



**PRESENTATION TO  
PORTFOLIO COMMITTEE ON  
COMMUNICATIONS**

**SABC FY2018/19  
CORPORATE PLAN AND  
BUDGET**

# MATTERS RAISED BY PCC AND PROGRESS ON AUDIT ACTION PLAN

## MATTERS RAISED BY PCC

The following matters were raised by PCC during the SABC's appearance of its 2<sup>nd</sup> Quarter / Year-to-date presentation on 20 March 2018. Feedback as follows:

- (i) should provide a comprehensive report on the current changes in Radio and Television programming as reported in the media;**  
Report included for distribution.
- (ii) provide a report on the validity of the allegations by a whistleblower regarding the alleged mismanagement of security contracts by the Board;**  
Report included for distribution.

- (iii) the SABC should encourage workers to raise management issues with their respective unions;**

This is done as a matter of course. The AGCEO committed to have regular meetings with the Unions to discuss issues raised by Unions and also to provide feedback on matters developing in the SABC.

- (iv) Board should engage any political party suspected of interfering in the work of the SABC and be told to refrain from doing so;**

The Chairperson of the Board with the AGCEO are meeting with all political parties in the run up to the National Elections in order to establish a good working relationship between the SABC and parties. As part of the process a number of topics are covered including the above.

- (v) should provide a report on the legal opinion regarding the vetting process;**

Report / opinion included for distribution.

- (vi) **AGCEO promised to provide an update on the issue of the alleged instruction to SABC Journalists by News Management regarding the coverage of a certain politician(name furnished);**

This matter and other matters relating to allegations made in the News petition have been handed-over for investigation. The investigation / inquiry will be performed by an independent party in order to ensure impartiality and fairness. The outcome of the investigation will be shared once received.

- (vii) **should submit written response to questions that could not be responded to in the meeting;**

- (a) ***Contract duration of soaps***

The duration of contracts for the SABC's *soaps* such as Generations, Muvango, Uzalo, etc. are determined through an annual review process. Viewership numbers, audience share, Return-on-Investment, storyline and the general popularity of the show are taken into consideration during the review process. On the grounds of the above outcomes contracts are extended or cancelled.

**(b) Irregular Expenditure – Payments without contract**

The SABC incurred Irregular expenditure of R441m for FY2016/17. Of this amount, R40m relates to “payments without contract”. The majority of cases where payments occur without a contract are when events / broadcasts need to be scheduled or executed with short notice. These may relate to emergency situations that need to be addressed urgently or in cases of events of national interest that was not foreseen (e.g. funerals, etc.).

It should be noted, however, that this practise was often misused in previous years by individuals who failed to plan in advance. Corrective action is now taken against individuals that have no valid reason to request for payment without a contract.

**(c) Radio Listenership Numbers**

The listenership numbers of the various Radio stations as well as the targeted numbers for FY2018/19 are shown on the next slide.

# MATTERS RAISED BY PCC

<b>RADIO STATION</b>	<b>LISTENERSHIP NO AS AT FEBRUARY 2018 '000</b>	<b>TARGETED LISTENERSHIP NO FOR FY2018/19 '000</b>
<b>RADIO2000</b>	429	450
<b>RSG</b>	1,273	1,350
<b>SAFM</b>	230	400
<b>UMHLOBO WENENE</b>	5,506	5,550
<b>TRUFM</b>	220	350
<b>XKFM</b>	1	2
<b>LIGWALAGWALA</b>	1,105	1,200
<b>THOBELA</b>	2,789	3,000
<b>MUNGHANA LONENE</b>	861	900
<b>PHALAPHALA FM</b>	802	900
<b>MOTSWEDING</b>	2,363	2,400
<b>IKWEKWEZI</b>	1,109	1,300
<b>5FM</b>	702	750
<b>UKHOZI</b>	7,274	7,400
<b>LOTUS</b>	171	300
<b>GOOD HOPE FM</b>	473	500
<b>THOBELA</b>	2,789	2,800
<b>METRO FM</b>	4,120	4,500
<b>LESEDI FM</b>	3,199	3,400

**(d) *Readiness for Wage negotiations and National Elections***

The SABC's annual wage negotiations commences in April of each year. The Board is in the process of discussing the matter to provide a mandate to management and the negotiation team.

A detailed elections plan has been drafted and shared with Committees of the Board. The SABC will socialise the elections plan with all political parties during engagements with them.

**(e) *Delay on finalisation of Editorial Policies***

The SABC is currently reviewing its Operating Model and structure. Some of the input received for inclusion in the Editorial Policies (e.g. News Ombudsman, News Editorial Committee, etc.) needed to be tested in terms of how it will fit into the Operating model and structure of the SABC. The impact on costs and associated processes also needed to be considered. The SABC's Organisational Development Team and the Editorial Policy Team are working to finalise same. Furthermore, the newly appointed COO, as the Project Sponsor of the Editorial Policy review process, had to be familiarised with the draft policies in order to receive sign-off.

The draft version of the Editorial Policies is currently being tabled at the SABC's various Governance structures for approval. The approved version will be published for a second / final round of public comment during April 2018. Any additional comments / input will be incorporated and the final Editorial Policies will be submitted to ICASA in May 2018.



# PROGRESS ON MATTERS RAISED BY THE AG

QUALIFICATION AREA	ACTION	STATUS
<p>Going Concern disclosure</p> <ul style="list-style-type: none"> <li>Inadequate basis of preparation of AFS</li> </ul>	<p>As per the note on going concern in the annual financial statements, the main actions were to raise funding to address the backlog of amounts owed to creditors, to establish cash flow management procedures and austerity measures.</p>	<p>Have not been able to raise funding with financing institutions. However the cash flow management procedures coupled with the austerity measures have resulted in an enhanced cash flow position.</p>
<p>Property, Plant and Equipment</p> <ul style="list-style-type: none"> <li>Completeness of Assets;</li> <li>Capital Work in Progress;</li> <li>Changes in estimates;</li> <li>Impairment of Assets.</li> </ul>	<p>SABC Finance is in the process of reviewing the SABC's Fixed Assets Management (FAM) policy and will have a draft document available by mid-February 2018. The Fixed Assets Management standard operating procedures are also being reviewed and was finalised by 31 March 2018.</p>	<p>The asset verification process is completed at Auckland Park and all the regions. The teams are currently processing the amendments to the Fixed Assets Register.</p>

# PROGRESS ON MATTERS RAISED BY THE AG

QUALIFICATION AREA	ACTION	STATUS
<p>Irregular Expenditure</p> <ul style="list-style-type: none"> <li>• Completeness of the Irregular Expenditure;</li> <li>• Limitation of Scope</li> </ul>	<ul style="list-style-type: none"> <li>• Detailed investigation of Irregular Expenditure;</li> <li>• Follow the process to condone expenditure;</li> <li>• Hand over the list to SUI for full investigation.</li> </ul>	<ul style="list-style-type: none"> <li>• SABC reported irregular expenditure of R5,1 billion at the end of 2016 year. R2,1 billion has been condoned . From the balance of R3 billion, R400 million is in the process of being condoned. The balance of this will be condoned in the year ending 2019.</li> <li>• R2, 1 billion was condoned after the audit report was issued. This has been submitted to AG for verification.</li> <li>• Of the remaining balance of R3bn, R400m is ready for tabling for condonement with the remainder of the work on-going . Two additional resources have been allocated to complete the work</li> <li>• The completeness of work has also commenced and a document that details the process that was followed was drafted in order to ensure completeness is finalised.</li> <li>• It is anticipated that the AG can commence with the review once the schedules are finalised and signed off has been completed, no later than end May 2018.</li> </ul>

# PROGRESS ON MATTERS RAISED BY THE AG

QUALIFICATION AREA	ACTION	STATUS
Trade Payables <ul style="list-style-type: none"> <li>Completeness of Accounts Payables</li> </ul>	<ul style="list-style-type: none"> <li>Establish one central invoice receiving point to ensure that no old invoices are outstanding ;</li> <li>Reconcile all accounts to supplier statement.</li> </ul>	<ul style="list-style-type: none"> <li>This has been implemented;</li> <li>The reconciliations have been done and are undergoing the audit process.</li> </ul>
Deferred Grants	This work is being done with the Assets work.	See comments under fixed assets.
Expenditure <ul style="list-style-type: none"> <li>Aggregated material error</li> </ul>	Full list of all the errors to be compiled; These will be processed in the relevant accounts.	Errors have been consolidated and will be submitted to AG for testing.

