. | Cllr Joyce Bila | Y | Y | Y | N | 3/4 | 75 |
| 7. | Cllr Cromwell Nhemo | Y | Y | Y | Y | 4/4 | 100 |
| 8. | Cllr Jack Maeko | N | N | N | Y | 1/4 | 25 |
| 9. | Cllr Orginia Mafefe | Y | Y | Y | Y | 4/4 | 100 |
| 10. | Kgoshi Malesela Dikgale | N | Y | Y | N | 2/4 | 50 |
| 11. | Cllr Florence Radzilani | N | | | | 0/1 | 0 |
| 12. | Cllr Pule Shayi | Y | Y | Y | Y | 4/4 | 100 |
| 13. | Cllr Minah Maitula Bahula | | | Y | Y | 2/2 | 100 |
| 14. | Cllr D Nenguda | | | Y | Y | 2/2 | 100 |
| | Quorum | Yes | | | | 4 MEETINGS | |

MPUMALANGA

| # | COUNCILLOR | 20/06/19 | 16/08/19 | 13/02/20 | MEETINGS | % |
|-----|---------------------------|------------|----------|----------|-------------------|-----|
| 1. | Cllr M. Chirwa | Y | N | Y | 2/3 | 67 |
| 2. | Cllr S. Mathonsi | N | N | N | 0/3 | 0 |
| 3. | Cllr S. Nxumalo | Y | Y | Y | 3/3 | 100 |
| 4. | Cllr R Mathabe | Y | Y | Y | 3/3 | 100 |
| 5. | Cllr F.N. Maboja-Boltman | Y | Y | | 2/2 | 100 |
| 6. | Cllr P.M. Mokoena | Y | Y | Y | 3/3 | 100 |
| 7. | Cllr L.J. Dikgale | Y | Y | Y | 3/3 | 67 |
| 8. | Cllr S. Mashigo-Sekgobela | N | N | Y | 2/3 | 67 |
| 9. | Cllr B.M. Hlumbane | Y | Y | Y | 3/3 | 100 |
| 10. | Cllr M. Khumalo | Y | Y | Y | 3/3 | 10 |
| 11. | Cllr S. Mabuza | Y | Y | Y | 3/3 | 100 |
| 12. | Cllr T. Mthimunye | Y | Y | Y | 3/3 | 100 |
| 13. | Cllr S. Ramaile | N | N | N | 0/3 | 0 |
| | Quorum | Yes | | | 3 MEETINGS | |

NORTH WEST

| # | COUNCILLOR | 10/10/19 | 28/11/19 | 03/07/19 | 22/01/20 | MEETING | % |
|----|------------------------------|------------|----------|----------|----------|-------------------|-----|
| 1 | Cllr F Molosiwa | Y | Y | Y | Y | 4/4 | 100 |
| 2 | Cllr K Khumalo | Y | Y | Y | N | 3/4 | 75 |
| 3 | Cllr O Seabelo (New) | | | Y | Y | 2/4 | 50 |
| 4 | Cllr B Lenkopane (Replaced) | N | Y | | | 1/4 | 25 |
| 5 | Cllr N Koloti | Y | Y | Y | N | 3/4 | 75 |
| 6 | Cllr D Malwane | Y | Y | Y | Y | 4/4 | 100 |
| 7 | Cllr S Mabale-Huma | N | N | N | Y | 1/4 | 25 |
| 8 | Cllr K Medupe (Replaced) | N | N | | | 0/4 | 0 |
| 9 | Cllr A Molekwa (Replaced) | Y | Y | | | 2/4 | 50 |
| 10 | Cllr A Motswana (Replaced) | Y | Y | | | 2/4 | 50 |
| 11 | Cllr J Mothibe | Y | N | Y | Y | 2/4 | 50 |
| 12 | Cllr S Matshane (Replaced) | N | N | Y | N | 1/4 | 25 |
| 13 | Cllr S Vava (Replaced) | N | N | N | N | 0/4 | 0 |
| 14 | Cllr N Skalk | Y | Y | N | Y | 3/4 | 75 |
| 15 | Cllr B Diakanyo | N | N | Y | Y | 2/4 | 50 |
| 16 | Cllr K Palagangwe (New) | | | Y | Y | 2/2 | 100 |
| 17 | Cllr V Kgabi (New) | | | Y | Y | 2/2 | 100 |
| 18 | Cllr B Mosiane-Segotso (New) | | | Y | Y | 2/2 | 100 |
| | Quorum | Yes | | | | 4 MEETINGS | |

