

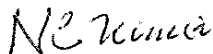
DEPARTMENT OF CO-OPERATIVE GOVERNANCE

NO. 2861

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**CONSOLIDATED ANNUAL LOCAL GOVERNMENT PERFORMANCE REPORT
2019/20**

I, Dr Nkosazana Dlamini Zuma, Minister of Cooperative Governance and Traditional Affairs, in terms of section 48(2) of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2002), hereby publish the Consolidated Annual Local Government Performance Report 2019/20 in the Schedule hereto.

**DR NKOSAZANA DLAMINI ZUMA, MP****MINISTER OF COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS**

DATE: 08.12.2022



**cooperative
governance**

Department:
Cooperative Governance
REPUBLIC OF SOUTH AFRICA

SECTION 48 REPORT

CONSOLIDATED ANNUAL LOCAL GOVERNMENT PERFORMANCE REPORT FOR 2019/20

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LIST OF ACRONYMS

ABCD	Asset Based Community Development
AFS	Annual Financial Statements
AG	Auditor-General
B2B	Back to Basics
CDW	Community Development Worker
CEF	Capital Expenditure Frameworks
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CMS	Complaints Management System
CoGTA	Cooperative Governance and Traditional Affairs
CSIR	Council for Scientific and Industrial Research
CSP	Cities Support Programme
CWP	Community Work Programme
DBSA	Development Bank of Southern Africa
DCCC	District Coronavirus Command Council
DCoG	Department of Cooperative Governance
DDM	District Development Model
DED	Department of Economic Development
DESTEA	Department of Small Business Development, Tourism and Environmental Affairs
DIMAFO	District Mayors' Forum
DLG	Department of Local Government
DM	District Municipality
DOC	Disaster Operations Centre
DoRA	Division of Revenue Act
DPME	Department of Monitoring and Evaluation
DPSA	Department of Public Service and Administration
DWS	Department of Water and Sanitation

ECD	Early Childhood Development
EEDSM	Energy Efficiency and Demand Side Management
ESECC	Eastern Cape Socio-Economic Consultative Council
EPWP	Expanded Public Works Programme
EXCO	Executive Committee
FBE	Free Basic Electricity
FBO	Faith-Based Organisation
FBS	Free Basic Services
FBW	Free Basic Water
FM	Financial Management
GCR	Gauteng City Region
GHS	General Household Survey
GIS	Geographic Information System
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GPT	Gauteng Provincial Treasury
GSDF	Gauteng Spatial Development Framework
HOD	Head of Department
HR	Human Resources
HWSETA	Health and Welfare Sector Education and Training Authority
IDP	Integrated Development Plan
IGR	Intergovernmental Relations
INEP	Integrated National Electrification Programme Grant
ISDG	Integrated Skills Development Grant
IT	Information Technology
JDMA	Joint District & Metro Approach (JDMA)
IUDF	Integrated Urban Development Framework
IUDG	Integrated Urban Development Grant
KPA	Key Performance Area
KPI	Key Performance Indicator
KZN	KwaZulu-Natal

LED	Local Economic Development
LEDA	Local Economic Development Agency
LGSA	Local Government Strategic Agenda
LGSETA	Local Government Sector Education and Training Authority
LM	Local Municipality
LUMS	Land-Use Management Systems
MEC	Member of the Executive Council
MFIP	Municipal Finance Improvement Programme
MFMA	Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003)
MFRS	Municipal Finance Recovery Service
MIG	Municipal Infrastructure Grant
MINMEC	Ministers and Members of Executive Council
MISA	Municipal Infrastructure Support Agent
MIT	Municipal Interface Team
MM	Metropolitan Municipality
MPAC	Municipal Public Accounts Committee
MPT	Municipal Planning Tribunal
MSA	Municipal Systems Act, 2000 (Act No. 32 of 2000)
mSCOA	Municipal Standard Chart of Accounts
MSIG	Municipal Systems Improvement Grant
MTSF	Medium Term Strategic Framework
MUNMEC	Municipalities and MECs
NATJOINTS	National Joint Operational and Intelligence Structure
NCCC	National Coronavirus Command Council
NDMC	National Disaster Management Centre
NDP	National Development Plan
NERSA	National Energy Regulator of South Africa
NGO	Non-Governmental Organisation
NT	National Treasury

OSS	Operation Sukuma Sakhe
PCCC	Provincial Coronavirus Command Council
PDMC	Provincial Disaster Management Centre
PIU	Programme Implementation Unit
PMS	Performance Management System
PMU	Project Management Unit
PP&E	Property, Plant and Equipment
PPE	Personal Protective Equipment
PPGI	Public-Private Growth Initiative
PROVJOINTS	Provincial Joint Operational and Intelligence Structures
RBIG	Regional Bulk Infrastructure Grant
RDP	Reconstruction and Development Programme
RRAMS	Rural Roads Access Management System
SACN	South African Cities Network
SALGA	South African Local Government Association
SANDF	South African National Defence Force
SALGBC	South African Local Government Bargaining Council
SAPS	South African Police Service
SCLG	SALGA Centre for Leadership and Governance
SCM	Supply Chain Management
SDBIP	Service Delivery and Budget Implementation Plan
SDF	Spatial Development Framework
SIP	Strategic Infrastructure Projects
SMME	Small, Medium and Micro enterprise
SPLUMA	Spatial Planning and Land Use Management Act
SRS	Situational Reporting System
SSA	State Security Agency
Stats SA	Statistics South Africa
TIME	Technical Integration Municipal Engagements
TNO	Transferring Officer

TSP	Technical support plans
UIFW	Unauthorised, fruitless and wasteful expenditure
UPM	Unemployed Peoples Movement
WBP	Ward Based Planning
WCWDM	Water Conservation/Water Demand Management
WETT	Water Experts Task Team
WHO	World Health Organisation
WSA	Water Service Authority
WSDP	Water Services Development Plan
WSIG	Water Services Infrastructure Grant
WSP	Workplace Skills Plan
WWTW	Waste Water Treatment Works

FOREWORD BY THE MINISTER

I hereby present the Consolidated Local Government Performance Report for the 2019/20 financial year, as required by Section 48 of the Local Government Municipal Systems Act. This report brings together the consolidated reports submitted by the MECs responsible for local government in terms of Section 47 of the Systems Act. Where applicable, other relevant information was included in the analysis.

Municipalities continue to be challenged by revenue collections capability, as well as increased demands for services on account of an increased population and households. Accumulatively, the debt amounts to billions of Rands, which in turn curtails their ability to provide sustainable services or even expand and refurbish infrastructure, which is critical to development.

The apartheid spatial planning legacy has proven to be an obstacle, and so our efforts to build new, resilient and smart cities and communities are no longer an ideal, but a necessity. This will require that the local sphere be placed at the centre of our plans.

The COVID-19 pandemic has also brought to bear the adverse conditions of hunger and poverty under which our people live. We cannot afford to hide anymore, but we must confront these challenges head on.

During 2019, we have therefore adopted the District Development Model (DDM), so that we could synergise plans and actions in all spheres of governance. Through the integrated profiles and plans per district, each district will have One Plan and One Budget so that we can vertically and horizontally integrate our offerings and support to our communities. The DDM is a game changer presenting us with an opportunity to correct deficiencies and utilise government resources in a fruitful and purposeful manner.

FOREWORD BY THE DEPUTY MINISTER

During the past year, we acknowledged that local government is faced with serious challenges that need to be addressed to change the trajectory of local government. These challenges include governance, financial management and administration challenges; non-viable municipalities due to apartheid spatial planning; and systemic issues around powers and functions.

The government's adoption of the District Development Model (DDM) set the foundation for government to function in a coordinated manner. As part of the localisation of the Sustainable Development Goals (SDGs), CoGTA together with other key stakeholders, has embarked on a planning and reporting reform process, which included the review of the Municipal Planning and Performance Regulations and the Integrated Development Plan (IDP) guidelines.

CoGTA has also embarked on the Integrated Urban Development Framework (IUDF) Implementation Plan 2020-2025, guided by the following principles: speedy implementation, inclusivity, cooperation and collaboration, efficiency gains, sustainability, transparency, innovation and capacity building. The implementation of the IUDF as a national urban policy will be enhanced by the DDM, as both approaches subscribe to the concept of social compact, an-all-of-society approach towards improving the lives of people and spatial transformation in a mutually beneficial manner.

The audit outcomes of municipalities were a clear indication that more needs to be done. The 2019/20 Consolidated Local Government Performance Report reflects both the challenges and progress made on the journey to improve the lives of communities and the people we serve.

MESSAGE FROM THE DIRECTOR-GENERAL

The Consolidated Annual Local Government Performance Report of 2019/20 combines the consolidated (Section 47) reports on municipal performance produced by Provincial Departments with some additional information. From the analysis, it can be seen where there have been advancement and in which areas more support or intervention is required.

The mandate of the Department of Cooperative Governance (DCoG) is of paramount importance in fostering cooperation amongst several actors across the three spheres of government, in support of improved service delivery to communities. In 2019/20, DCoG took the lead in institutionalising the government wide District Development Model (DDM), after Cabinet approval in August 2019.

DCoG has been attending to some of the important areas under each Key Performance Area during 2019/20. The following initiatives have been highlighted:

Municipal transformation and organisational development

The development of regulations in terms of section 72 of the Municipal Systems Act was finalised, and the regulations were certified by the Chief State Law Adviser. The implementation of these regulations, especially the competency framework for various occupational skills in local government, will reinvigorate government's role in producing the specialist technical skills that are essential to fulfil the core functions of municipalities.

Basic service delivery

A total of 183 municipalities were supported on MIG spending for infrastructure development. Support provided to municipalities included registration of projects and submission of project implementation plans and cash flow projections, approval of funding

for project management units to improve project management capacity, and meeting reporting requirements. Interventions were conducted with struggling municipalities to identify challenges and agree on intervention measures.

Local economic development

During 2019/20, the Framework for Regional Economic Development was finalised. This framework is a step-by-step resource and tool that will guide municipalities in developing their regional economic development plans.

The Community Work Programme (CWP) contributed to providing the poorest communities in all the municipalities across South Africa stipend-earning work opportunities that essentially serves as an employment safety net. CWP managed to facilitate training and skills development opportunities to approximately 10 percent of enrolled participants, while six partnerships were established to support the CWP.

The CWP had a budget allocation of R 3,879 billion for the 2019/20 financial year, which was distributed across all the provinces, with close to 250 000 people being provided with some form of work opportunity. The CWP delivery model will be redesigned going forward, to enable better governance and delivery in every site and in each ward.

Municipal financial viability and management

Through the simplified revenue plan project, which was funded through the Municipal Systems Improvement Grant (MSIG), DCoG supported 42 municipalities to develop and implement specific revenue plans. The project provided support to municipalities in improvements on data management and analysis, billing, revenue management and property rates management, debt management and credit control, indigent management and registers, and policies and by-laws management.

In collaboration with the National Treasury and SALGA, DCoG supported the roll-out of a toolkit for Municipal Public Accounts Committees (MPACs). The MPACs are an important committee of council, and their primary responsibility is to initiate and develop the oversight report that is contemplated in section 129 of the Municipal Finance Management Act No. 56 of 2003.

DCoG supported seven intermediate city municipalities in the development of capital expenditure frameworks to intermediate cities and provided specialist expert support on the Integrated Urban Development Framework (IUDF). Seventy-one municipalities were assessed in terms of compliance with the rating aspects of the Municipal Property Rates Act, and outcomes of the assessment findings and recommendations on corrective measures were communicated to the municipalities.

Good governance and public participation

To reinforce efforts regarding the fight against corruption and the promotion of ethics in municipalities, DCoG rolled out a two-day training programme on the Local Government Anti-Corruption Strategy and the Municipal Integrity Management Framework in 13 District municipalities and Metros. A total of 531 municipal employees across the country attended the training sessions. Progress on the implementation of forensic reports was received on more than 160 forensic reports. More than 250 municipal cases of corruption and related offences are under investigation by the Directorate for Priority Crimes Investigations (DPCI), while more than 80 cases are already in court at various stages.

To narrow the social distance between communities and government, the department implemented GovChat, which is a social media engagement platform as part of its public participation mandate. Through GovChat, citizens were able to log municipal service requests directly with municipalities, know their Ward Councillor and Traditional Leader, as well as rate and report over 60,000 government facilities country-wide. During 2019/20, the platform was rolled out in three provinces: Free State, Northern Cape, and Western Cape.

DcoG supported 113 municipalities in establishing functional ward committees, whilst 50 were supported to institutionalise community complaints management systems and processes. A further ten municipalities participated in a capacity building programme for ward committee members on core municipal processes.

A Framework for Partnership with Civil Society Organisations was developed. The aim of the framework is to guide and make provision for an inclusive, participatory system at ward level, with the whole of society involved. Three provinces were supported to mainstream gender, youth and disability.

Cross-cutting issues

The NDMC (National Disaster Management Centre) provided stakeholders across the spheres of government with technical advice and administrative support to classify and declare a national state of disaster for the prevailing drought and the COVID-19 pandemic during March 2020. The NDMC was also instrumental in the implementation of the DcoG coordinated response and intervention measures for the COVID-19 pandemic.

During the year under review, integrated advocacy and awareness programmes were successfully held in partnership with municipalities to promote and advance for Disaster Risk Reduction. The NDMC conducted seven advocacy and awareness programmes to empower municipal Councillors, Traditional Leaders and members of the community about disaster management, how to reduce or mitigate against disaster and to be better prepared when disasters happen.