# FY2018/19 CORPORATE PLAN AND BUDGET

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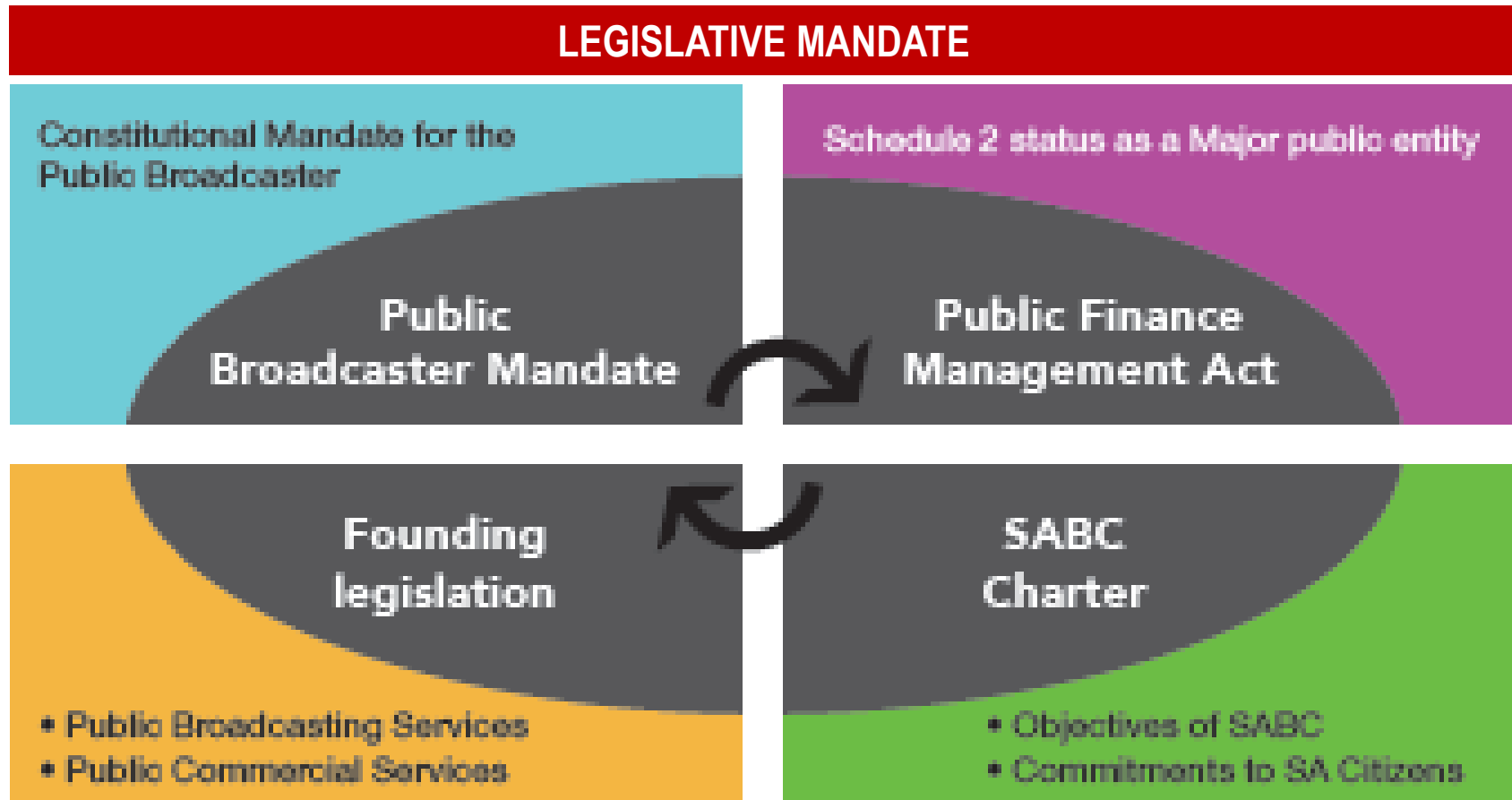
**FY2018/18 TO 2020/21 BUDGET**

## SABC

- As the national public broadcaster the SABC must offer, in all South Africa's official languages, a range of informative, educational and entertainment programmes that showcases South African attitudes, opinions, ideas, values, talent and artistic creativity.
- Programming must also offer a plurality of views and a variety of news, information and analyses from a South African perspective, and advance the national and public interest.
- By showcasing South Africa's diverse cultural heritage and expressions, the SABC represents the hopes, dreams, and aspirations of South Africans.



# STRATEGIC OVERVIEW (cont)



## STRATEGIC OVERVIEW (cont)

- The nature of the SABC as a public broadcaster means it is not only open to public scrutiny, but is subject to numerous expectations from political, economic and social perspectives.
- The organisation will continue to deliver quality content to as many South Africans as possible, noting that, with its current funding model and limited platforms, it is challenged to deliver to all languages, cultures and religions.
- The SABC is the only broadcaster whose Radio and News services cover all nine provinces in their mother tongues.
- The public broadcaster experienced severe governance and management challenges over a number of years. These challenges undermined the integrity of the SABC, destabilised staff and operations, fostered a culture of non-compliance and corruption, and ultimately threatened the financial viability of the corporation.
- Through the interventions of the Office of the Public Protector in 2012/13 and Parliament in 2015/16, the institution was taken from the brink, and again set on a route towards recovery making its contribution to the life of the nation and its vibrant democracy.



## STRATEGIC OVERVIEW (cont)

The Corporation operates television, radio and online media services that are fundamental to the democratic and cultural life of citizens. At a time when the availability of foreign content is exploding and with unprecedented changes in broadcasting technology, consumer expectations, and industry structure, public broadcasting continues to play a critical role in South Africa and around the world.

Television remains the medium of choice for most South Africans. The public broadcaster's three terrestrial television channels attract, on average, 27.1 million South Africans in a typical month. The SABC's News channel and SABC Encore channel are delivered through the satellite platform and reach 2.1 million and 1.6 million viewers in a typical month. Seventeen of the nation's Top 20 television programmes



## STRATEGIC OVERVIEW (cont)

- A significant number of South Africans still depend solely on radio as a source of information. The SABC provides radio services to all South Africans in their preferred language through its 18 Radio Stations. The combined average number of 28.1 million SABC Radio listeners per week makes for an offering that no other broadcaster can equal.



- The SABC also has a growing digital media presence across the internet including, social media, online video, podcasts and streaming media. SABC television channels and shows, radio stations and other brands have some of the most popular and engaged audiences in the South African social media landscape.