NORTHERN CAPE

| # | COUNCILLOR | 29/05/19 | 30/09/19 | 18/02/20 | 25/02/20 | MEETING | % |
|-----|------------------------------------|------------|----------|----------|----------|-------------------|-----|
| 1. | Cllr Sofla Mosikatsi | N | Y | Y | Y | 3/4 | 75 |
| 2. | Cllr Sipho S'thonga | Y | Y | | | 2/2 | 100 |
| 3. | Cllr Mpho Mashila | N | N | N | Y | 1/4 | 25 |
| 4. | Cllr Brenda Mpamba | N | N | Y | Y | 2/4 | 50 |
| 5. | Cllr Dineo Seetile (Moyo) | N | N | Y | Y | 2/4 | 50 |
| 6. | Cllr Lulamile Nkumbi | Y | Y | Y | Y | 4/4 | 100 |
| 7. | Cllr Gillian Pieters | Y | Y | Y | | 3/3 | 100 |
| 8. | Cllr Sebina Masikani | Y | Y | N | Y | 3/4 | 75 |
| 9. | Cllr Neo Masegela | Y | N | Y | Y | 3/4 | 75 |
| 10. | Cllr Motshabi Mokgatlhanyane | Y | Y | Y | Y | 4/4 | 100 |
| 11. | Cllr Nonyameko Shushu (Ex-officio) | Y | Y | N | N | 2/4 | 50 |
| 12. | Cllr Willem Links | Y | N | Y | N | 2/4 | 50 |
| 13. | Cllr Michael Segede | | | Y | Y | 2/2 | 100 |
| 14. | Cllr Thandiwe Sintu | | | Y | Y | 2/2 | 100 |
| 15. | Cllr Jurie Hoorn Y | | | Y | Y | 2/2 | 100 |
| | Quorum | Yes | | | | 4 MEETINGS | |

WESTERN CAPE

| # | MEMBER | 12/04/19 | 12/07/19 | 4/10/19 | 14/10/19 | 28/02/20 | TOTAL | % |
|---------------|--|------------|----------|---------|----------|----------|-------------------|-----|
| 1 | Ald Anton Coetsee [Chairperson] | Y | Y | Y | Y | Y | 5/5 | 100 |
| 2 | Cllr Antony Charles Moses [Deputy Chairperson] | | | Y | Y | Y | 3/3 | 100 |
| 3 | Ald Harold Cleophas [Deputy Chairperson] | Y | N | Y | Y | N | 3/5 | 60 |
| 4 | Cllr Aidan Stowman [Deputy Chairperson] | Y | Y | Y | Y | Y | 5/5 | 100 |
| 5 | Cllr Kyle Carls | Y | Y | Y | Y | Y | 5/5 | 100 |
| 6 | Cllr Garin Cavanaugh | Y | N | N | N | N | 1/5 | 20 |
| 7 | Cllr Donovan Joubert | N | Y | Y | Y | N | 3/5 | 60 |
| 8 | Cllr Goliat Lottering | Y | Y | Y | Y | Y | 5/5 | |
| 9 | Ald Francois Schippers | N | N | Y | Y | Y | 3/5 | 60 |
| 10 | Cllr Ms Beverley van Reenen | Y | | | | | 1/1 | 100 |
| 11 | Cllr Mrs Georlene Wolmarans | Y | Y | Y | Y | Y | 5/5 | 100 |
| 12 | Ald Mrs Eve Marthinus | N | Y | Y | Y | Y | 4/5 | 80 |
| 13 | Cllr Dr Annelie Rabie [Chairperson: SWC Western Cape] | Y | Y | N | Y | N | 3/5 | 60 |
| 14 | Cllr Gert Combrink | N | Y | N | N | N | 1/5 | 20 |
| 15 | Cllr Derrick Hendrickse | Y | Y | Y | Y | Y | 5/5 | 100 |
| 16 | Ms Patience Nyakaza-Sandla | | | Y | Y | Y | 3/3 | 100 |
| 17 | Cllr Memory Booysen | N | Y | Y | Y | N | 3/5 | 60 |
| 18 | Cllr Ms Xanthea Limberg | Y | Y | Y | Y | N | 4/5 | 80 |
| 19 | Cllr Gillion Bosman | Y | | | | | 1/1 | 100 |
| 20 | Cllr Mario Wessels | N | Y | Y | Y | y | 4/5 | 80 |
| 21 | Cllr Raelene Arendse | | | Y | Y | Y | 3/3 | 100 |
| 22 | Cllr Jacoline Visser | | | Y | Y | Y | 3/3 | 100 |
| 23 | Cllr Albert Ntsodo | Y | | | | | 1/1 | 100 |
| 24 | Cllr Rhandall Swarts | N | Y | Y | Y | Y | 4/5 | 80 |
| 25 | Ald Melvin Naik | Y | Y | Y | Y | N | 4/5 | 80 |
| Quorum | | Yes | | | | | 5 MEETINGS | |