DcoG, National Treasury and South African Cities Network, have developed metro specific IDP guidelines. The draft guidelines respond to the DDM and position the IDPs as critical planning tools in the development of the envisaged District and Metro One Plans.

EXECUTIVE SUMMARY

The Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA) states that the Minister must “*annually compile and submit to Parliament and the MECs for local government a consolidated report of local government performance in terms of seven general key performance indicators:*

- *the percentage of households with access to basic level of water, sanitation, electricity and solid waste removal;*
- *the percentage of households earning less than R1100 per month with access to free basic services;*
- *the percentage of a municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plan;*
- *the number of jobs created through municipality's local economic development initiatives including capital projects;*
- *the number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan;*
- *the percentage of a municipality's budget actually spent on implementing its workplace skills plan;*
- *financial viability as expressed by the following ratios:*
 - *cost coverage*
 - *debt coverage*
 - *outstanding service debtors”.*

The main purpose of this report is to account to Parliament and to the citizens of South Africa on progress being made by municipalities towards achieving the overall goal of “a better life for all”. The Consolidated Annual Local Government Performance Report remains an important accountability tool in reporting on the overall performance of local government in South Africa. The report provides feedback on the performance of local

government with regard to the five following municipal key performance areas (KPAs), as well as cross-cutting interventions:

- KPA 1: Municipal transformation and organisational development
- KPA 2: Basic service delivery
- KPA 3: Local economic development
- KPA 4: Municipal financial viability and management
- KPA 5: Good governance and public participation

The White Paper on Local Government, 1998, proposed the development of performance management systems in conjunction with local government, which are aimed at ensuring realistic planning and assessment of the impact of developmental strategies of municipalities. Chapter 6 of the Municipal Systems Act, 2000 gives effect to this vision of the White Paper by regulating the development of performance management systems by municipalities to correspond with their resources and to administer their affairs in an economical, effective, efficient, and accountable manner.

In September 2014, Government launched the Back-to-Basics local government revitalisation plan to promote good governance and effective administration through cutting wastage, spending public funds prudently, hiring competent staff, and ensuring transparency and accountability in municipalities. Government is continuing to implement the B2B strategy by coordinating targeted interventions and supporting struggling municipalities. Provinces also reported specific initiatives in implementing B2B monitoring and support.

Cabinet approved the new District Development Model on 21 August 2019. The model is designed to improve collaborative planning amongst the three spheres of government. It envisages One Plan and One Budget for each of the 44 districts and eight metros. This new integrated district-based system will enable government to track implementation more closely and pinpoint with greater precision the level of intervention needed to make local government more effective and responsive, whilst also enhancing a synergised government-wide implementation of developmental priorities. The DDM was launched in

the O. R. Tambo DM, Waterberg DM and in eThekweni Metro during the final quarter of 2019.

All provinces submitted the 2019/20 Section 47 reports to the Department of Cooperative Governance, with the last provincial report submitted in June 2022. In general, quality of data remained a challenge in evaluating the performance of municipalities, as reported by a number of provinces. Municipalities have been cited as neglecting to submit critical performance information and signing off on poor annual reports. Provinces emphasised the need to strengthen monitoring and reporting and for consequences for poor performance to be implemented.

KPA 1: Municipal transformation and organisational development

Emerging trends

- The complexity in managing the human resources in municipalities is ever increasing and the scope of the functions executed by municipalities is adding to the increasing number and variety of skills' requirements, capacity building initiatives and other challenges;
- As reported by provinces, there is inconsistent implementation of performance management systems;
- The inadequate management of performance has a further negative consequence in municipalities' ability to develop and submit annual performance reports to the AG as required by legislation;
- The capacity in the national and provincial departments of Cooperative Governance to support the human resource administration function in the local government sector, is not commensurate with the ratio of local government employees to national public sector employees. The share of employees in municipalities to the total number in the public administration nationally has grown from 38, 7% in 2006 to 41, 6% in 2020;

- Vacancy rates are often over-reported because many municipalities still report on outdated organograms and this means they appear to have large vacancy rates, even though these contain unfunded positions;
- Despite the promulgation of regulations to guide appointment procedures, some municipalities continue to appoint municipal managers and senior managers who do not meet the minimum competencies prescribed for their posts;
- Employment equity targets for women, youth and people living with disability are not being met; and
- The lack of technical skills is particularly acute in finance and engineering services, with a shortage of technical skills in road transport and wastewater treatment.

Recommendations

- Provincial CoGTAs should be strengthened to enable them to fulfil their statutory obligations on organisational structures and budgets, including the provision of support from NT, DPSA and DPME;
- Prototype organograms should be implemented where the existing ones are not functional and in line with the municipal grading norms and standards;
- As recommended by several provinces, more effort is required to ensure the recruitment, development and retention of women, youth and people living with disability in municipalities, including in senior management positions; and
- Attention should be given to develop shared district service hubs, which could provide an opportunity to source scarce skills and strengthen capacity in planning, engineering, project management, finance, and technical service delivery functions.

KPA 2: Basic service delivery

Emerging trends

- Despite notable improvements, access to water declined in six provinces between 2002 and 2020;
- Approximately 28.6% of South African households reported some dysfunctional water supply services in 2020;
- There has been a decline in the functionality of municipal infrastructure due to poor asset management and under-investment in repairs and maintenance, resulting in ageing infrastructure and high losses;
- Whilst there are still a significant number of households without access to services, these are mainly in the more rural areas where densities are relatively low and it is extremely costly on a unit basis to provide new connections;
- Urban municipalities are also facing challenges in sustainable service provision. Despite Metros rolling out major service delivery programmes, the rate of urbanisation and in-migration obscures progress as the demand increases;
- A range of reasons, including rapid household growth and urbanisation, as well as a preference for flush toilets have all contributed to slow progress in sanitation access over the last 3 to 5 years. The relative scarcity of water and regular water interruptions experienced in many parts of the country might increasingly lead to the use of alternative sources of sanitation;
- Municipalities encounter difficulties when it comes to defining a household and they are uncertain whether to define beneficiaries in terms of households, account holders or citizens and how to report accordingly. The most vulnerable societal groupings are frequently not aware of the indigent policy or do not register and as a result, indigent registers are often extremely under-representative leading to them failing to be an effective means of allocating essential services; and
- Provinces have identified some challenges with MIG performance in municipalities, including a reliance on grant funding, lack of three-year capital planning and technical capacity constraints.

Recommendations

- The capacity for delivery of infrastructure services should be prioritised, including the relevant technical skills, planning and project management;
- More emphasis should be placed on the maintenance of existing infrastructure. Municipalities should fast-track repairs and maintenance of water infrastructure, sanitation, repair potholes, energise streetlights, attend to sewer spillages, cleaning and waste management;
- Asset management improvement should be prioritised within the scope of the amended MIG framework, which allow municipalities to plan for and manage existing assets using a portion of the grant;
- Planning of infrastructure implementation over longer multi-year periods should be considered; and
- The mechanism for effective FBS to the most vulnerable should be reviewed to ensure that the process is fair and easily accessible, and the requisite resources are allocated.

KPA 3: Local economic development

Emerging trends

DCoG has developed the Revised National Framework for LED (2018-2028) which emphasises the importance of unique characteristics of localities, an innovative approach to development, a Local Government-led process, multi-stakeholder driven process, and an outcome based on progressive partnerships.

As part of the implementation of the Integrated Urban Development Framework (IUDF), DCoG provided support to intermediate cities through the Intermediate City Support Programme in the areas of spatial planning, economic development and project preparation. DCoG also rolled out the Integrated Urban Development Grant (IUDG) in

eight cities and supported intermediate cities to develop Capital Expenditure Frameworks (CEF).

The SACN and SALGA study, *Rethinking LED: Local Economic Development in Intermediate Cities, 2019* identified a number of trends in the way LED is conceptualised and functioning in the municipal context.:

- Within municipalities, there is confusion about the LED department's role, and LED was not considered a high priority, with an absence of a common understanding of LED;
- LED departments lacked capacity and resources, including limited budgets, lack of qualified staff;
- LED plans tended to be disconnected from reality, lacked strong economic rationale and assumed that funding will come from other spheres of government. outdated strategies and non-implementation of plans; and
- The private sector was also not aligned with municipalities, and economic analysis and intelligence were lacking.

These observations have been supported by the provincial reports, especially on the role of LED and its current institutionalisation.

Recommendations

The recommendations made by SACN and SALGA, which are in line with the Revised National Framework for LED, are supported. Municipalities should give attention to the following actions:

- Mainstream economic considerations into their sectoral departments and into the strategies of those departments;
- Use municipal levers, such as land-use planning, to support their economies;
- Do more to build economic intelligence, with the assistance of other spheres of government;

- Strengthen economic strategies that are appropriate for municipal specific economic contexts and based on solid economic intelligence;
- Develop economic partnerships, as municipalities need to facilitate, not drive, economic development; and
- Create appropriate institutional arrangements that support economic development.

KPA 4: Municipal financial viability and management

Emerging trends

- In 2019/20 over 90 percent (233 of the 257) of municipalities in the country spent less than the 8% on repairs and maintenance;
- The Auditor-General and National Treasury have indicated several persistent challenges in financial viability and management, including negative audit outcomes, deteriorating cash flow positions and poor delivery of basic services;
- The overall audit outcomes for municipalities have not improved over the past four financial years. Most municipalities were in a worse position in 2019/20 than at the beginning of the administration's term in 2016/17, with 46 improving their audit outcomes, but 61 regressing over this period;
- *The State of Local Government Finance and Financial Management Report of National Treasury for 2019/2020*, confirmed the following trends:
 - There were 24 municipalities that closed their year with negative cash and cash equivalents;
 - Most municipalities (188) did not have sufficient cash and investments to pay for current obligations (liquidity ratio);
 - Only 57 municipalities settled their creditors within 30 days in 2019/20 while 200 took more than 30 days. Outstanding creditors grew rapidly from R53 million in 2018/19 to R66 million in 2019/20. High creditors payment periods and escalating amounts were owed to especially Eskom and Water Boards;
 - In the case of 115 municipalities, they were unable to pay all current or short-term obligations when they fall due (negative current ratios);

- Unfunded budgets in 123 municipalities are a threat to municipal financial sustainability;
- Underinvestment on capital infrastructure was evident in 116 municipalities which spent less than 10% of their total expenditure on capital infrastructure; and
- Many municipalities are experiencing revenue losses in water and electricity due to ageing and condition of their infrastructure assets. Metros reported water losses of R5.6 billion and electricity losses of R9.2 billion in 2019/20.

The DCoG and National Treasury have set up Joint Teams to work with their provincial counterparts to address the following priority financial management support and intervention measures: development of credible, funded and cash-backed budgets; development of simplified revenue generation plans; support with the development of financial recovery plans; support with the implementation of audit remedial action plans; and implementation of Municipal Standard Chart of Accounts (MSCoA).

MFMA Circular No. 88 of 2017 was jointly issued by National Treasury, DCoG and the DPME. Progress has been made to rationalise, better coordinate and standardise indicator planning, monitoring and reporting in metropolitan municipalities and across local government. Ultimately, the Circular will be used to rollout a differentially applied set of indicators for local government to a common standard prior to their eventual regulation by DCoG.

Recommendations

- Provinces recommended more attention should be paid to financial viability, including revenue collection strategies, and the consideration of a financial and operational sustainability model for municipalities;
- Provinces also recommended strengthening of financial governance, internal controls and implementation of consequences management in municipalities;

- Provinces proposed that municipalities should plan in advance for capital projects, so as to start with implementation as early as the commencement of the financial year;
- Capacity building and support to municipalities should continue through the implementation of the financial management reform agenda for local government as reported by National Treasury:
 - Prescribed minimum competency levels should be adhered to, currently less than 70% of all required officials, CFOs and senior managers have achieved minimum competency levels;
 - Revenue management support of municipalities should be improved;
 - Metros should be supported to drive an effective spatial transformation agenda and contributing to inclusive economic growth;
 - Planning, budgeting and reporting reforms should be accelerated.
- National Treasury has called for a comprehensive review of the financing model for local government, including expanding more flexible grants to municipalities, exploring ways to increase the own-source revenues of municipalities and to clarify rules for levying development charges.

KPA 5: Good governance and public participation

Emerging trends

- Poor communication between citizens and the state has been found as a major catalyst of service delivery protests. While in the past government has solely focused on “fixing” Ward Committees, there is a growing realisation that the solution is two-fold, strengthening current mechanisms, but also considering some alternatives;
- While the data shows that municipalities do have complaint management systems, the question remains about the functionality and effectiveness of the systems;
- There are concerns about the effectiveness of provincial interventions, arising from failure to undertake the necessary steps to implement the interventions as well as

a concern that interventions commonly appear to be motivated by political reasons. There have been many successful challenges to interventions through the courts, which have struck down some interventions for not following due process.

Some of the reasons posited for the lack of success with Section 139 interventions includes:

- They are not supported by municipal councils;
- Improvements are short-lived and are lost after the administrators leave;
- Intervention actions are taken too late as funds have already been spent. There are also no funds to sustain the municipal turnaround plan;
- Some administrators lack technical expertise or experience of local government;
- The lack of a regulatory framework or legislation to give effect to Section 139 of the Constitution;
- Except in very few instances, the vast majority of interventions were conducted in terms of the general Section 139(1)(b) of the Constitution, and far much less on financial provisions, pointing to mainly failures of governance;
- Some of the interventions could have been prevented if early warning systems were in place, leading to proper monitoring, oversight and support; and
- The limitation of Section 139(1) of the Constitution to failures to fulfil an “executive obligation” leads to difficulties when the provinces interpret (a) what constitutes an “executive obligation”; and (b) and what powers and functions may not be usurped by the intervention processes.