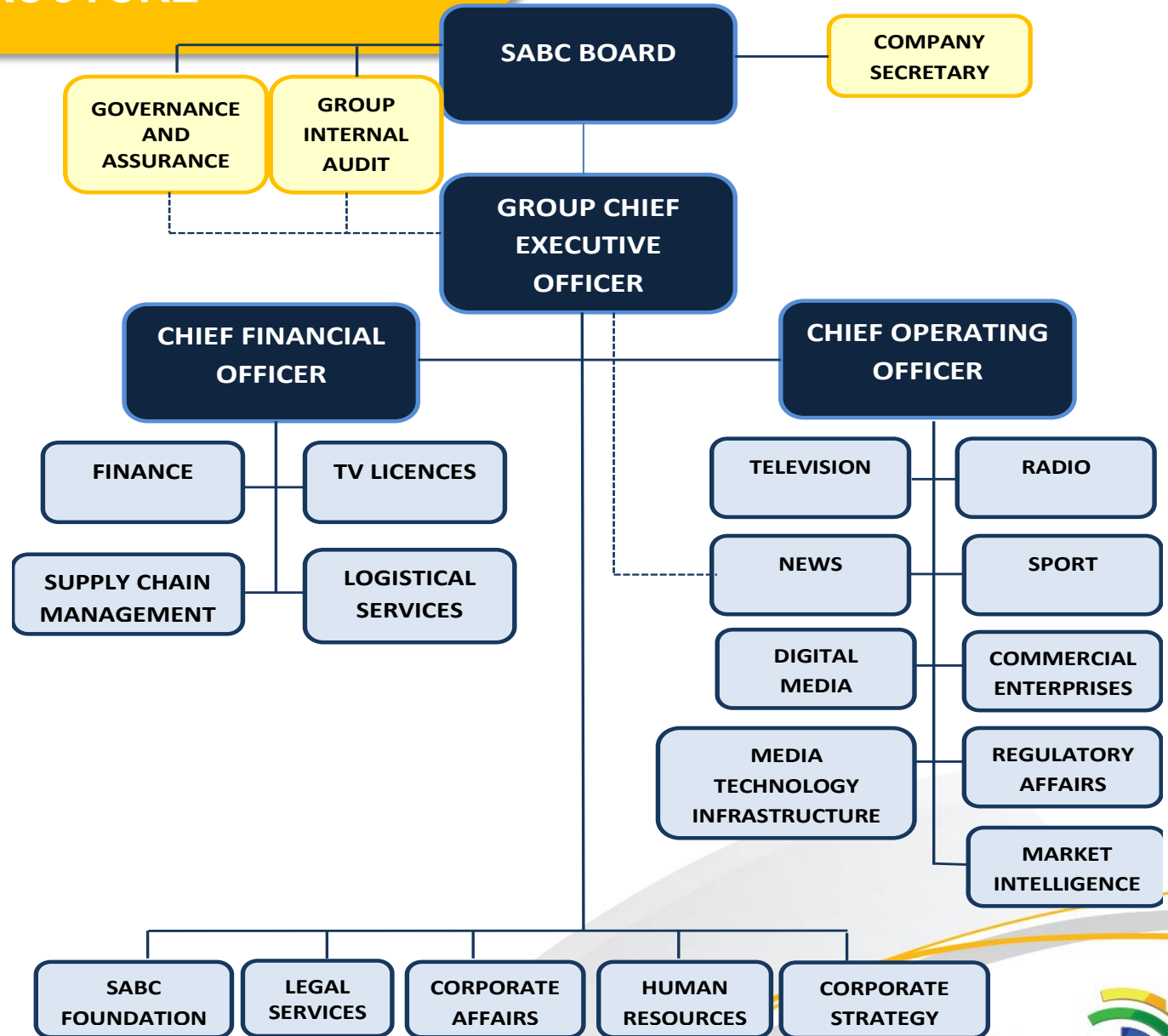
# ORGANISATIONAL STRUCTURE



# ORGANISATIONAL STRUCTURE

The SABC is currently reviewing its operating model and once this review has been completed the SABC's structure might also be amended.

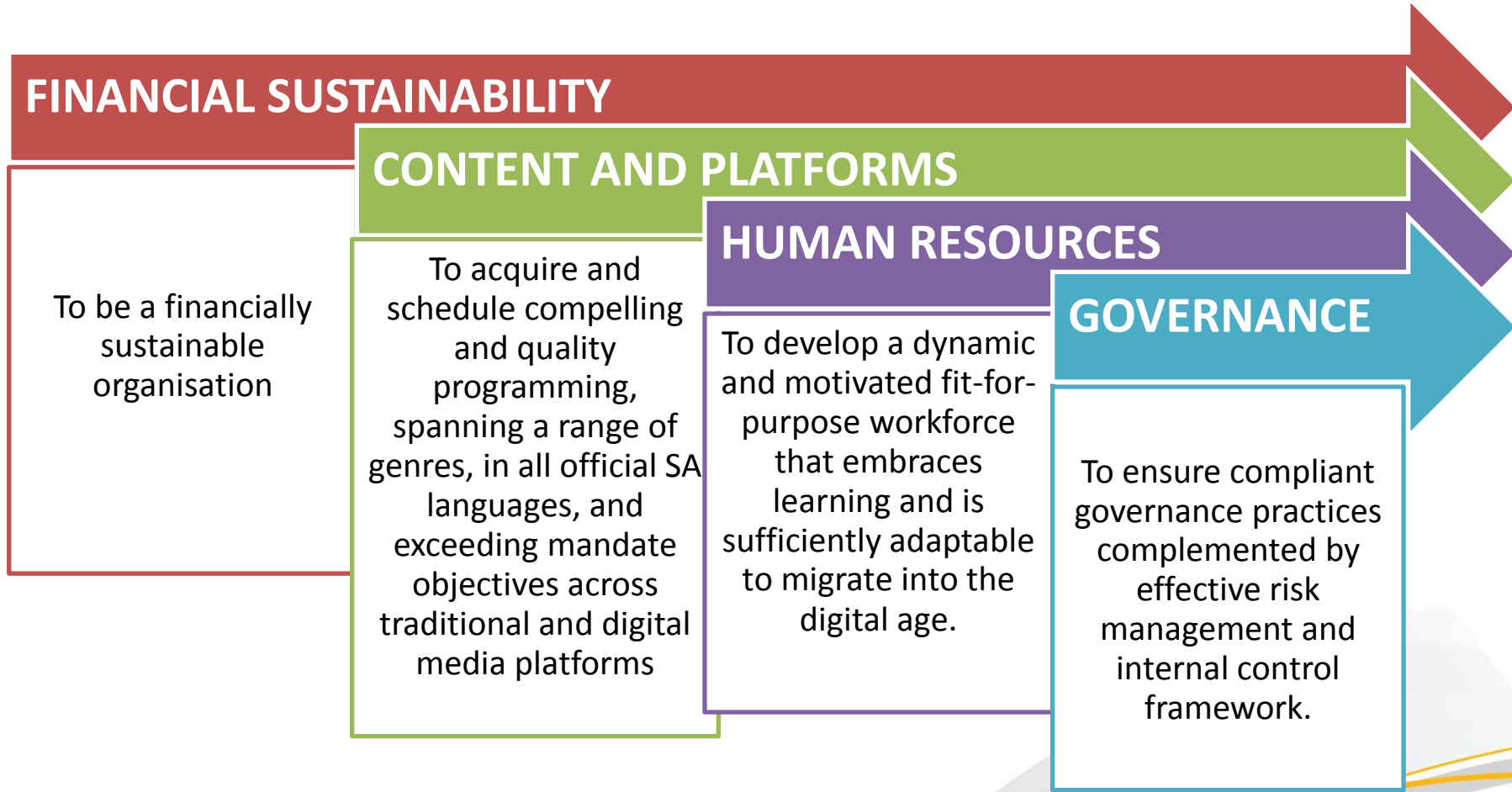
The Corporation is also reviewing its Editorial Policies of 2004 after the revised 2016 Editorial Policies were declared invalid by ICASA. It should therefore be noted that the GCEO is the Editor-in-Chief in any News and Current Affairs on any matters that require upward referral.



# STRATEGIC PILLARS AND GOALS



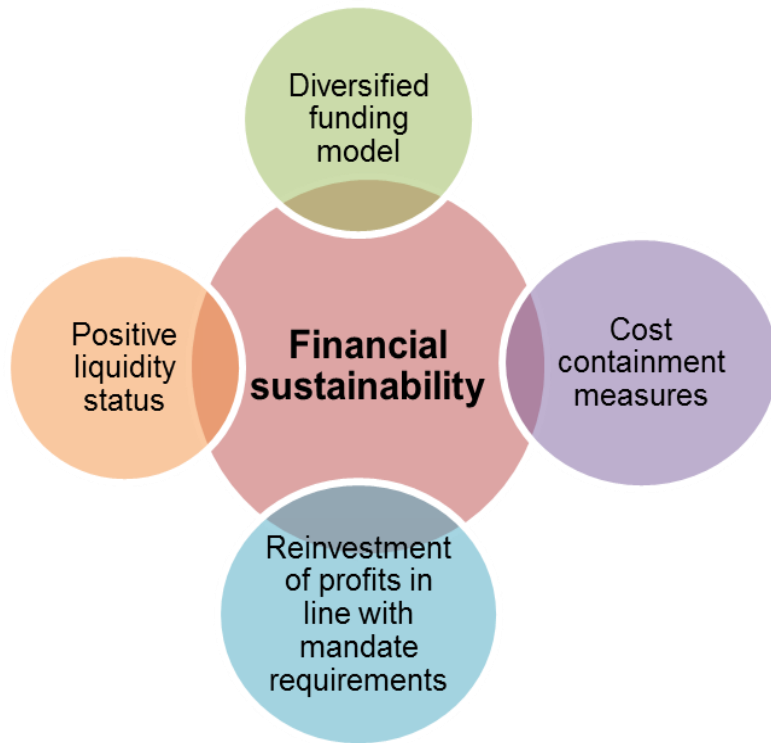
# STRATEGIC PILLARS AND GOALS



# FY2018/19 STRATEGIES AND PREDETERMINED OBJECTIVES

## FINANCIAL SUSTAINABILITY

# FY2018/19 STRATEGIES – FINANCIAL SUSTAINABILITY



- The SABC's priority is to ensure it remains a financially sustainable organisation, by growing its revenue base through various traditional and innovative new sources whilst prudently managing its costs.
- Taking into account the SABC's current cash crisis more emphasis will have to be placed on both revenue generation and cost containment strategies with long-term results.
- Profits that the SABC derives from its operations are reinvested in order to achieve its public service mandate.
- The Corporation is focused on ensuring that it maintains liquidity and is continually able to fund its mandate but this is becoming increasingly difficult.

The SABC has a three-tiered revenue base. These three tiers and relevant percentages are:

- 1 **Commercial revenue** (including advertising, sponsorship and other commercial partnerships) - 85%
- 2 **Television Licence Fees** - 12%
- 3 **Government Grants** - 3% (mainly for educational programming)



# FY2018/19 STRATEGIES – FINANCIAL SUSTAINABILITY

## Commercial

Innovative trading and pricing models for radio, television and digital media sales. Developing and packaging more digital media revenue opportunities.

Maximising the SABC's commercial airtime revenue from the sale of classic advertising and programme and sport sponsorships.

Content licensing agreements with other broadcasters, particularly in Africa, to generate revenue to fund mandate.

Viable private-sector partnerships aimed at reducing costs and increasing revenue. Advertiser Funded Programmes partnerships with Department of Trade and Industry and Industrial Development Corporation

## TV Licence Fees

Streamlining communication dependent on licence types; increase communication on electronic platforms (E-mails, SMS etc.) to reduce costs, ensure quicker delivery, speedier responses (payments, enquiries)

Internal outbound automated collections solution; Activate social media platforms to complement the digital space; focused marketing and awareness campaigns;

Identification of new licences enabled by GIS technology; TV licence website enhancements with more payment options.

## GOVERNMENT GRANTS AND PUBLIC MANDATE REQUIREMENTS

- Funding of the public mandate through Government Grants has not increased proportionately with additional requirements to produce and broadcast more events of national importance (including sporting events, elections and other public mandate programming in all official languages).
  - This has therefore impacted on the corporation's ability to execute fully on public mandate programming. While additional and/or surplus funding generated by the SABC is and will be reinvested in public mandate requirements, this is currently not sufficient.
- A review of the SABC's commitments to broadcasting national sporting events is a critical priority for the financial sustainability of the SABC.
  - Owing to the increasing cost to deliver on the public mandate, Board and Shareholder intervention is required to address the proper funding of public mandate programming including broadcasting of events of national importance as well other non-commercial but important public interest programming.

## COST CONTAINMENT MEASURES

- The Corporation has implemented a wide range of improved and aligned policies, procedures and internal controls to ensure cost containment, prudent use and allocation of resources and reduction where possible.
- The SABC will also ensure that operational efficiencies are achieved specifically with regard to the following: addressing personnel costs that have escalated over the past five years; renegotiating major contracts to bring down costs; reducing the debtors' days to a maximum of 60 days; and strengthened cash management mechanisms.

The SABC is reviewing its Operating Model in order to align costs with the organisation's commercial strategies and public mandate.

## POSITIVE LIQUIDITY STATUS

- The SABC was able to show positive cash balances at each of the preceding financial years. However, at the end of 2016/17 the SABC was experiencing a liquidity crisis, which undermined the public broadcaster's status as a going concern.
- To arrest this situation, the Board and Management have instituted emergency measures to contain spending, and to manage payments of creditors. This includes payment arrangements with suppliers, service providers and creditors, and the SABC has started to implement a number of turnaround strategies to improve its liquidity status.
- Engagements with banks and the progress with stabilising the corporation's finances and turn the situation around, means prospects for increased confidence from financial institutions.

The SABC has applied to National Treasury, through the Department of Communications, for a Government Guarantee. Feedback is being awaited on the Corporation's application.

# FY2018/19 STRATEGIES – FINANCIAL SUSTAINABILITY (cont)

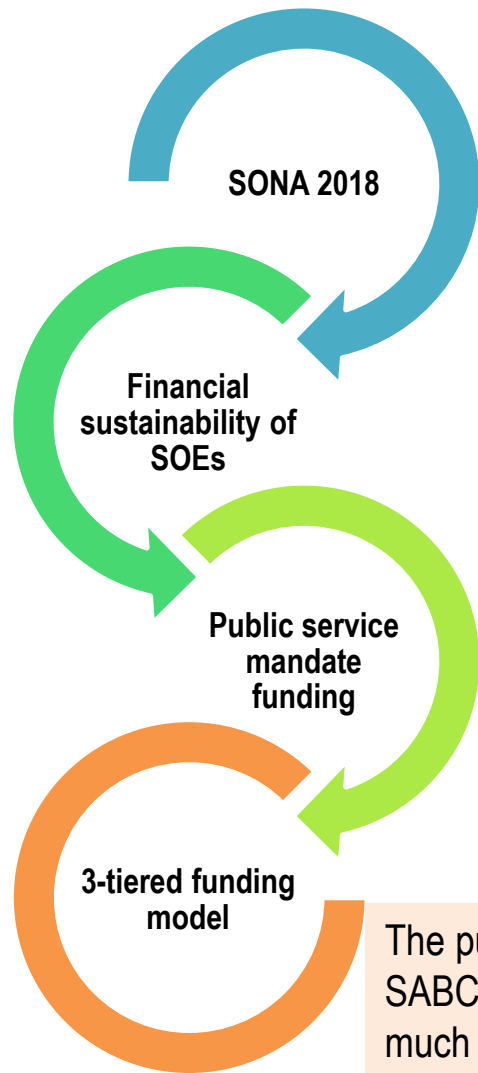
*“Government will take further measures to ensure that all state owned companies fulfill their economic and developmental mandates. We will need to confront the reality that the challenges at some of our SOEs are structural – that they do not have a sufficient revenue stream to fund their operational costs.*”

Presidential Review Committee on State Owned Entities (SOEs), recommended amongst other things, that the State should ensure that appropriate legal frameworks to support and enable SOE performance should be in place and that SOE’s should have access to adequate funding to perform on their respective mandates.

The SABC is finding it increasingly challenging to optimise current funding for its public service mandate. The consensus on public service mandate funding is that it should be stable and secure and it should not expose a public broadcaster to commercial pressures. Ideally, the funding should be substantial enough and sustainable over the long term in order to allow a public broadcaster not only to fulfill its public mandate but also to maintain competitiveness so as to be able to respond to new developments and needs. It is very clear from the SABC’s historical and current financial position that the existing levels of revenue for public mandate programming is not sustainable.

The push for increased grant funding for public mandate programme, does not mean that the SABC’s three-tiered Funding Model should be changed. What is needed is a combination of much stronger commercial performance, licence fee collection and increased funding for public mandate programming.