Recommendations

- DCoG should continue to update and strengthen its database for misconduct. This database is used by municipalities as a clearing house to “blacklist” staff members dismissed for serious misconducts from being employed in any municipality until after a certain period of rehabilitation has expired;
- Support should be long-term, systemic and structural, rather than short-term and crisis driven. Support should not be “parachuted” in and then withdrawn outside of an evaluation of whether the problems have been resolved or not. The focus thus

shifted from ad hoc deployments of emergency capacity to ensuring that weaker municipalities had the necessary fiscal and other resources to recruit and appoint appropriate personnel;

- Support programmes must be coordinated, and this is best undertaken within the context of a framework with clear targets; and
- There should be a consideration of ‘national’ interventions where provincial interventions are seemingly unable to turn councils around.

KPA 6: Cross-cutting interventions

Emerging trends

- Despite a well-developed system of Integrated Development Plans (IDPs), detailed sectoral plans and local spatial plans in terms of SPLUMA, local development initiatives remain compartmentalised and fragmented, and the overall trajectory of development continues to replicate spatial apartheid patterns;
- The alignment of IDPs with government priorities remains a persistent challenge. It was observed in some provinces that there was a lack of planning capacity in municipalities to implement spatial plans and to enforce land use schemes;
- The possibility of increased disaster risk is one of the most concerning and potentially costly impacts of future climate change in South Africa and globally. Understanding these risks and identifying key areas of concern is critical for developing suitable and sustainable adaptation policies; and
- Provinces reported that there was a lack of dedicated staff for disaster management activities and inadequate funding on municipal level. There was also a lack of coordination and support from provinces.

Recommendations

- Performance indicators for intergovernmental cooperation between spheres and across sectors need to be monitored to improve the impact of collaborative focused government investment in spaces;
- Public transport and housing investments should also be aligned with municipal infrastructure and land use management plans;
- Municipal disaster risk governance structures should be established and strengthened in line with the DDM;
- Capacity building should be prioritized within municipal disaster management centres, including additional personnel and disaster management information systems; and
- IDPs and SDFs need to move away from short-term disaster responses towards sustainable long-term responses, including ensuring sustainable water usage and reducing the dependence on surface water.

SECTION 1: INTRODUCTION

- 1.1 Background to municipal performance reporting
- 1.2 Purpose of the report
- 1.3 The reporting process
- 1.4 Structure of the report
- 1.5 Demographic data
- 1.6 Municipal demarcation
- 1.7 COVID-19 pandemic

1.1 Background to municipal performance reporting

The White Paper on Local Government promoted the importance of assessing the overall state of local government, monitoring the effectiveness of development and delivery strategies and ensuring that scarce resources are used utilised efficiently. Two advantages were envisaged from measuring and comparing the performance of municipalities across the country: **early warning** for intervention where municipalities are experiencing difficulties, and **best practice** where successful approaches could provide an opportunity for municipalities to learn from one another.

The Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) has put these principles into practice, by stipulating in Section 46 that:

For each financial year, a municipality must prepare a performance report reflecting:

- a) The performance of the municipality and of each external service provider during that financial year;
- b) A comparison of the performances referred to in paragraph (a) with targets set for, and performances in the previous financial year; and
- c) Measures taken to improve performance.

An annual performance report must form part of the municipality's annual report in terms of Chapter 12 of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA).

Subsequently, Section 47 of the MSA requires the MEC for Local Government to: "*annually compile and submit to the provincial legislatures and the Minister a consolidated report on the performance of municipalities in the province. The report must -*

- *identify municipalities that under-performed during the year;*
- *propose remedial action to be taken; and*
- *be published in the Provincial Gazette*".

The Minister responsible for local government must “*annually compile and submit to Parliament and the MECs for local government a consolidated report of local government performance in terms of general key performance indicators*” as stipulated in Section 48 of the MSA.

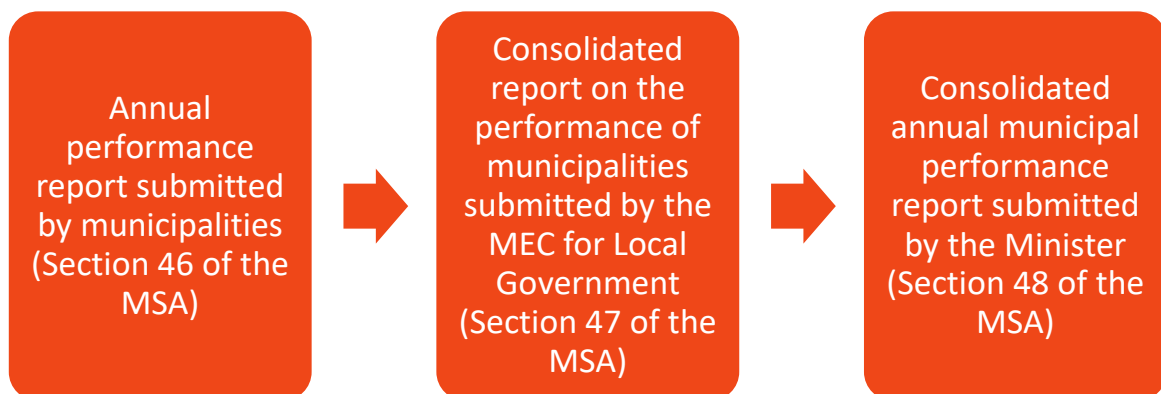
1.2 Purpose of the report

The main purpose of this report is to account to Parliament and to the citizens of South Africa on progress by municipalities towards achieving the outcome of developmental local government. The report also seeks to identify best practice and those municipalities that are performing poorly, so that appropriate measures of support and intervention are applied.

1.3 The Reporting Process

Figure 1 below shows the reporting process across all three spheres of Government.

Figure 1: Reporting process



The municipal reporting process

According to the provisions of the MSA, municipalities must monitor and measure the progress of their performance by preparing quarterly and mid-year performance reports in terms of their performance management systems. These quarterly and mid-year reports contribute to the compilation of the municipalities' annual performance reports (Section 46 reports), which are submitted to the Auditor-General, together with the financial statements, for auditing on 31 August each year. After adoption of the audited performance report by the municipal Council, it must then be submitted to the MEC for Local Government.

From the 2006/07 financial year, all municipalities were obliged to compile and submit audited Section 46 annual performance reports to their Councils and MECs for Local Government.

Compliance of municipalities with the submission of Section 46 reports

The MSA states that a municipality must prepare a performance report each financial year. This report should reflect the following:

- (a) the performance of the municipality and of each external service provider during that financial year;*
- (b) a comparison of the performances referred to in paragraph (a) with targets set and performances in the previous financial year; and*
- (c) measures taken to improve performance.*

The MSA further provides that an annual performance report must form part of the municipality's annual report.

Provinces have reported that the following municipalities did not submit Section 46 reports for 2019/20:

- OR Tambo District and Joe Gqabi District (Eastern Cape);
- Emfuleni LM (Gauteng);
- Lepelle-Nkumpi LM and Mogalakwena LM (Limpopo); and
- Kopanong LM, Mohokare LM, Nketoana LM, Mafube LM, Lejweleputswa DM, and Maluti-a-Phofung DM (Free State).

KwaZulu-Natal did not report clearly on the number of municipalities that submitted performance reports, however, in its section evaluating Section 46 reports, it seems as if all municipalities submitted their reports.

The Northern Cape indicated that not all municipalities submitted their section 46 reports, but did not state the number clearly. Eight local municipalities were identified that did not table annual reports, namely Khai-Ma, Renosterberg, Thembelihle, Siyathemba, Kai! Garib, Kgatelopele, Phokwane and Joe Morolong.

North West did not clearly report on the number of reports submitted. A number of municipalities did not submit oversight reports on their annual reports, with some having a backlog of several years.

In the Western Cape, the province did not have information on the tabling of the annual reports of five municipalities: Central Karoo District and the following local municipalities: Prince Albert, Bitou, Kannaland and Oudtshoorn.

In Mpumalanga, all municipalities submitted their Section 46 reports.

The provincial reporting process

As directed by Section 47 of the MSA, all provinces submitted the consolidated municipal performance reports based on information and reports submitted by municipalities. For the 2019/20 municipal financial year, all nine provinces had submitted their reports to the Department of Cooperative Governance, with the last report submitted during June 2022.

In compiling their Section 47 reports, the provinces engaged in different processes to fast-track data collection, to improve the quality of municipal reports, and to improve analysis and the assessment of performance information. Provinces indicated that the major shortcomings that affected the quality of their Section 47 reports was the poor quality observed in some Section 46 reports of municipalities. Other factors that affected the quality of provincial reports included the different formats used by municipalities, making it difficult to consolidate information.

A Section 47 report should be comprehensive, and set out the five performance areas (KPAs) of the Five-Year Local Government Strategic Agenda, namely i) Municipal Transformation and Organisational Development, ii) Basic Service Delivery, iii) Local Economic Development, iv) Municipal Financial Management and Viability, and v) Good Governance and Public Participation, as well as cross-cutting issues such as integrated development planning, spatial planning and disaster management. Apart from the required information, it should also include challenges, interventions and support. In its recommendations, there should be an understanding of what role the province, as well as other spheres and sectors must play in improving the performance of municipalities.

The Eastern Cape indicated that the primary source of data for the compilation of its Section 47 report was the individual reports that municipalities have compiled in terms of Section 46 of the Municipal Systems Act. In addition, the information was supplemented by audit reports, the provincial department's annual report, support rendered to municipalities by various role-players, reports on the Municipal Infrastructure Grant expenditure and Municipal budgets. The department noted that there are still municipalities that performed far below the required standard (especially on service delivery issues) due to under-reporting, not meeting set targets and non-provision of information about the state of their performance.

The Eastern Cape Section 47 report followed the five KPAs, but did not include cross-cutting issues such as development planning and disaster management. The Eastern Cape used their own municipal scoring method and structured their report based on the

categorisation of municipalities in performance categories (Excellent, Very Good, Good, Weak and Disclaimer - where no supporting information was submitted), as defined by the province.

COVID-19 impacted on the flow of information from municipalities in the Free State during 2019/2020. Only 17 municipalities out of 23 tabled and submitted their annual reports to the MEC responsible for Local Government, and only 7 out of 23 municipalities tabled their oversight reports. The Free State did not follow the prescribed five KPA's, but structured its Section 47 report in terms of seven outputs derived from Outcome 9. However, all the required information was included.

Gauteng compiled its Section 47 report from the Section 46 reports tabled in councils by their respective municipalities, inclusive of the Annual Financial Statements audited by the Auditor-General. The quarterly performance information sourced from municipalities, as well as the monthly municipal infrastructure grant reports were used. Gauteng structured the report according to the five KPAs, as well as cross-cutting issues, and aligned it with the Back to Basic Pillars.

KwaZulu-Natal prepared the Section 47 report in line with the Audited Section 46 Annual Performance Reports of the Municipalities, and the quarterly Back to Basics municipal assessments as a basis of assessments of municipalities in the province. These assessments were consolidated to provide an annual reflection of the performance of each municipality. The information was then supplemented and compared with the Auditor-General audit findings outcome for the same financial year, as well as the IDP credibility assessments.

According to the province, performance information for all municipalities in KwaZulu-Natal were gathered and compiled through an extensive participatory and consultative process, including scrutiny by various role players and final verification was done in consultation with the municipalities and Departmental Directorates responsible for particular functions.

KwaZulu-Natal made use of the B2B pillars in structuring its report, which it aligned to the KPAs. However, the KPA on Local Economic Development was not separately included, but was considered under Service Delivery. Cross-cutting issues like disaster management were considered as part of the IDP assessment in KwaZulu-Natal, but the detail thereof was not included in the Section 47 report.

The Section 47 report of Limpopo was based on the annual reports of the 25 municipalities that did submit their reports and the assessment of the other municipalities was done from the quarterly, mid-year and annual performance reports, including Back to Basics reports. Additional secondary data was used such as Outcome 9 reports, Programme Performance Reports from Departments and MIG reports, DWS, Water Service Authority Report, Back to Basics Reports, and various Stats SA reports. The report was based on a comparative overview of progress made in the previous two financial years. The Limpopo Section 47 report was structured according to the five KPAs, but there was no separate cross-cutting section and disaster management was not included in the report.

Mpumalanga stated that there was a delay in the tabling and adoption of Oversight Reports due to suspension of Council sittings because of the Covid-19 pandemic. There was also a delay in the verification of information due to movement restrictions as well limited human capital in municipalities due to the Covid-19 pandemic. The gaps in the Section 46 reports ultimately affected the compilation of the Section 47 report. The Mpumalanga Section 47 report included all the KPAs and cross-cutting issues.

The Northern Cape Section 47 report was largely based on information both contained in the tabled Annual Reports of municipalities and the information at the disposal of the department in its oversight responsibilities. According to the Northern Cape, the Section 46 reports of municipalities were generally poorly populated. The Northern Cape Section 47 report was structured according to the five KPAs and included cross-cutting issues.

The primary source of data for compilation of the Section 47 report of North West was information provided in the annual reports of individual municipalities in terms of the MFMA section 121, which includes MSA Section 46 reports, AFS and audit reports. As not all the municipalities provided sufficient information for the province to assess their performance, secondary resources were also used, including departmental reports and information requested from municipalities. The North West report included information on the five KPAs and cross-cutting issues.

The Western Cape stated that the availability of data remained a challenge in the compilation of the Section 47 report. This was largely due to the extension of the due dates for submission of Annual Financial Statements due to the lockdown, which ultimately resulted in the late finalisation and submission of most municipal audits and annual reports by most municipalities. The Western Cape Section 47 report included most of the required information on the five KPAs, but did not have a separate section on cross-cutting issues. Disaster management information was included in the section on Service Delivery.

The national reporting process

The annual composite report on municipal performance must be compiled in terms of Section 48 of the Municipal Systems Act, 2000 (Act No. 32 of 2000). It follows the submissions of Section 47 reports by provinces. All nine provinces submitted reports for 2019/2020. The last provincial report was submitted to DCoG during June 2022.

These reports formed the primary source of data for the compilation of the Section 48 report. Other sources that were used in the report included the Constitution, the White Paper on Local Government, local government legislation and regulations, reports from DCoG, reports from National Treasury, SALGA, Stats SA and other relevant stakeholders.

The Section 48 report provides under each KPA, a national overview of issues, a summary of provincial reporting, the support and interventions provided by provinces and national, the provincial recommendations, emerging issues and national recommendations.

1.4 Structure of the report

The report comprises the following sections:

- **Section One (Introduction)** provides an introduction to the municipal reporting regime and the responsibilities assigned to each of the three spheres of Government in monitoring and reporting on municipal performance. The section also outlines the purpose of the report, the process followed in compiling the consolidated report on municipal performance for the 2019/20 financial year.
- **Section Two (Background)** provides an overview of the developmental agenda and the strategic direction taken by the South African Government to support the Local Government transformation process in a cooperative and intergovernmental framework. This section also introduces the DDM, which was adopted in August 2019 by Cabinet to solve the silos that exist at a horizontal and vertical level of government, both within planning and implementation of programmes.
- **Section Three (Back to Basics)** sets out the Back to Basic Approach. It is a government wide programme to address the challenges in local government through five pillars: putting people first, ensuring delivery of basic services, good governance, sound financial management and building strong institutions.
- **Section Four to Section Nine (Analysis of performance information)** provides an analysis of the performance information reported in the provincial Section 47 reports. This information is categorised under each of the following five KPAs:
 - Municipal transformation and organisational development;
 - Basic service delivery;

- Local economic development;
- Municipal financial viability and management; and
- Good governance and public participation.

Cross-cutting interventions (disaster management, integrated development planning and interventions) are also examined.

- **Section Ten (Conclusion)** concludes with the identification of non-performing municipalities and possible interventions, going forward.

1.5 Demographic data

South Africa, with a total land area of 1 220 813km², is geographically and spatially diverse. An official census was conducted in 2011 and Statistics South Africa published 2020 Mid-year population estimates.

Table 1: Total population by province, Census 2011 and Mid-year estimates 2020

Provinces	Census 2011	% of total population	2020 mid-year estimate	% of total population
Eastern Cape	6 562 056	12.7	6 734 001	11.3
Free State	2 745 591	5.3	2 928 903	4.9
Gauteng	12 272 262	23.7	15 488 137	26.0
KwaZulu-Natal	10 267 305	19.8	11 531 628	19.3
Limpopo	5 404 869	10.4	5 852 553	9.8
Mpumalanga	4 039 935	7.8	4 679 786	7.8
Northern Cape	1 145 862	2.2	1 292 786	2.2
North West	3 509 952	6.8	4 108 816	6.9
Western Cape	5 822 736	11.3	7 005 741	11.8
Total population	51 770 568	100%	59 622 350	100%

Source: Statistics South Africa, Census 2011 and Mid-year population estimates, 2020

Table 1 indicates that the most significant population increases between 2011 and 2020, were in Gauteng and the Western Cape. North West experienced a very small increase,

while Mpumalanga and the Northern Cape retained the same percentage of the total population. Eastern Cape experienced the biggest decline as a percentage of the population, followed by Limpopo, Kwazulu-Natal and the Free State. Overall, the total population has increased by some 7.85 million people from Census 2011 to 2020.

The 2020 mid-year population estimates showed that Gauteng is the most preferred destination for inter-provincial migrants in South Africa with a net inflow of 980 390 people, followed by the Western Cape with 290 555 people. The Eastern Cape (-322 957), Limpopo (-189 112) and KwaZulu-Natal (- 88 163) have the highest net outflow of people.

1.6 Municipal Demarcation

In March 2020, there were 257 municipalities, the same number as demarcated for the 2016 local government elections. There were eight metropolitan municipalities, 205 local municipalities and 44 districts. There was a total of 4392 wards.

Table 2: Breakdown of municipalities by type and province

Province	Districts	Metropolitan	Local	Total (2019/20)
Eastern Cape	6	2	31	39
Free State	4	1	18	23
Gauteng	2	3	6	11
KwaZulu-Natal	10	1	43	54
Limpopo	5	0	22	27
Mpumalanga	3	0	17	20
North West	4	0	18	22
Northern Cape	5	0	26	31
Western Cape	5	1	24	30
Total	44	8	205	257

With regards to preparations for the 2021 Local Government Elections, the Minister determined formulae for the determination of the number of councillors for municipal councils. All provinces subsequently determined the exact number of councillors for each

municipality, based on the Minister's formulae. The finalisation of these determinations enabled the Municipal Demarcation Board to commence with the process of delimiting ward boundaries in local and metropolitan municipalities.

1.7 COVID-19 Pandemic

The World Health Organisation (WHO) declared COVID-19 infections as a "*Public Health Emergency of International Concern*" on 31 January 2020, and finally as a "*Pandemic*" on 11 March 2020. South Africa's first COVID-19 case was confirmed on 5 March 2020. On 15 March 2020, Cabinet resolved to declare a national state of disaster in consideration of the magnitude and the severity of the COVID-19 pandemic. The Minister of Cooperative Governance and Traditional Affairs declared a national state of disaster in terms of Section 27(1) of the Disaster Management Act, 2002 (Act No. 57 of 2002), published in Government Gazette no 43096 on 15 March 2020.

The Minister of CoGTA issued Regulations on 18 March 2020 regarding the steps necessary to prevent an escalation of the disaster or to alleviate, contain and minimise the effects of the disaster. These Regulations covered various aspects including the release of resources, prevention and prohibition of gatherings, places of quarantine and isolation, closure of schools and partial care facilities. The Regulations were subsequently amended to give effect to the nation-wide lockdown announced by the President. Subsequent amendments were developed with a view to enhance and clarify measures to contain the spread of COVID-19.

On 23 March 2020, the President announced further measures concerning a nation-wide lockdown that would be implemented as part of government's intervention to curb spread of COVID-19 and which were enacted in terms of the Act for 21 days effective from 26 March 2020 midnight until 16 April 2020. Following the declaration of the national state of disaster, Ministers issued a number of Regulations, Directions, Determinations and Bills, to respond to the COVID-19 Pandemic.

The Minister of CoGTA issued CoGTA COVID-19 Disaster Response Directions, 2020 applicable to provinces, municipalities, and where indicated, institutions of Traditional Leadership published in GN R399 in GG 43147 of 25 March 2020 to direct on:

- (a) Provision of water and sanitation services;
- (b) Hygiene education, communication and awareness;
- (c) Waste management;
- (d) Cleaning and sanitisation of municipal public spaces such as facilities and offices, taxi ranks;
- (e) Suspension of customary initiations and cultural practices;
- (f) Identification of isolation and quarantine sites;
- (g) Monitoring and enforcement;
- (h) Providing guidance on budgets and IDPs;
- (i) Emergency procurement;
- (j) Institutional arrangements and development of COVID -19 response plans; and
- (k) Precautionary measures to mitigate employee health and safety risks.

Additionally, a Circular was issued to provide clarity in relation to basic services rendered by municipalities that were designated as essential services.

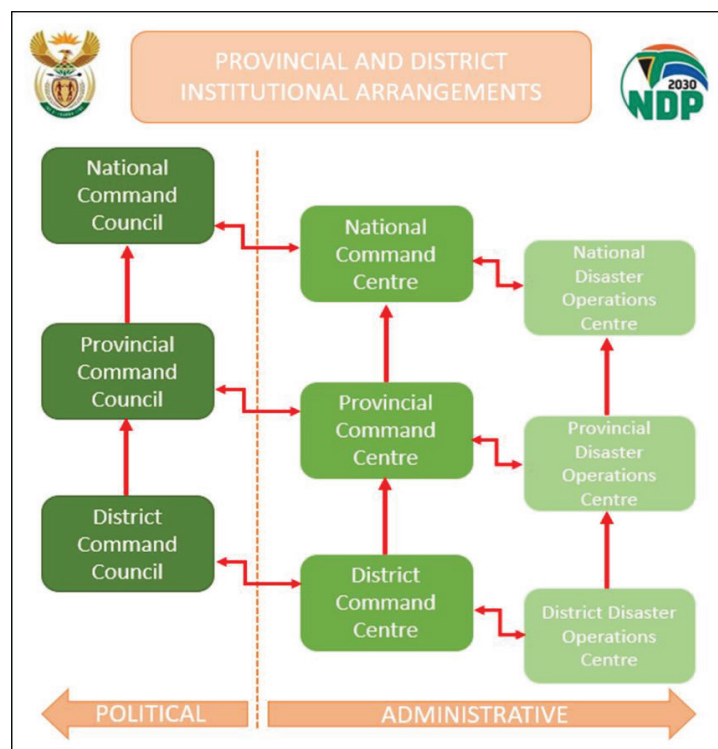
The President established a National Coronavirus Command Council (NCCC) which under his leadership coordinated and guided government response to the pandemic by all spheres of government and the society. The NCCC was supported by a technical committee comprising by the relevant Directors-General. The NATJOINTS was also established to provide overall coordination of the response to COVID-19. The NATJOINTS Priority Committee was chaired by SANDF, SSA and SAPS supported by the National Disaster Management Centre (NDMC).

The NDMC in the DCoG was central to the Public Health Containment (Pandemic) Work Stream that was constituted to discuss feasible health control measures to curb the spread of COVID-19 in the country. The NDMC also coordinated the response to COVID-19 for local government. The National Disaster Operations Centre interfaced with the

NATJOINTS and PROVJOINTS structures and interacted with the provincial and municipal disaster management centres.

All provinces established similar institutional structures i.e., Provincial Command Councils (Political) and Provincial Command Centres (Heads of Departments), and joint technical disaster management structures to coordinate response within their areas of jurisdiction. Metros and Districts also established/ activated similar institutional structures. The figure below depicts the structures that were established for the purposes of coordinating and guiding government response to the pandemic by all spheres of government and the society:

Figure 2: COVID-19 Provincial and District Institutional Arrangements



SECTION 2: BACKGROUND

- 2.1 Introduction

- 2.2 The White Paper on Local Government
 - 2.2.1 Characteristics of developmental local government
 - 2.2.2 Outcomes of developmental local government
 - 2.2.3 Mechanisms to support developmental local government
 - 2.2.4 Organised local government priorities

- 2.3 Outcome 9

- 2.4 Medium Term Strategic Framework 2019-2024

- 2.5 National Development Plan

- 2.6 National Support Programmes
 - 2.6.1 Project Consolidate
 - 2.6.2 Local Government Strategic Agenda
 - 2.6.3 Local Government Turnaround Strategy
 - 2.6.4 Back to Basics

- 2.7 District Development Model
 - 2.7.1 Process of implementation
 - 2.7.2 DDM Pilots
 - 2.7.3 Provincial DDM initiatives

2.1 Introduction

The Constitution of the Republic of South Africa, 1996 introduced a government consisting of three distinct, yet interdependent spheres of government, which must cooperate with one another. Cooperative governance embraces the realisation that no single sphere of government can handle the magnitude of development challenges and responsibilities of a developmental state.

The Constitution envisages the establishment of structures and institutions to foster intergovernmental relations. The Intergovernmental Relations Framework Act, 2005 (Act No. 13 of 2005) was promulgated to support the concept of cooperative governance.

Chapter 7 of the Constitution provides for local government to be developmental. Section 152 of the Constitution sets out the objectives and mandate of local government as the following:

- To provide democratic and accountable government for local communities;
- To ensure the provision of services to communities in a sustainable manner;
- To promote social and economic development;
- To promote a safe and healthy environment; and
- To encourage the involvement of communities and community organisations in the matters of local government.

Section 153 of the Constitution confers developmental duties of local government so that every municipality must:

- Structure and manage its administration, budgeting, and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community; and
- Participate in national and provincial development programmes.

Section 154 of the Constitution reiterates the cooperative government obligations for the national government and provincial governments, by legislative and other measures, to

support and strengthen the capacity of municipalities to manage their own affairs, to exercise their powers and to perform their functions.

The above provisions laid the foundation for local government transformation. Local government is no longer just an administrative arm of government, but municipalities are at the forefront of national government's efforts to address all the social and economic inequalities of the past.

2.2 The White Paper on Local Government

The White Paper on Local Government, 1998 gives meaning to the constitutional obligations placed upon the local government sphere. It defines developmental local government as *“municipalities who are committed to working with the local communities to find sustainable ways to meet their needs (social, economic and material) and improve the quality of their lives”*.

The White Paper offers guiding principles and outlines the unique characteristics of developmental local government, the expected outcomes and the mechanisms that will assist in the process towards attainment of the developmental outcomes.