## FUNDING MODEL



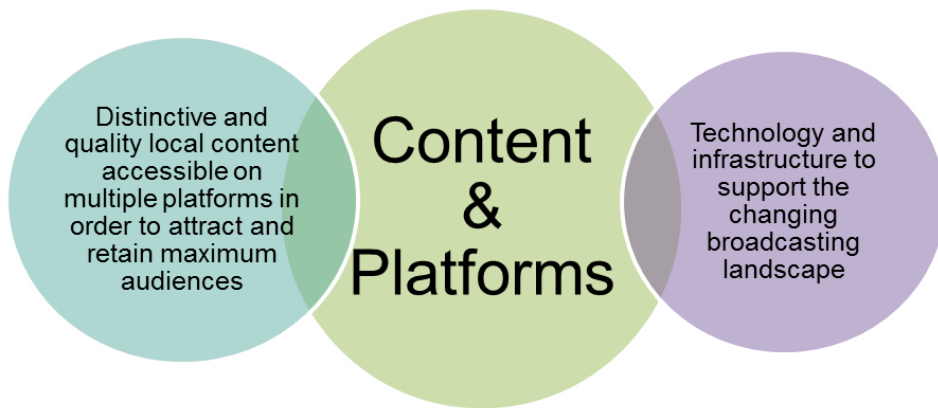
# FY2018/19 STRATEGIES – FINANCIAL SUSTAINABILITY (cont)

## PREDETERMINED OBJECTIVES FY2018/19 TO 2020/21

Strategic Objective	Key Activities	Performance Indicator(s)	Measurement Tools/ Evidence	Targets		
				2018/19	2019/20	2020/21
<b>FINANCIAL SUSTAINABILITY</b>						
<b>Goal: TO BE A FINANCIALLY SUSTAINABLE ORGANISATION</b>						
<b>ENSURE THAT THE SABC IS FINANCIALLY SUSTAINABLE THROUGH REVENUE AND COST MANAGEMENT</b>	Manage revenue and expenditure in accordance with the approved budget.	Decrease net loss before interest and tax.	Annual financial statements	Reduce net loss before interest and tax to R287.6m	Achieve net profit of R156m	Achieve net profit of R334m
<b>ENSURE THAT THE SABC IS ABLE TO MEET ITS FINANCIAL OBLIGATIONS THROUGH ADEQUATE CASH MANAGEMENT.</b>	Maintain a favourable cash position through working capital management (financial ratios).	Maintain favourable creditors' payment average days' ratio.	CFO Report, Quarterly Reports	60 average creditors payment days	60 average creditors payment days	60 average creditors payment days
		Maintain favourable debtors' collection average days' ratio.	CFO Report, Quarterly Reports	60 average debtors collection days	60 average debtors collection days	60 average debtors collection days

# CONTENT AND PLATFORMS





- As with markets across the world, South Africa needs to adapt to the new reality of TV as one of many screens that command attention in the modern home by producing more of the on-demand content and user-led experiences that interactive TV can offer.
- While this new ecosystem shows an expanded base of players, devices and a global menu of content, it does not suggest that traditional TV and Radio will disappear. However, there will be continued pressure from new alternatives.

While audiences will connect with and consume SABC content in increasingly different ways over the next couple of years, what will remain unchanged is the demand for high-quality, diverse, distinctive South African local content. Whatever the trend, whatever the means through which South Africans choose to be informed and entertained, the public broadcaster's role remains critical.



# FY2018/19 STRATEGIES – CONTENT AND PLATFORMS (cont)

***Distinctive and quality local content accessible on multiple platforms in order to attract and retain maximum audiences***

## Television

- Adopted a new approach to the acquisition of content so as to ensure that not only is there an increase in local content on all platforms, but that the content reflects an increased diversity, in terms of language, provincial representation and a greater range of production companies
- Continue developing partnerships with commercial partners to ensure content is available on a range of platforms and ensure that current growth rates in terms of views is increased.
- Ensure content is acquired platform agnostic with a strong focus on content such as fiction and documentaries.
- Television has three critical strategic pillars that it based its strategies on: Protect, Grow, Innovate. TV has created its strategies to meet market needs, grow content and content distribution.

## Radio

- Priority will be given to issues of national importance in accordance with the thematic approach that responds to the triple challenge of Poverty, Unemployment and Inequality.
- Radio will respond to the greater SABC digital strategy and continue to explore alternative offering through online streaming and podcasts to reach out to listeners with different interests. Social media will be utilised to augment the on air product.
- Strategic partnerships with institutions of higher learning, government departments, commercial clients etc
- Urgent attention given to stations facing severe audience declines. Management has started developing initial turnaround actions. Will be accompanied by qualitative research projects to get a proper understanding of audience expectations

# FY2018/19 STRATEGIES – CONTENT AND PLATFORMS (cont)

***Distinctive and quality local content accessible on multiple platforms in order to attract and retain maximum audiences***

## News

- Developments in digital technology enables News to better serve its diverse audiences. SABC will respond to audience preferences, and ensure that they can access content anytime and anywhere. interactive relationship with audiences; and instantaneous service will drive the News strategy; to position itself as a leader in breaking news; and preferred platform for in-depth analysis.
- Structural and programming changes are required to keep up with this fast changing environment and emerging digital opportunities.
- The initiative to transform into a horizontally integrated newsroom is underway in incremental stages. This newsroom will ensure SABC News provides public service content on multiple formats and platforms in a focused manner.

## Sport

- The SABC needs to give due regard to its financial position and owing to the continuous escalation of Sports Rights and associated costs the broadcasting of multiple sporting events is no longer sustainable.
- The SABC is considering various funding options and funding models for the broadcasting of sporting events. The proposed strategies and interventions will be finalised early in the new fiscal in order to ensure continued broadcasting of sporting events

### *Technology and infrastructure to support the changing broadcasting landscape*

The SABC is continuing to upgrade internal and external broadcasting and production facilities to take advantage of the opportunities presented by the launch of Digital Terrestrial Television (DTT), the rapid rollout of broadband Internet connectivity, the rise of alternative mobile entertainment options such as Video-on-Demand, and the emergence of Over-The-Top (OTT) broadcast services. These upgrades are imperative for the SABC in order to create a sustainable platform for broadcasting and content distribution in the digital age.

DTT will enable the SABC to achieve a number of key objectives to:

- Potentially increase revenues;
- Better cater for people with disabilities (Sight impaired and hard of hearing);
- Strengthen the SABC brand and value proposition to consumer;
- Enhance public service and public value delivery;
- Protect market share (revenue and audience);
- Drive cost efficiency and efficient use of content.
- Attract audiences to drive take up and protect SABC market share;
- Deliver public value and enhance SABC's public service offerings.

### *Technology and infrastructure to support the changing broadcasting landscape*

It should, however, be noted that the take-up and success of the DTT service will be influenced by the following key factors:

- The affordability of the set-top box;
- The availability and supply of set-top boxes into the market;
- The attractiveness of the digital service relative to the analogue service and the pay TV services available in the market;
- The level of education and awareness about the digital technology and the service available.

The SABC is working directly with the Department of Communications, Sentech and USAASA to ensure the success of the DTT migration process.