2.2.1 Characteristics of developmental local government

Municipalities should work with their communities to find innovative and cooperative ways to execute their powers and functions to reshape themselves into institutions that are:

- Maximising social development and economic growth;
- Integrating and coordinating;
- Democratising development, empowering and redistributing; and
- Leading and learning.

At the end of each year, municipalities should assess their performance and report on whether they are succeeding in attaining these developmental characteristics.

2.2.2 Outcomes of developmental local government

Four developmental outcomes are contained within the White Paper on Local Government. These outcomes should be viewed within the context of national development. These developmental outcomes are:

- Provision of household infrastructure and services;
- Creation of liveable, integrated cities, towns and rural areas;
- Local economic development; and
- Community empowerment and redistribution.

2.2.3 Mechanisms to support developmental local government

The White Paper lists three mechanisms or tools to support the process of local government transformation, as well as a guide to new approaches to service delivery:

- Integrated development planning and budgeting;
- Performance management; and
- Working together with local citizens and partners.

The White Paper clearly defines the roles and responsibilities of the national and provincial spheres of government with respect to local government. The roles and responsibilities indicate that national and provincial government are constitutionally required to take an active interest in ensuring the development of strong local government, capable of fulfilling its constitutional mandate. In return, municipalities are required to work with provincial and national government in their respective areas of jurisdiction, to enhance the effectiveness of national and provincial programmes. Local government should maintain open, cooperative and constructive relations with both provincial and national government, in building the developmental state.

2.2.4 Organised local government priorities

The White Paper on Local Government also touches on the role of organised local government. The Constitution allows municipalities to organise forms of municipal association, and the South African Local Government Association (SALGA) was established to become the voice of local government. SALGA's mandate rests on six primary pillars:

- i. **Representation, Advocacy and Lobbying** refers to representing the interests of members in legislatures and other policy making and oversight structures. It also refers to engaging with various stakeholders, public debates etc. in the interest of Local Government;
- ii. **Employer Body** refers to being an effective employer representative for members. Employer representation is carried out through collective bargaining (in terms of the Labour Relations Act) in various structures including but not limited to those established in the South African Local Government Bargaining Council;
- iii. **Capacity Building** refers to facilitating capacity building initiatives through among others, representing member interests in the Local Government Sector Education Authority (LGSETA). SALGA strives to facilitate a coherent, well-coordinated capacity building programme for municipal councillors and officials;
- iv. **Support and Advice** refers to the provision of tools and services that enable municipalities to understand and interpret trends, policies and legislation affecting Local Government and to implement the said policies and plans;
- v. **Strategic Profiling of Local Government** refers to enhancing the profile and image of local government as an important and credible agent for the delivery of services. Profiling focuses within South Africa, the African continent, and the rest of the world; and
- vi. **Knowledge and Information Sharing** refers to building and sharing a comprehensive hub of Local Government knowledge and intelligence that will enable informed delivery of other SALGA mandates. The knowledge hub is also a useful reference point for all who seek Local Government information.

SALGA's key role is the effective representation of local government in the legislative processes of all spheres of government, and in intergovernmental executive processes. SALGA represents local government interests in forums such as the National Council of Provinces, the Financial and Fiscal Commission, the Budget Forum (dealing with intergovernmental transfers) and intergovernmental structures, such as MINMEC. SALGA also has a role in the drafting of legislation that affects the status, institutions, powers and functions of municipalities.

SALGA is an employers' organisation and constitutes the employer component of the South African Local Government Bargaining Council (SALGBC). SALGA has a key role to play in building capacity of labour relations among its membership and maintaining open and constructive relationships with organised labour. The successful transformation of local government requires that the relations between employer bodies and municipal trade unions be reconstructed around a common commitment to a developmental role for local government.

SALGA also has a responsibility to make a strong contribution to the development of municipalities through, among other things:

- The provision of specialised services to supplement and strengthen the capacity of municipalities;
- Research and information dissemination;
- Facilitating shared learning between municipalities;
- Human resource development; and
- Councillor training.

2.3 Outcome 9

In 2010, government introduced its approach to achieve results by identifying twelve Outcomes. Each Ministry and Department is responsible for a specific outcome through a performance agreement called a Delivery Agreement. The Minister for Cooperative

Governance and Traditional Affairs is responsible for the Delivery Agreement on Outcome 9: *A responsive, accountable, effective, and efficient local government system.*

To achieve the vision of an integrated, responsive and effective system of Cooperative Governance, DCoG has identified the following seven strategic goals, which were expressed in the Strategic Plan 2014-2019:

- **Strategic Goal 1:** Create a functional local government system based on accountability for performance;
- **Strategic Goal 2:** Ensure significant improvements in service delivery through sound infrastructure management;
- **Strategic Goal 3:** Build institutional resilience and initiate the next phase of institution building;
- **Strategic Goal 4:** Lead and support the creation of prosperous cities and towns by restructuring the space economy;
- **Strategic Goal 5:** Entrench a culture of good governance and instill a new morality of service and integrity in local government;
- **Strategic Goal 6:** Expand local public employment programmes through the Community Work Programme; and
- **Strategic Goal 7:** Strengthen, coordinate and support effective integrated disaster management and fire services.

These strategic goals are linked to the following five sub-outcomes outlined in the Outcome 9 Medium Term Strategic Framework (MTSF):

- Sub-outcome 1: Members of society have sustainable and reliable access to basic services;
- Sub-outcome 2: Strengthened Intergovernmental arrangements for a functional System of Cooperative Governance for Local Government;
- Sub-outcome 3: Democratic, well-governed and effective municipal institutions capable of carrying out their developmental mandate as per the Constitution;
- Sub-outcome 4: Sound Financial Management; and

- Sub-outcome 5: Local public employment programmes expanded through the Community Work Programme.

The Back to Basics (B2B) approach adopted by DCoG in 2014, is aligned to the MTSF priorities as outlined in Outcome 9.

2.4 Medium Terms Strategic Framework (MTSF) 2019-2024

The MTSF 2019-2024 is both a five-year implementation plan and an integrated monitoring framework. The plan focuses on the seven priorities and related interventions of the sixth administration of government, and the integrated monitoring framework focuses on monitoring outcomes, indicators and targets towards the achievement of the priorities.

The MTSF promotes alignment, coordination and ultimately full integration of all development planning instruments into an integrated framework bearing results without duplication, role conflict and development contradictions, better coordination through the district-based delivery model.

Priority 5: Spatial Integration, Human Settlements and Local Government

There are seven priorities in the MTSF 2019-2024, of which Priority 5 sets out the key areas on Spatial Integration, Human Settlements and Local Government.

Priority 5 confirms that the Constitution provides for the right for all households and individuals to access basic services. South Africa also ratified the Sustainable Development Goals, which include various provisions for access to basic services such as clean drinking water, sanitation, electricity and related services. Access to basic services is closely linked to the need for effective spatial planning.

Priority 5 also recognises that South Africa has demonstrated progressive growth in the provision of basic service delivery, but it continues to face difficulties. Many municipalities are struggling to operate and maintain their services infrastructure in a cost-effective and sustainable manner. This has resulted in the rapid deterioration of assets and regular or prolonged disruptions to service delivery. Failure to deliver basic services causes immense hardship for the residents of municipalities and has a detrimental impact on social and economic development. Meeting South Africa's transformation agenda requires functional municipalities that can create safe, healthy and economically sustainable environments.

The following key departments have been identified to implement the improvement of Access to Basic Service and the monitoring thereof: Department of Mineral Resources and Energy (electricity), Department of Water and Sanitation (water and sanitation) and Department of Forestry, Fisheries and the Environment (waste management).

2.5 National Development Plan

In 2012, the National Planning Commission identified the main challenge to a capable and developmental state in the National Development Plan (NDP) as unevenness in capacity that leads to uneven performance in local, provincial and national government. This is caused by a complex set of factors, including tensions in the political-administrative interface, instability of the administrative leadership, skills deficits, the erosion of accountability and authority, poor organisational design and low staff morale.

The NDP identified several areas for targeted action, including:

- *Stabilise the political-administrative interface:* Build a professional public service that serves government, but is sufficiently autonomous to be insulated from political patronage. This requires a clearer separation between the roles of the political principal and the administrative head;
- *Make the public service and local government administration careers of choice:* Build a skilled and professional public service from both the top and the bottom;

- *Develop technical and specialist professional skills:* Reinvigorate the state's role in producing the specialist technical skills to fulfil its core functions and develop appropriate career paths for technical specialists;
- *Strengthen delegation, accountability and oversight:* Promote greater and more consistent delegation, supported by systems of support and oversight;
- *Improve interdepartmental coordination:* Adopt a less hierarchical approach to interdepartmental coordination so that most issues can be resolved between officials through routine day-to-day interactions;
- *Take a proactive approach to improving relations between national, provincial and local government:* The state needs to recognise the widespread variations in capacity, particularly at municipal level, and devolve greater responsibilities where capacity exists, while building capacity in other areas; and
- *Strengthen local government:* Develop an enabling framework for local government with active support and oversight from national and provincial government. Take a more long-term approach to developing skills, together with the promotion of a professional ethos and commitment to public service and mainstream citizen participation.

As far as local government is concerned, the NDP identified the following steps to strengthen local government:

- Develop systems to strengthen local government, including recruitment systems, operational guidelines for routine tasks, staffing frameworks for municipal functions, standard assessment procedures for recruiting new staff and guidelines on salary levels;
- Municipalities need to tailor capacity-building strategies and staffing budgets to their core functions, and link their municipal skills plans to their IDPs;
- Strengthen national and provincial support and oversight;
- Take a more long-term approach to building local government capacity;
- Focus IDPs on the core municipal priorities and ensure the production of IDPs is led by local government staff;

- Ensure participation in IDPs is deliberative so communities are engaged in prioritising and making trade-offs; and
- Municipalities need to engage communities in their own spaces.

2.6 National Support Programmes

Since the establishment of the developmental local government system in 2000, several Local Government Improvement Programmes have been implemented, including Project Consolidate, the Five-Year Strategic Local Government Agenda, the Local Government Turn-Around Strategy and the Back to Basics Approach.

2.6.1 Project Consolidate

In October 2004, the Ministry and Department of Provincial and Local Government launched Project Consolidate. It was a hands-on support and engagement programme supporting 136 selected municipalities to build their internal capacity. A key aim of Project Consolidate was the deployment of Service Delivery Facilitators into the targeted municipalities to enhance and reinforce municipal performance and service delivery.

2.6.2 Local Government Strategic Agenda

The implementation of the Local Government Strategic Agenda (LGSA) was seen as an extension of Project Consolidate. In 2007, national government together with all provinces, SALGA, individual municipalities and key partners outside of government, actively supported the implementation of this agenda, which focused on the five key performance areas for supporting local government transformation.

The LGSA had three objectives:

- To mainstream hands-on support to local government to improve municipal governance, performance and accountability;

- To address the structure and governance arrangements of the State to better strengthen, support and monitor local government; and
- To refine and strengthen the policy, regulatory and fiscal environment for local government and giving greater attention to the enforcement measures.

2.6.3 Local Government Turnaround Strategy

In 2009, the Department of Cooperative Governance undertook a major assessment of municipalities nationally. The assessment resulted in the preparation of the Local Government Turnaround Strategy. The supporting report found that while local government had contributed to democratisation, the system was showing signs of distress. All municipalities were required to submit a turnaround strategy as part of their IDP addressing three core aspects:

- Basic service provision;
- Deepening participatory democracy and
- Improving financial management and administrative capacity.

The Local Government Turnaround Strategy reached its completion by 2013/14, at the end of the five-year term of national government.

2.6.4 Back to Basics

In 2014, the Department of Cooperative Governance conducted a desktop assessment of municipalities in all nine provinces. The assessment identified three categories of municipalities: those that *are doing well*, those that *have a potential to do well* and those that are *not doing well*. This analysis led to a Back to Basics' Programme of Action, in which the focus was on getting the basics right and serving communities better.

In September 2014, Government launched the Back to Basics local government revitalisation plan to promote good governance and effective administration through

cutting wastage, spending public funds prudently, hiring competent staff, and ensuring transparency and accountability in municipalities.

The five pillars of Back to Basics are:

- Putting people and their concerns first;
- Good governance;
- Basic service delivery;
- Sound financial management and
- Building capabilities.

All three spheres of government have an important role to play in ensuring well-functioning municipalities. Existing intergovernmental platforms like MINMECs are used to monitor and review progress. Through the Inter-Ministerial Committee on Service Delivery, all relevant national departments coordinate their approach to local government service delivery.

Detailed information on progress with the implementation of the B2B programme is contained in Chapter 3 of this report.

2.7 District Development Model (DDM)

In the 2019 Presidency Budget Speech, the President identified the “*pattern of operating in silos*” as a challenge which led to “*to lack of coherence in planning and implementation and has made monitoring and oversight of government’s programme difficult*”. The consequence has been non-optimal delivery of services and diminished impact on the triple challenges of poverty, inequality and employment.

The President called for the rolling out of “*a new integrated district-based approach to addressing our service delivery challenges [and] localise[d] procurement and job creation, that promotes and supports local businesses, and that involves communities...*” Such an approach will require that “*National departments that have district-level delivery capacity*

together with the provinces ... provide implementation plans in line with priorities identified in the State of the Nation address”.

The District Development Model (DDM) was adopted by Cabinet in August 2019 with the aim to change the current trajectory of fragmentation and disjointed outcomes, by doing the following:

- Solve the Silos at a horizontal and vertical level;
- Maximise impact and align plans and resources at our disposal through the development of *“One District, One Plan and One Budget”*;
- Narrow the distance between people and government by strengthening the coordination role and capacities at the District and City levels;
- Ensure inclusivity by gender budgeting based on the needs and aspirations of the people and communities at a local level;
- Build government capacity to support to municipalities;
- Strengthen monitoring and evaluation at district and local levels;
- Implement a balanced approach towards development between urban and rural areas;
- Ensure sustainable development whilst accelerating initiatives to promote poverty eradication, employment and equality; and
- Exercise oversight over budgets and projects in an accountable and transparent manner.

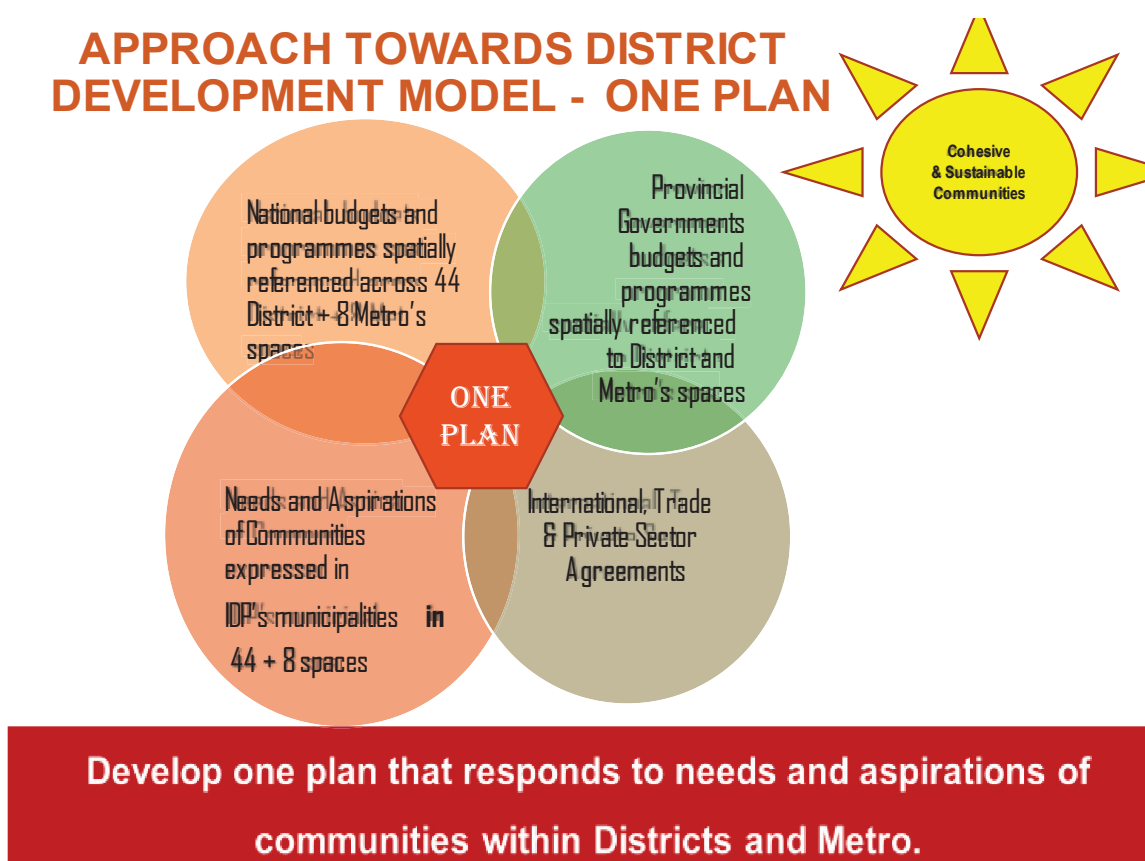
The system of integrated cooperative governance can be a catalyst for fundamental socio-economic transformation, service delivery and development. This can be achieved through the DDM which addresses the prevailing lack of coherence and coordination, in governance and implementation.

2.7.1 Process of implementation

The DDM is anchored on the Intergovernmental Relations Framework Act, 2005 (Act 13 of 2005), which provides for a framework for a coordinated and integrated alignment of

developmental priorities, and objectives between the three spheres of government. It is also meant to enhance other alignment initiatives like integrated development plans with a clear focus of implementing one plan in each district across all spheres of government.

Figure 3: DDM One Plan



The CoGTA Ministry, including DCoG and MISA, is the overall lead agency in government in the implementation of the DDM, including the following actions:

- Coordinate national sector projects/programmes, budgets and coordinates for all districts and metros;
- Coordinate information from Stats SA for all districts and metros;
- Lead the DDM pilot process;

- Manage the roll out of the development of the district/metro profiles by providing overall guidance, communications, and finalisation of the District and Metro Development Profile;
- Lead the process to develop the district profiles;
- Lead the establishment of the District and Metro Hubs; and
- Introduce Institutional Arrangements; Programme Implementation Unit (PIU).

The One Plan will take the form of prioritised spatial expressions over the long term and will be divided into 5 and 10-year implementation plans supported by annual operation plans, which will be based on commonly agreed diagnostics, strategies and actions. This will include the Strategic Infrastructure Projects (SIP's) that were identified to change the economic landscape of South Africa.

The approach also looks to society-wide contributions to crowd in investments in a locality. Delivery partnerships are vital to implement the model. Various institutions are already partnering with the implementation of the DDM, including the DBSA, the CSIR, the Public-Private Growth Initiative (PPGI), and various other corporates, cooperatives and civil society organisations.

2.7.2 DDM Pilots

The three pilot DDM sites of O.R. Tambo, Waterberg and eThekweni, will impact on over 10% of the population, the majority of whom are the poorest in our country. The ownership and management structure of these economies are a microcosm of South Africa. The pilots revealed the stark realities of intergenerational poverty, inequality and high youth unemployment which are influenced by low levels of skills and income.

Despite government investing R67.1 billion in the three pilot districts in the past financial year, it was observed that these investments do not speak to the challenges and opportunities in the districts. The One Plan, One Budget will have to be directed towards addressing the challenges and maximising on the opportunities.

In certain instances, political interference has been a feature in local government, with administrative decisions being subjected to undue political pressure. This has often led to underperformance, corruption and inefficiencies. The lack of professional skills also contributes to poor municipal performance.

A range of skills will be shared through shared district services hubs. The services will be shared by the municipalities in areas such as Financial Services, Water and Electrical engineering, Local Economic Development Infrastructure and transport planning, as well as broader development planning. These will assist municipalities to perform better. The DDM approach offers both an institutional and a territorial focus towards the developmental state.

2.7.3 Provincial DDM initiatives

During 2019/2020 it was reported:

- All Provinces have developed implementation process plans on the roll out of the DDM, with clear activities on the development of District profiles;
- Provincial processes are at varying stages regarding progress on implementation;
- All Provinces have institutional mechanisms for coordination of the roll out of the DDM, utilising and building on existing provincial structures and initiatives;
- Some form of Provincial District footprint exists in different configurations such as District offices, Project Management Units; and
- District Shared Services has been encouraged by many provinces, however, challenges raised relates to poor relationships between DMs and LMs, contestation around location of powers and functions, and non-functional District IGR structures.

In the Section 47 reports, provinces highlighted emerging approaches to the DDM:

The **Eastern Cape** referred to the need to prepare municipalities for the new paradigm shift that is associated with the development of the One Plan as part of the DDM.

Mpumalanga reported that district municipalities, as central role players in the coordination of the DDM, shall be supported with the establishment of intergovernmental planning structures required to draft the One Plans which must be delivered and approved. The DDM requires the establishment of DDM Technical Teams and DDM councils across the district municipality including the province. These structures shall be the centre of coordinating service delivery efforts from various sectors including the business community.

KwaZulu-Natal has indicated that it will strive to implement the DDM, with the added imperative of the need to remain focused and driven towards accelerated service delivery. The province stated that the DDM will be implemented along the lines of Operation Sukuma Sakhe (OSS). The OSS Approach was introduced to provide comprehensive, integrated and transversal services to communities through effective and efficient partnerships.

During 2019/20 financial year, district profiles were developed in **North West**, offering stakeholders a better understanding of the development landscape in each of these spaces. Each of the Districts will commence by developing One Plans. The effective participation of state role players and other societal role-players, is seen as critical to this process. DDM role players must reprioritise and spatialise their programmes and budgets, not just within each individual entity, but revisions must happen through all relevant IGR mechanisms. They must also adjust sectoral plans, provincial plans and other strategic plans across sectors and geographic areas.

The Department of Local Government (DLG) in the **Western Cape** conceptualised and designed the Joint District & Metro Approach (JDMA) to lead collaboration efforts in the Western Cape and ultimately improve the lives of citizens. The key principle of the JDMA is collaboration which entails, co-planning, co-budgeting and co-implementation. The objectives of the JDMA include:

- To promote horizontal interface between Western Cape Government Departments;

- To promote vertical interface between national, provincial and local government;
- To enhance co-planning, co-budgeting and co-implementation to ensure the silo approach is minimised;
- To avoid duplication and maximising impact through combined coordination efforts;
- To enhance alignment of long-term and short-term planning as well as alignment between different sectoral planning;
- To strengthen and enhance the capacity to support local government;
- To promote sustainable development to contribute to equality, poverty eradication and job creation;
- To ensure increased oversight over financial management and monitoring, including budgeting and expenditure controls; and
- To strengthen monitoring and evaluation of project implementation.

The Municipal Interface Team (MIT) was constituted in the Western Cape and consists of representatives from all municipalities, National and Provincial government departments and other stakeholders and are meeting regularly to ensure that projects implementation is monitored.

SECTION 3: BACK TO BASICS

3.1 Introduction

3.2 First Phase of B2B

3.2.1 Lessons Learned during B2B's First Phase

3.3 Second Phase of B2B

3.4 B2B Monthly Reporting by Municipalities

3.5 B2B Implementation progress

3.6 Provincial B2B initiatives in monitoring municipal performance

3.1 Introduction

At the launch of the B2B campaign on 18 September 2014, it was reiterated that local government is the primary point of delivery, as it is where most citizens interface with government. The vision of a developmental local government system was that it would be the building block on which the reconstruction and development of the country and society should be built, a place in which the citizens of South Africa could engage in a meaningful and direct way with the institutions of the state.

The objective of the Back-to-Basics programme is to create well-functioning municipalities that serve their communities better. The programme is built on five pillars:

1. Put people and their concerns first and ensure constant contact with communities through effective public participation platforms;
2. Create conditions for decent living by consistently delivering municipal services to the right quality and standard. This includes planning for and delivery of infrastructure and amenities, maintenance and upkeep, including the requisite budgeting to do this and ensuring that there are no failures in services, and where there are, restore services with urgency;
3. Be well governed and demonstrate good governance and administration, this includes cutting wastage, spending public funds prudently, hiring competent staff, and ensuring transparency and accountability;
4. Ensure sound financial management and accounting, and prudently manage resources to sustainably deliver services and bring development to communities; and
5. Build and maintain sound institutional and administrative capabilities, administered and managed by dedicated and skilled personnel at all levels.

3.2 First Phase of B2B

B2B emphasised the need for municipalities to do the basics right, for improved delivery of services and developmental outcomes. There is a correlation between pursuance of developmental outcomes, effective delivery of services, changing living conditions of

people and meeting compliance requirements, and doing the basics as provided for in the legislation that governs local government.

The conceptual framing of the first phase of the Back-to-Basics programme was based on the following:

- Consensus-type comprehensive assessment of the State of Local Government;
- Appreciation of the unevenness in municipal performance and varied causes;
- Systemic and poor performance challenges;
- Introduction of the categorization – “Doing well, Potential to do well or At Risk and Dysfunctional or Vulnerable”;
- Definition of the ideal municipality or acceptable level of performance; and
- An acknowledgment that National DCoG, Provincial departments, municipalities, and sector departments must jointly develop B2B support plans.

The Back-to-Basics approach is consistent with the previous Local Government Improvement Programmes. All these programmes moved from a conceptual understanding that if the basics were performed well as prescribed by the laws governing local government, higher levels of performance in municipalities would be realised. The launch of the B2B in September 2014, emphasised the need for municipalities to do the basics right for improved delivery of services and developmental outcomes.

3.2.1 Lessons Learned during B2B’s First Phase

The following lessons emerged from the first phase of the B2B programme:

- Back-to-basics is not an end in itself, but the continuation in pursuance of South Africa’s developmental objectives;
- The direct ‘hands-on’ support from spheres of government to municipalities has yielded improved performance;
- Positive lessons were realised from the various support packages and interventions;
- Political instability and weaknesses in governance are two of the primary causes of poor service delivery at municipal level;

- Evidence is emerging that reducing vacancy rates of municipal managers in municipalities seem to have a huge positive effect on improved audit outcomes;
- Municipalities with weaknesses in governance and corporate management functions such as financial management, human resource management and supply chain management, also tend to experience difficulties in service delivery;
- Whilst municipalities focused on the delivery of infrastructure to eradicate backlogs, they have sometimes neglected the operations and maintenance thereof;
- Citizen engagements are generally weak in those municipalities categorized as 'dysfunctional' and 'at risk'; and
- Municipalities generally, have weak technical capacity in planning, project management, and the designing and procurement of infrastructure.

3.3 Second Phase of B2B

The first phase of the B2B focused on laying the foundation for a developmental local government by doing the basics right. The second phase of B2B focused on taking Local Government to a higher developmental trajectory in pursuit of national priorities and the realisation of the NDP goals. The second phase required a new view of how support for municipalities is coordinated, how the perennial challenges are resolved, how intergovernmental and private sector support is mobilised, and how DCoG organises itself and performs its mandate.