# FY2018/19 STRATEGIES – CONTENT AND PLATFORMS (cont)

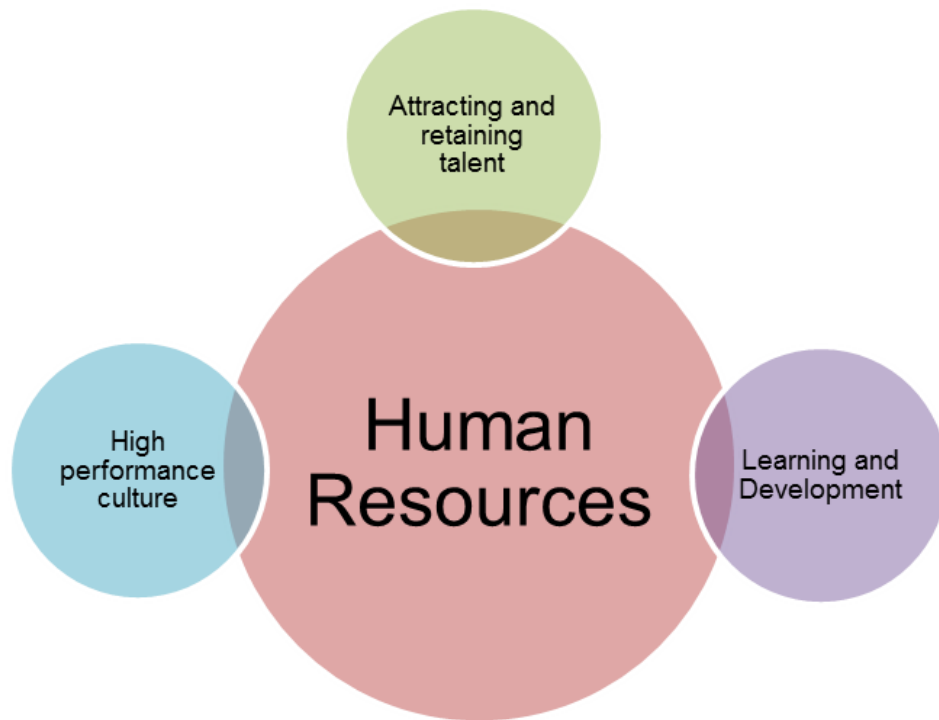
Strategic Objective	Key Activities	Performance Indicator(s)	Measurement Tools/ Evidence	Targets		
				2018/19	2019/20	2020/21
<b>CONTENT AND PLATFORMS</b>						
<b>Goal: TO ACQUIRE AND SCHEDULE COMPELLING AND QUALITY PROGRAMMING, SPANNING A RANGE OF GENRES, IN ALL OFFICIAL SOUTH AFRICAN LANGUAGES, AND EXCEEDING MANDATE OBJECTIVES ACROSS TRADITIONAL AND DIGITAL MEDIA PLATFORMS</b>						
<b>MEET ICASA LOCAL CONTENT REQUIREMENTS AS PER THE SABC's BROADCAST LICENCE</b>	Contribute to nation-building by acquiring and scheduling content that reflects the South African story.	Achieve ICASA PBS local content quotas as per SABC broadcast licence.	Broadcast Schedules. Quarterly ICASA licensing conditions report.	PBS SABC 1: 55% SABC 2: 55%	PBS SABC 1: 55% SABC 2: 55%	PBS SABC 1: 55% SABC 2: 55%
		Achieve ICASA PCS local content quotas as per SABC broadcast licence.		PCS SABC 3: 35%	PCS SABC 3: 35%	PCS SABC 3: 35%
		Achieve ICASA PBS local music quotas as per SABC Broadcast licence	Broadcast Schedules. Quarterly ICASA licensing conditions report	PBS Stations: 70%	PBS Stations: 70%	PBS Stations: 70%
		Achieve ICASA PCS local music quotas as per SABC Broadcast licence		PCS Stations: 35%	PCS Stations: 35%	PCS Stations: 35%

Strategic Objective	Key Activities	Performance Indicator(s)	Measurement Tools/ Evidence	Targets		
				2018/19	2019/20	2020/21
<b>CONTENT AND PLATFORMS</b>						
<b>Goal: TO ACQUIRE AND SCHEDULE COMPELLING AND QUALITY PROGRAMMING, SPANNING A RANGE OF GENRES, IN ALL OFFICIAL SOUTH AFRICAN LANGUAGES, AND EXCEEDING MANDATE OBJECTIVES ACROSS TRADITIONAL AND DIGITAL MEDIA PLATFORMS</b>						
<b>MEET ICASA LOCAL CONTENT REQUIREMENTS AS PER THE SABC'S BROADCAST LICENCE</b>	Contribute to nation-building by acquiring and scheduling content that reflects the South African story.	Achieve ICASA PBS Radio genre quotas as per SABC Broadcast licence excluding Radio 2000, XKFM, Lotus and TruFM.	Broadcast Schedules. Quarterly ICASA licensing conditions report.	<ul style="list-style-type: none"> <li>News: 60 min/day;</li> <li>Current Affairs: 60 min/day;</li> <li>Informal Knowledge building: 180 min/week;</li> <li>Education: 300 min/week;</li> <li>Children: 60 min/week</li> <li>Drama: 150 min/week</li> </ul>	<ul style="list-style-type: none"> <li>News: 60 min/day;</li> <li>Current Affairs: 60 min/day;</li> <li>Informal Knowledge building: 180 min/week;</li> <li>Education: 300 min/week;</li> <li>Children: 60 min/week</li> <li>Drama: 150 min/week</li> </ul>	<ul style="list-style-type: none"> <li>News: 60 min/day;</li> <li>Current Affairs: 60 min/day;</li> <li>Informal Knowledge building: 180 min/week;</li> <li>Education: 300 min/week;</li> <li>Children: 60 min/week</li> <li>Drama: 150 min/week</li> </ul>
<b>EMBRACE DIVERSITY IN TELEVISION BROADCASTING THROUGH THE PRODUCTION OF PROVINCIAL CONTENT AND MARGINALISED LANGUAGE PROGRAMMING.</b>	Increase number of provincial programmes.	Number of provincial programmes broadcast across SABC TV channels.	Broadcasting schedule	10 programmes Limpopo – 2 Eastern cape – 1 Free State – 1 Mpumalanga – 1 KZN – 2 Western Cape - 3	12 programmes Limpopo – 2 Eastern cape – 1 Free State – 1 Mpumalanga – 1 KZN – 3 Western Cape - 4	14 programmes Limpopo – 2 Eastern cape – 2 Free State – 2 Mpumalanga – 1 KZN – 3 Western Cape - 4
	Meet ICASA marginalised language targets on PBS platforms	Hours of marginalised language content broadcast on SABC's TV channels in prime time.	Broadcast Schedules P&R ICASA Quarterly Report	1 hour 48 minutes	1 hour 48 minutes	1 hour 48 minutes

# HUMAN RESOURCES







The SABC has initiated a number of human resources strategies that are in various stages of progress. This includes a comprehensive review of the organisation's operating model and structure to ensure alignment with the SABC's vision and goals. These initiatives will continue in the new fiscal and will be further enhanced to deliver optimal results.

The SABC has experienced loss of skills at executive level for various reasons. These vacancies are currently being fast-tracked through headhunting and other external recruitment processes with the assistance of Executive Search Agencies to ensure that we attract the best skills in the market.

The Group Executive of Human Resources has been appointed during March 2018 and the stability in this position will assist in expediting the challenges in the HR space.



## ATTRACTING AND RETAINING TALENT

- It is necessary to systematically seek, develop, and nurture the right talent to address the organisation's global needs. At the same time, personal development is an important part of the employee's career development.
- The SABC is developing with a view of implementing various talent retention strategies including career progression that promotes an employee's progression within a salary band as well as the advancement from one job to a higher job through the demonstration of competence.
- Another highlight for attraction and retention is a fully fledged and functioning Wellness centre managed in conjunction with an external service provider. Wellness services are rendered to employees on a continuous basis and are reviewed on an ongoing basis to address specific needs as they arise.
- The Corporation is in the process of developing programmes that enhance capability and flexibility for the future.

## LEARNING AND DEVELOPMENT

- While there are a wide range of skills required to be built in the SABC, the focus will be on critical and scarce skills, whilst ensuring entrepreneurship, youth and community development and promoting the development of local content producers. Focus will also be placed on the development of people with disabilities.
- In preparation for digital migration, training needs relating to this specific area have been identified and will be addressed through special training interventions

It should be noted that the SABC's current financial situation is impacting negatively on delivering on training as service providers cannot be procured and paid at the moment.

## HIGH PERFORMANCE CULTURE

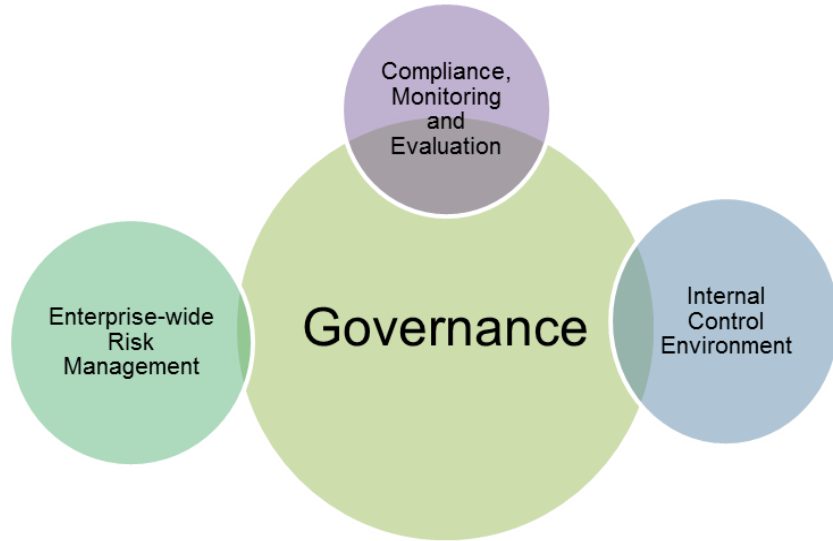
- To establish a pay-for-performance culture, there must be a consistent and objective methodology for evaluating performance. High performers should be rewarded. Low performers should have performance improvement plans with a specified time period for improvement – with no improvement they should be reassessed for fitness for the positions in the SABC. Once the methodology is understood and consistency is achieved, the SABC can move to a pay-for-performance programme.
- The roll-out of performance management has started during FY2017/18 with top, senior, middle and junior management. Contracting with the rest of SABC employees on lower levels will continue in 2018/19. Quarterly performance reviews will be conducted.

Work has already started on reviewing the operating model and structure of the SABC. The above is essential in order to ensure that the organisational operating model and structure is aligned to the strategic direction of the organisation. The first session dealt with the situational analysis of each Division of the SABC.

Strategic Objective	Key Activities	Performance Indicator(s)	Measurement Tools/ Evidence	Targets		
				2018/19	2019/20	2020/21
<b>HUMAN RESOURCES</b>						
<b>Goal: TO DEVELOP A DYNAMIC AND MOTIVATED FIT-FOR-PURPOSE WORKFORCE THAT EMBRACES LEARNING AND IS SUFFICIENTLY ADAPTABLE TO MIGRATE INTO THE DIGITAL AGE.</b>						
<b>ATTRACTING AND RETAINING STAFF THROUGH EFFECTIVE TALENT MANAGEMENT.</b>	Develop and implement a Career Progression Framework to enhance employee development and improve employee retention.	An approved and piloted Career Progression Framework and Policy	Approved Framework and Policy piloted in Human Resources	Career Progression Framework piloted in Human Resources.	Roll-out of Career Progression within the organisation as per approved roll-out plan.	Monitor, review and adjust framework where necessary.
		Review the current Operating Model and Structure of the organisation	Revised operating model and structure approved. Resolutions / minutes.	Overall SABC operating model and structure reviewed. Revised operating model and structure approved and implemented.	Maintain the SABC operating model and structure	Maintain the SABC operating model and structure
<b>EMBEDDING A HIGH PERFORMANCE CULTURE THROUGH PERFORMANCE MANAGEMENT</b>	Institutionalise Performance Management policy with revised tool for top and senior management	Signed-off performance contracts and reviews conducted.	Signed off performance contracts and performance review documentation	Final performance review of 2017/18 for top and senior management.  Performance Management contracting with bargaining unit.	Performance Management contracting and reviews conducted as per the performance cycle.	Performance Management contracting and reviews conducted as per the performance cycle.
<b>OPTIMISE LEARNING &amp; DEVELOPMENT TO ENSURE SUSTAINABILITY AND READINESS FOR THE DIGITAL AGE</b>	Develop a Workplace Skills Plan (WSP) and operational training plan that is aligned to the digital migration requirements	Digital migration training needs addressed through WSP	Digital migration plan included in ATR and Seta report	80% achievement of digital migration training needs as per the WSP.	80% achievement of training needs as per the WSP.	90% achievement of training needs as per the WSP.

# GOVERNANCE





The GRC functions within the Corporation are at different stages of maturity and it will take some time before full integration is achieved across the different functions and Provinces. Nevertheless, it is important for this process to be driven by the recognition of complexity, the desire to reduce the SABC's risk exposure and the ongoing need to improve performance and reduce costs.

- The development of an integrated approach to Governance, Risk, Compliance, Monitoring, Evaluation and Assurance Provision (GRC) is as a result of the current complexities and uncertainties in markets around the world.
- The focus is on rationalising risk management, controls, assurance structures and processes. By implementing a more strategic approach to GRC, the delivery of more insightful information becomes possible.
- The Board, Management and Staff can utilise this value-added information to improve overall performance, achieve compliance and reinforce sustainability, particularly in respect of the ever increasing regulatory requirements and to respond more quickly to opportunities.

# FY2018/19 STRATEGIES – GOVERNANCE (cont)

## Enterprises Wide Risk Management

- PFMA Section 51(1) (a) (i);
- Treasury Regulation 27.2.1;
- KING IV Code of Corporate Governance for South Africa <sup>TM</sup>
- The strategic focus and plan are informed by the above

## Compliance, Monitoring and Evaluation

- Adoption of the SABC Compliance Framework (comprising Compliance Policy, Charter, Manual and Programme) and Process.
- Monitoring and evaluation of projects, programming or policy, its design and implementation as well as results.

## Internal Control Environment

- The SABC will ensure that a sound system of internal control is implemented across the Corporation to ensure effective and efficient business processes. This includes Business Continuity and Disaster Recovery Plans.

# FY2018/19 STRATEGIES – GOVERNANCE (cont)

Strategic Objective	Key Activities	Performance Indicator(s)	Measurement Tools/ Evidence	Targets		
				2018/19	2019/20	2020/21
<b>GOVERNANCE</b>						
<b>Goal: TO ENSURE COMPLIANT GOVERNANCE PRACTICES COMPLEMENTED BY EFFECTIVE RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK.</b>						
<b>EFFECTIVE RISK MANAGEMENT AND SUFFICIENT INTERNAL CONTROL ENVIRONMENT TO ENSURE COMPLIANT GOVERNANCE PRACTICES.</b>	Strengthen Internal Control Environment	Percentage of internal audit findings resolved.	Internal Audit reports	80%	85%	90%
		Percentage of previous financial years' Auditor General findings resolved.	AG reports	80%	85%	90%
		Percentage completion of Disclosure of Interests for employees and Board	SAP reports	100%	100%	100%
		Percentage of policies that are reviewed and approved in accordance with two year requirement as per the Policy management framework	Policy documents	50%	70%	80%
	Implementation of Enterprise-wide risk management	Percentage of risk treatment plans that have been implemented	CURA reports	60%	70%	80%
	Strengthen compliance with the National Key Point Act	Percentage decrease in the number of physical; security breaches at Auckland park Precinct in compliance with NKP	Protection Services Reports	Decrease by 100%	Decrease by 100%	Decrease by 100%



# FY2018/19 – 2020/21 BUDGET

# FY2018/19 – 2020/21 BUDGET – INTRODUCTION

Budget preparation is based on input from all Business Units within the Corporation in order to achieve its strategic objectives, after considering National Treasury Instruction note 1 of 2013/2014 (Cost containment measures).

The SABC's 3-year budget was prepared in a conservative manner in order to ensure that it is realistic and to show improvement in the Corporation's financial position. The SABC is committed to return to a path of profitability within the cycle of this Corporate plan.