The B2B ten-point plan focused on guiding the continued implementation of the second phase. The ten-point plan highlighted the following priorities:

- Positive Community Experiences;
- Municipalities Consistently Receiving Disclaimer Audit Opinions;
- Revenue Enhancement Programmes;
- Appointment of Senior Managers in Municipalities;
- Services and Infrastructure action-plans;
- Implementation of Forensic Reports;
- Metropolitan B2B Programmes;

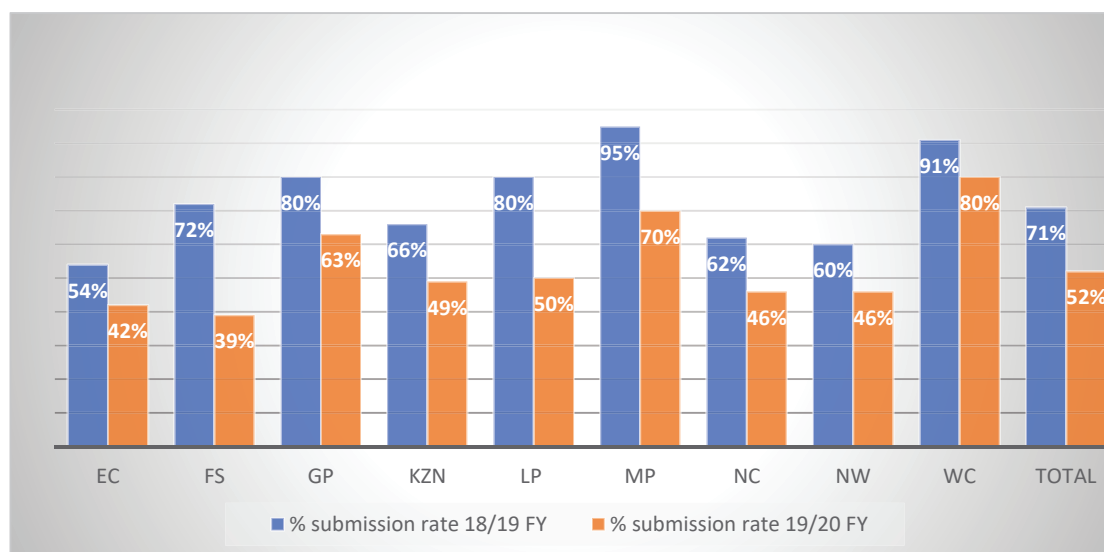
- Strengthening Roles of District Municipalities;
- Spatial Regional Integration Zones/Spatial Contracts; and
- Strengthen the capacity and the role of Provincial CoGTA Departments.

The second phase required a government-wide paradigm shift in perceptions of the role of Local Government, and a reorientation of the approach to implementation of the Back-to-Basics Programme. The enormity of the developmental challenges, and the severe fiscal and other resource constraints South Africa is facing as a country, requires all three spheres of government to work together effectively and efficiently towards common goals for transformation.

3.4 B2B Monthly Reporting by Municipalities

In September 2014, the President launched the Back to Basics (B2B) Programme. Circular Nr 47 of 2014 of DCoG requested all municipalities to report monthly on performance progress. Every month municipalities are therefore required to respond on a set of questions covering the broad B2B pillar areas.

By the end of the 2019/20 municipal financial year (June 2020), a total of 1 613 or 52% of the completed B2B templates were received from municipalities. This represents a better response than the 46% of 2017/18, but a much weaker response than the 71% received in 2018/2019.

Figure 4: B2B reports submission rate per province for 2018/19 and 2019/20

Source: B2B Report, 2019/20

The submission rate of municipalities in the Western Cape was the highest in 2019/20 (80%), and Mpumalanga (70%) was the second highest. The provinces with the lowest submission rates in 2019/20 were Free State (39%), Eastern Cape (42%), Northern Cape (46%) and North West (46%).

The most responses were submitted in the first quarter (212 responses). The response rate decreased from 170 responses in quarter 2, to 147 in quarter 3, and to only 117 in quarter 4. The impact of the COVID-19 lockdown is evident in the response rate from the last two quarters.

Overall, 12% of the 257 municipalities did not submit the monthly B2B reports during the 2019/20 reporting period. Most of these municipalities were in KwaZulu-Natal (19%), Eastern Cape (18%), Gauteng (18%) and North West (14%). There were 10 municipalities, which did not submit any B2B templates in the 2017/18, 2018/19 and 2019/20 municipal financial years. These were: Sundays River Valley LM, Maluti-a-Phofung LM, Lesedi LM, eMadlangeni LM, uMhlabuyalingana LM, Jozini LM, Maphumolo LM, Phokwane LM, Bitou LM and Bojanala DM.

DCoG analysed monthly municipal B2B performance information and identified key performance trends. Two analysis reports on local government performance were developed by DCoG, respectively by September 2019 and March 2020.

3.5 B2B Implementation Progress

During 2019/20 DCoG, continued to implement the B2B strategy by coordinating targeted interventions and supporting struggling municipalities. The lockdown in the third and fourth quarter of the financial year had some impact on both reporting and the reaching of targets.

Some of the trends over the 2019/20 municipal financial year included:

- Less Ward Committee and Ward Councillor report back meetings were reported in 2019/20 compared with the previous year. Nevertheless, an overall average of 99% of the expected number of Ward Committee meetings were still held in the year, but only an average of 61% of the expected number of Ward Councillor report back meetings;
- Although less Municipal Council meetings were held in 2019/20, compared with the previous year, municipalities overall still managed to hold more than the expected minimum number of meetings for the year. This is despite the lockdown period during the 4th quarter of the financial year, and probably because of virtual meetings that could take place during this period;
- A high number of MPACs did not meet the required number of meetings in a year; and
- Less tenders of over R200 000 and Section 36 awards were made in 2019/20 compared with the previous year. The lowest number of tenders, and Section 36 awards, were made in the 4th quarter of the year. Municipalities, which reported the highest number of Section 36 awards made, were as in the previous year, the bigger (B2) and smaller town (B3) municipalities, while metros reported the highest values of such rewards made (City of Johannesburg, eThekweni and Cape Town).

Remaining challenges of B2B reporting by municipalities, include:

- In some instances, there was not consistency in the way municipalities reported about the existence of the Complaints Management System (CMS). In some of the months a municipality may indicate that a CMS is in existence, and in another month that there is no such system;
- There is a difficulty in the reporting of access to basic services through the monthly B2B reporting with some municipalities not reporting the total number of households with access. Certain municipalities provided the number of “consumer units” or “billing points”, and some the number of “new connections” for the month, while others did not provide information in response to the question; and
- As there are no agreed standardised definitions for the indicators or questions contained in the B2B monthly reporting, this leads to differences in interpretation and reporting. This matter will only be resolved with the adoption of a new set of national key performance indicators for local government, with agreed standardised definitions. This will form part of the Reporting Reforms process currently underway in government.

3.6 Provincial B2B initiatives in monitoring municipal performance

Gauteng

Gauteng's project management office (PMO) (Back 2 Basics) assessed the performance of all municipalities monthly, in line with their own plans, the support plans of the Provincial Government and the Local Government Support Framework. The province has also established Regional Support Teams (DDM) to give effect to interventions on the financial recovery process, assuming executive functions in supply chain, finance and basic service delivery in certain municipalities. In the case of Emfuleni LM, the province has enlisted the services of ERWAT, a water utility in Ekurhuleni, to help with certain areas of work in Emfuleni.

KwaZulu-Natal

KwaZulu-Natal provided a detailed report of progress with the implementation of the Back-to-Basics programme based on quarterly performance information, as part of the Section 47 report. Performance information for all municipalities is gathered and compiled through an extensive participatory and consultative process. The provincial Department of Cooperative Governance collects and analyses quarterly performance information through the Comprehensive Municipal Monitoring and Evaluation Tool. The tool contains a few primary and secondary indicators, measuring whether municipalities are performing in terms of delivering the basics as part of the B2B programme. The B2B assessments results, together with other sources of data, are used to identify areas of underperformance, that are used for preparation of support plans to assist the municipalities to improve its performance in these areas.

Western Cape

The Western Cape Section 47 report sets out the steps taken in the province to implement B2B, including development of B2B Action Plans for all identified B2B municipalities. The provincial launch of this programme was followed by a profiling exercise of all municipalities within the Western Cape, based on a pre-determined set of criteria, which identified 10 municipalities to be assisted through B2B. To date, through the support provided with the implementation of the B2B Programme, four municipalities have successfully exited the programme: Cape Agulhas, Swellendam, Oudtshoorn and Matzikama.

During the 2019/20 financial year, six municipalities were supported in terms of the B2B Programme, through the implementation of individual support plans. MISA technical support was provided through the deployment of a professional engineer, professional planner, and graduate interns, as well as support with the revision of master plans in Cederberg, Prince Albert, Kannaland, Laingsburg and Central Karoo District.

Prince Albert was identified by CoGTA to be supported with a Revenue Enhancement Project which forms part of the B2B plan. Financial sustainability and recovery support was also provided to Central Karoo District, Kannaland and Beaufort West. Kannaland Municipality has also been identified by the National Minister of CoGTA to receive focused support. MISA has established District Support Teams that form part of the B2B Support Plan focusing on Technical and Financial support.

The strengthening of Shared Services was attended to in Central Karoo District. Municipal capacity and filling of critical posts were identified as priorities in Beaufort West, and Kannaland. The establishment of an Inter Municipal Cooperation Agreement was established between Laingsburg Municipality and the Cape Winelands District Municipality in terms of the following functions: Disaster Management, Fire-fighting, Local Economic Development, Internal Audit, Human Resources, and Waste Management.

SECTION 4: KEY PERFORMANCE AREA: MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT

- 4.1 Introduction

- 4.2 Performance management
 - 4.2.1 National overview
 - 4.2.2 Provincial reporting

- 4.3 Vacancy rate in senior management
 - 4.3.1 National overview
 - 4.3.2 Provincial reporting

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4.9.2 National support and interventions

4.9.3 Provincial recommendations

4.9.4 Emerging trends

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4.1 Introduction

A capacitated municipal organisation is a prerequisite for efficient service delivery. Therefore, this aspect is of vital importance and municipalities should be appointing the rightly qualified staff, promoting transformation in line with equity provisions and ensuring the skilling of its staff component.

This key performance area considers the institutional and organisational capacity of municipalities to perform their functions and fulfil their developmental role as stipulated in the Constitution and the White Paper on Local Government. Having been allocated separate powers and functions entrenched in the Constitution, municipalities had to organise themselves to fulfil these functions and exercise these powers.

Organisational transformation in local government is further prescribed in Section 51 of the Municipal Systems Act, which provides as follows:

“A municipality must, within its administrative and financial capacity, establish and organise its administration in a manner that would enable the municipality to:

- be responsive to the needs of the local community;
- facilitate a culture of public service and accountability amongst its staff;
- be performance orientated and focused on the objectives of local government set out in section 152 of the Constitution and its developmental duties as required by section 153 of the Constitution;
- ensure that its political structures, political office bearers and managers and other staff members align their roles and responsibilities with the priorities and objectives set out in the municipality’s integrated development plan;
- establish clear relationships, and facilitate co-operation, co-ordination and communication, between-
 - its political structures, political office bearers and its administration;
 - its political structures, political office bearers and administration and the local community;

- organise its political structures, political office bearers and administration in a flexible way to respond to changing priorities and circumstances;
- perform its functions-
 - through operationally effective and appropriate administrative units and mechanisms, including departments and other functional or business units; and
 - when necessary, on a decentralised basis;
- assign clear responsibilities for the management and co-ordination of these administrative units and mechanisms;
- hold the municipal manager accountable for the overall performance of the administration;
- maximise efficiency of communication and decision-making within the administration;
- delegate responsibility to the most effective level within the administration;
- involve staff in management decisions as far as is practicable; and
- provide an equitable, fair, open and non-discriminatory working environment”.

The NDP has encouraged the idea that national and provincial government should promote local government as a career path, through measures such as a local government graduate-recruitment scheme and skills-development strategies for technical specialists. The NDP has also suggested that national and provincial government should work with municipalities to strengthen their human resources and management capacity, especially improving the municipal approach to recruitment, management and training.

Various mechanisms have been proposed in the NDP to improve human resources, including:

- The preparation of standard frameworks linking staffing needs to a municipality’s core functions;
- Formulation of guidelines on standard salary levels; and
- Development of standard assessment procedures for different jobs, perhaps in conjunction with the relevant professional associations.

In accordance with government's aim of professionalising local public administration, it gazetted the "Regulations on the Appointment and Conditions of Employment of Senior Managers" for the Local Government and those managers reporting to them, on 17 January 2014. The regulations clarified the appointment and conditions of employment of senior managers in municipalities. The aim was to strengthen governance and institutional systems by guiding municipalities in the appointment of senior managers, to ensure that their skills are fit for purpose. The regulations also provided for the creation of a database of managers who were dismissed for misconduct or corrupt activities. This will prevent the rehire of unsuitable managers who may otherwise move on to other municipalities once dismissed or are subject to a disciplinary process. These regulations incorporated the Local Government: Competency Framework for Senior Managers that prescribes the skills, expertise, competencies (including competency descriptors and achievement levels) and qualifications for senior managers.