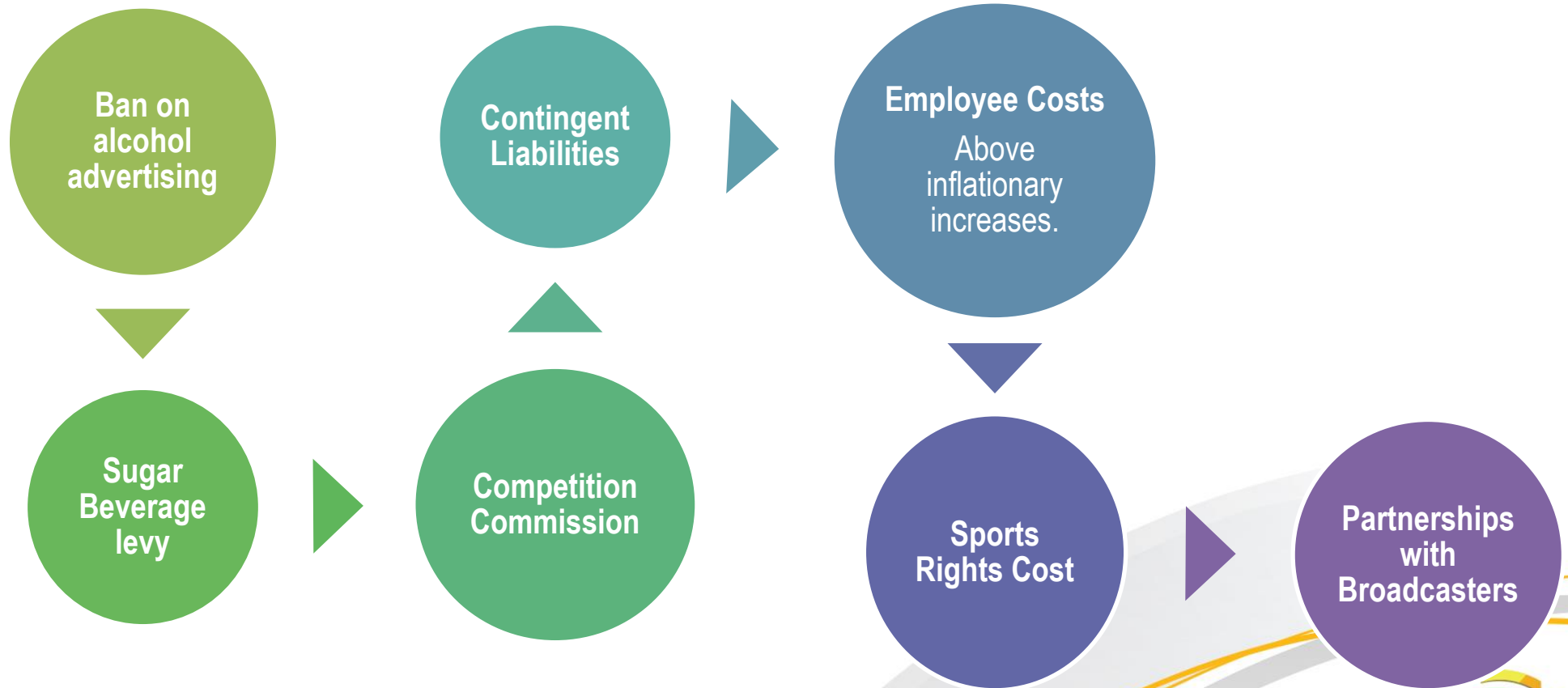
# FY2018/19 – 2020/21 BUDGET – INCOME STATEMENT

Description	Audited	Forecast	Budget	Estimate	
	2016/17 R'000	2017/18 R'000	2018/19 R'000	2019/20 R'000	2020/21 R'000
Advertising revenue	5,620,953	4,833,095	5,264,839	5,464,903	5,672,570
Sponsorship	383,814	385,357	416,610	432,441	448,874
Licence fees	915,090	1,055,000	1,072,000	1,074,144	1,076,292
Trade exchanges (non-monetary exchanges)	78,412	53,006	58,407	61,678	65,071
Government grants	253,501	164,832	238,254	174,728	187,212
Content & commercial enterprise	97,862	120,586	115,000	187,425	331,888
Other revenue	175,569	185,566	287,087	299,161	311,762
Revenue from partnerships & joint ventures				350,000	500,000
<b>Revenue</b>	<b>7,525,203</b>	<b>6,797,443</b>	<b>7,452,198</b>	<b>8,044,480</b>	<b>8,593,669</b>
Other income	34,944	30,201	28,935	30,555	32,236
<b>Revenue &amp; other income</b>	<b>7,560,147</b>	<b>6,827,644</b>	<b>7,481,133</b>	<b>8,075,036</b>	<b>8,625,905</b>

Description	Audited	Forecast	Budget	Estimate	
	2016/17 R'000	2017/18 R'000	2018/19 R'000	2019/20 R'000	2020/21 R'000
Direct revenue collection costs	1,056,306	251,074	304,514	225,669	292,773
Broadcast costs	518,442	536,871	565,991	497,114	414,169
Signal distribution and linking costs	669,831	719,725	731,916	772,904	815,413
Marketing costs	135,603	70,880	70,001	73,920	77,986
Remuneration	3,169,372	2,985,354	2,701,242	2,842,352	3,055,529
Professional and consulting fees	99,304	77,376	98,609	104,131	109,858
Other expenses - personnel costs other than employee compensation	92,463	79,999	92,834	98,033	103,425
Other expenses - operational	562,112	565,270	648,773	685,104	722,785
Other expenses - administration	75,140	54,396	59,124	62,435	65,869
Amortisation of programme and film rights	1,934,585	1,668,152	1,542,379	1,607,364	1,696,574
Amortisation sports rights			570,676	579,442	587,378
Amortisation and impairment of computer software	52,229	48,338	34,643	24,250	16,975
Depreciation and impairment of property, plant and equipment	169,820	188,504	236,254	235,671	223,672
Net impairment reversed/(raised) of trade and other receivables	98,450	306	107,200	107,414	107,629
Other losses	4,136	0	0	0	0
Net impairment (raised)/reversed of programme, film and sports rights	2,649	0	0	0	0
<b>Expenses</b>	<b>8,640,443</b>	<b>7,246,246</b>	<b>7,764,158</b>	<b>7,915,804</b>	<b>8,290,035</b>
<b>Operating (profit) / loss before finance costs and tax</b>	<b>1,080,296</b>	<b>418,602</b>	<b>283,025</b>	<b>(159,232)</b>	<b>(335,870)</b>
Finance income	40,209	0	0	0	0
Finance expenses	13,147	15,166	4,592	3,248	1,901
<b>(Profit) / Loss before income tax</b>	<b>1,053,234</b>	<b>433,768</b>	<b>287,617</b>	<b>(155,984)</b>	<b>(333,969)</b>
Income tax	(76,378)	0	0	0	0
<b>(Profit) / Loss for the year</b>	<b>976,856</b>	<b>433,768</b>	<b>287,617</b>	<b>(155,984)</b>	<b>(333,969)</b>

# FY2018/19 – 2020/21 BUDGET – BUDGET RISKS

It should be noted that the financial impact of the following matters has not been factored in the budget. The risk of materialisation may impact the budget significantly and should be taken into account.



# FY2018/19 – 2020/21 BUDGET – CASH FLOW

Description	Budget	Estimate	
	2018/19 R'000	2019/20 R'000	2020/21 R'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers	7,397,923	7,981,180	8,542,922
Cash paid to suppliers and employees	(7,286,432)	(7,433,734)	(8,174,000)
<b>Cash utilised by operations</b>	<b>111,491</b>	<b>547,446</b>	<b>368,922</b>
Interest received	-	-	-
Dividends received			
Interest paid	(107,595)	(137,407)	(138,973)
Income taxes paid	0	0	0
<b>Net cash inflows / (outflows) from operation activities</b>	<b>3,895</b>	<b>410,039</b>	<b>229,949</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from disposal of property, plant & equipment			
Acquisition of property, plant & equipment	(350,000)	(434,000)	(91,000)
Acquisition of computer software	-	-	-
<b>Net cash inflows / (outflows) from investing activities</b>	<b>(350,000)</b>	<b>(434,000)</b>	<b>(91,000)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from government grants			
Increase in long term funding	426,746	141,093	(111,272)
Net instalment sale and finance lease repayment	(80,642)	(117,132)	(27,677)
Short term borrowing movements	-		
<b>Net cash inflows / (outflows) from financing activities</b>	<b>346,105</b>	<b>23,961</b>	<b>(138,949)</b>
<b>NET INCREASE/ (DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	<b>0</b>	<b>(0)</b>	<b>0</b>
Cash & cash equivalents at the beginning of the year	8,234	8,234	8,234
<b>Cash &amp; cash equivalents at the end of the year</b>	<b>8,234</b>	<b>8,234</b>	<b>8,234</b>

# FY2018/19 – 2020/21 BUDGET – CAPEX

APPROVED PROJECTS IN PROGRESS	Actual 2016/17 R'000	Forecast 2017/18 R'000	Budget 2018/19 R'000	Estimates	
				2019/20 R'000	2020/21 R'000
SABC TVOB facilities	57,207	43,142	40,623	46,285	10,965
Henley facilities	78,620	29,580	155,374	147,465	7,977
Radio broadcast facilities	49,956	60,291	76,485	0	0
Information technology	49,112	11,731	25,719	60,000	0
Logistical services	85,539	4,034	990	179,808	5,015
Provinces	24,803	14,912	20,802	671	66,580
Engineering services	395	4,473	0	0	0
Other divisions	8,252	4,390	0	0	0
Minor capital	0	0	28,900	0	0
<b>TOTAL</b>	<b>355,025</b>	<b>172,552</b>	<b>348,893</b>	<b>434,228</b>	<b>90,536</b>



**THANK YOU**