Chapter 7 of the Municipal Systems Act directs municipalities to develop and adopt appropriate policies and systems (consistent with the regulations setting uniform norms and standards issued by the Minister in terms of section 72 of the Act) to ensure fair, efficient, effective and transparent personnel administration. The development of such regulations was finalised and were certified by the Chief State Law Adviser. The implementation of these regulations, especially the competency framework for various occupational skills in local government, will reinvigorate government's role in producing the specialist technical skills that are essential to fulfil municipalities' core functions and provide appropriate career paths for technical specialists while strengthening the oversight of national and provincial government.

The key performance area of Municipal Transformation and Organisational Development, includes indicators that show progress on how municipalities have organised themselves in terms of building capacity to deliver and compliance with equity targets, as well as implementing both the organisational and individual performance management systems. Municipal performance in this KPA was assessed in the following focus areas:

- Performance management;

- Vacancy rate in senior management;
- Employment equity;
- Human resources management;
- Skills development; and
- Disciplinary cases.

4.2 Performance management

4.2.1 National overview

The White Paper on Local Government (1998) identified performance management as one of the key instruments for ensuring developmental local government as enshrined in the Constitution. To implement its IDP effectively, a municipality therefore needs to have a functioning performance management system (PMS). Section 38 of the MSA requires municipalities to establish a PMS that promotes a culture of performance among its political and administrative structures. The PMS must be in line with available resources, the IDP and be best suited to each municipality's circumstances.

In terms of the MSA and the Local Government: Municipal Planning and Performance Management Regulations, 2001, a municipality must:

- Develop a performance management system;
- Set targets, monitor and review the performance of the municipality based on indicators linked to its IDP;
- Publish an annual performance report on performance of the municipality forming part of its annual report as per the MFMA;
- Incorporate and report on a set of general (or national) indicators prescribed by the Minister responsible for Local Government;
- Conduct, on a continuous basis, an internal audit of all performance measures;
- Have its annual performance report audited by the Auditor-General;
- Involve the community in setting indicators and targets and reviewing municipal performance; and

- Compile an annual report, which must include a performance report compiled in terms of the MSA.

The Municipal Performance Regulations on Municipal Managers and Managers directly accountable to Municipal Managers, 2006, obligated all Section 57 managers to enter into annual performance agreements with their employers a month after the beginning of each financial year. Therefore, all Section 57 managers must have signed their performance agreements by 31 July of every financial year. Their performance is measured and reviewed on an annual basis against agreed-upon key performance indicators (KPIs) and targets that are aligned with the municipal objectives and targets set in the IDP. Their performance bonuses are paid based on assessment of their performance in terms of the signed performance agreements.

4.2.2 Provincial reporting

Although progress was reported with Performance Management Systems (PMS) on municipal level, there are significant gaps remaining in implementation, according to the Section 47 reports from provinces.

Only five municipalities in the **Eastern Cape** have fully implemented PMS in 2019/20, and another 21 municipalities have partially implemented PMS. Six municipalities did not submit any information: Alfred Nzo DM, Ntabankulu LM, Sarah Baartman DM, Inxuba Yethemba LM, Sakhisizwe LM, Mhlontlo LM and Walter Sisulu LM. The failure of municipalities to submit information is seen by the province indicative of weakness in oversight structure in managing, monitoring, reviewing and accounting on the performance of their municipalities. The report also indicated that municipalities are struggling to cascade the PMS to lower levels of staff.

Two local municipalities in the **Free State**, Matjhabeng and Nala, did not have PMS in place. Three municipalities did not have the capacity to implement PMS. Functionality of PMS remained a challenge in municipalities, even when there are staff and adopted

frameworks in place. In the Free State, seven municipalities did not submit performance agreements of senior managers and six municipalities did not submit employment contracts. Letters of non-compliance were sent to municipalities to comply and submit outstanding documents.

Gauteng municipalities have the mechanisms to monitor and review its performance, however according to the province, municipalities have been inconsistent in reporting on performance.

Limpopo reported compliance with the signing of performance agreements of senior managers, and functional PMS units. Only two local municipalities, Mogalakwena and Modimolle-Mookgophong, did not develop and adopt their PMS Framework. However, the rate of individual performance assessment reviews declined steadily from 52% in 2017/18 to 41% in 2018/19 to 37% in 2019/20.

In **Mpumalanga**, there has been a steady increase in the cascading of PMS to lower staff levels since 2016/17. In 2019/20, eight municipalities cascaded PMS to lower levels than section 54 and 56 managers.

While most municipalities in the **Northern Cape** have approved PMS policies, there is ineffective implementation of the policy due to lack of proper controls and lack of management. Ten municipalities were reported not to have developed or reviewed the PMS, while the AG identified challenges with the maintenance of the PMS and related controls or non-establishment in 12 municipalities. In the Northern Cape, 85 performance agreements were signed and submitted to the MEC for Local Government during 2019/20. However, the province qualified the number with the non-submission of information by municipalities, with at least six municipalities not providing information.

The **Western Cape** reported that all municipal managers and managers directly accountable to the municipal manager, have signed and submitted performance agreements to the MEC for Local Government. According to the province, all

municipalities ensured that all performance agreements of senior managers were aligned to the strategic objectives of the IDP.

4.3 Vacancy rate in Senior Management

4.3.1 National overview

Human capital is a key component to the success of any organisation. Without competent and skilled leadership, municipalities cannot function efficiently and effectively. DCoG continued to monitor and guide municipalities on compliance with the Regulations on Appointment of Senior Managers, which were promulgated in January 2014 under the Municipal Systems Act, 2000.

According to the *Non-financial census of municipalities for the year ended 30 June 2020* by Stats SA, there were 292 vacancies out of 1576 managerial positions according to Section 57 of MSA in 2020. This compares to 309 vacancies out of 1540 in 2019. That would indicate a decrease in the vacancy rate from 20% in 2019 to 18.5% in 2020.

4.3.2 Provincial reporting

In the **Eastern Cape**, 21 municipalities reported that they have filled all their senior management posts, while four municipalities have filled at least 85% of these posts. This represents a decline from the previous year. Four municipalities filled 69% or less of these posts, while four municipalities did not submit information.

The **Free State** reported on the filling of the following six critical posts: municipal manager, CFO, Director: Corporate Services, Director: Technical Services, Director: Community Services and Town Planner. There were 36 vacancies, where 34 were part of the six critical positions. The Technical and Community Services departments both had 8 vacancies. The most vacancies in critical posts were in Tokologo LM (four), Metsimaholo LM (five) and Maluti-a-Phofung LM (six).

In the 2019/20 financial year, there were 113 approved municipal senior management positions in the **Gauteng province**, 91 of these positions were filled and 22 positions remained vacant. The combined provincial vacancy rate for municipal senior managers has declined from 23% in 2017/18 and 2018/19 to 19% in 2019/20. High vacancies were evident in Sedibeng DM (50%), Merafong City LM (42%), and City of Johannesburg (38%). In the case of the most critical senior management positions, vacancy rates in Gauteng municipalities have declined from 22% in 2018/19 to 16% in 2019/20. The position of Municipal manager remained vacant in the City of Tshwane, while the CFO position remained vacant in Sedibeng DM, Lesedi LM and Merafong LM.

In 2019/20, **KwaZulu-Natal** reported a 16.3% vacancy rate in senior management positions in municipalities.

Limpopo reported a combined vacancy rate of senior managers of 25%. It was reported that the challenges on the filling of senior management vacancies was mainly because of most contracts lapsing. In Limpopo, the filling of municipal manager posts declined from 85% in 2017/18 to 81% in 2018/19 to 67% in 2019/20. The filling of CFO posts remained at the same rate of 78% during 2017/18 and 2019/20, after it declined to 70% in 2018/19. The filling of technical services manager posts improved from 56% in 2017/18 and 2018/19 to 74% in 2019/20. Both corporate services posts and community services posts fluctuated the past three years. Filled posts in corporate services increased from 81% to 96% and then declined to 85%, while in community services the filled posts increased for 74% to 85%, before it declined to 78%. Filled developing planning posts improved the past three years from 67% to 70% and finally to 74% in 2019/20.

In **Mpumalanga**, the total vacancy rate in senior management posts decreased slightly from 15% in 2018/19 to 14% in 2019/20. Across the province, there were the following vacancies: two municipal managers, two CFOs, five Corporate Services Directors, four Community Services Directors, two Technical Services Directors, and one Development and Planning manager.

The **Northern Cape** reported 150 senior management posts at municipalities in the province, of which 91 was reported to be filled. This would represent a high vacancy rate of 39.5%. However, six municipalities did not provide information on vacancies.

In **North West**, the average vacancy rate at senior management level was 28%, with a 18% vacancy rate for municipal managers and a 27% vacancy rate for CFOs. Municipalities with a high vacancy rate include: Madibeng LM (50%), Ratlou LM (66%), Ditsobotla LM (72%) and Dr RS Mompoti (72%).

The **Western Cape** reported a vacancy rate of 13.4% in section 56 posts in 2019/20, with 116 out of 134 posts filled. According to the province, all municipalities with vacant posts arranged to appoint an official in an acting capacity to perform all the responsibilities assigned to the post. The province expressed the view that despite these vacant positions, municipalities were administratively stable and able to perform their delegated responsibilities.

4.4 Employment equity

4.4.1 National overview

This indicator has been included to determine the targets that the municipalities have achieved as stipulated in their employment equity plans approved by the municipal Councils. It is aligned to the general KPI prescribed by the Minister in terms of Regulation 10 (e) of the Municipal Performance Management Regulations of 2001, which reads as follows: "Number of people employed from employment equity target groups employed in the three highest levels of management in compliance with the municipality's employment equity plan."

The performance regarding employment equity has been measured in three ways. The employment of staff with disabilities, the employment of youth and the employment of

women. Compliance with gender equity in 2019/20 remained poor and well below the 50% requirement. Most Section 47 reports of provinces did not cover disability or youth employment.

According to the *Non-financial census of municipalities for the year ended 30 June 2020* by Stats SA, there were 400 females out of 1284 full-time filled managerial positions in terms of Section 57 of MSA. That would indicate a female employment rate of 31.1% in 2020, compared to 29.2% in 2019.

LGSETA indicated that the local government sector is well transformed in terms of race, but further effort is required in terms of gender (currently 39% female) and people with disabilities (currently less than 1%). From the WSPs and Annual Training Reports submitted in 2019 to LGSETA, municipalities employ about 2 462 People with Disabilities. The average proportion of disabled employees is at 0.91%, far below the 2% target of employment.

4.4.2 Provincial reporting

Ten municipalities in the **Eastern Cape** had 50% or more female staff, which remained the same as the previous year. Only 11 municipalities had at least 20% of its employees aged 35 or younger, compared to 16 in the previous year. This is an area of concern as the municipalities are required to prioritise the appointment of youth as to reduce the youth unemployment rate. This shows that the municipalities do not comply with this indicator although it is a legislated requirement. Only four municipalities reported at least 2% of disabled staff members against the total number of staff, compared to three municipalities in the previous year. However, 23 municipalities in the Eastern Cape did not provide any information on youth employment and 19 municipalities did not provide any information on the appointment of females.

In the **Free State**, women held 23% of the 92 filled positions at senior management level, declining from 26.7% in the previous year. There were four local municipalities without

any females in section 57 posts: Nala, Mohokare, Tokologo and Setsoto. In Nala LM, the situation has not changed from the previous seven years (since 2013/14).

In 2019/20, only 35% of municipal senior management positions in **Gauteng** were filled by women. Of concern, is that these statistics are below the required 50% in terms of employment equity targets. There was no evidence in municipal reports that people living with disabilities were appointed on senior management level.

KwaZulu-Natal reported that women held 27.9% of senior management positions in municipalities. Eight municipalities (Ugu LM, Richmond LM, Impendle LM, Nquthi LM, Zululand DM, Edumbe LM, Big 5 Hlabisa LM and KwaDukuza LM) reported no women in senior management, while Ethekewini Metro reported only 11% of senior management post filled by women.

Limpopo province reported that the proportion of women in senior management posts have been below 50% for the past three years: 22% in 2017/18, 34% in 2018/19 and 27% in 2019/20.

In **Mpumalanga**, there was 36 women out of 108 filled senior manager posts, representing one third. Mpumalanga was one of the few provinces that reported on employment of people with disabilities. In total, 143 people with disabilities were employed across municipalities. Dr JS Moroka LM was the only municipality, which had no disabled people in its employment. Mpumalanga reported that people aged 35 and younger occupied 15% of the posts in 2019/20 which compared to 14% in 2017/18 and 18% in 2018/19.

In the **Northern Cape**, women occupied only 18 of 150 (12%) positions of the senior management positions in 2019/20. However, eight municipalities did not report on the number of female managers appointed and the province cautioned that the information in the Section 47 report may not reflect the total picture due to non-submission of information by municipalities.

In **North West**, 35 of the 104 filled senior management posts were held by women, representing 34%. There were also 40 vacant posts.

In the **Western Cape**, there were only 23 women out of 145 senior manager posts filled across municipalities, representing only 15.86%.

4.5 Human resources management

4.5.1 National overview

Human resources management refers to the management of a municipality's employees or human resources, which involves adequate and sufficiently skilled people as well as the adequate management of staff performance and their productivity. The operation and management of local government and the human resources thereof are governed by legislation and regulations. These include the Municipal Structures Act of 1998, Municipal Systems Act of 2000, Public Administration Management Act of 2014, Regulations on appointment and conditions of employment of senior managers (Government Gazette No. 1017 of 2016) and the draft Municipal staff regulations (Government Gazette No. 21 of 2014).

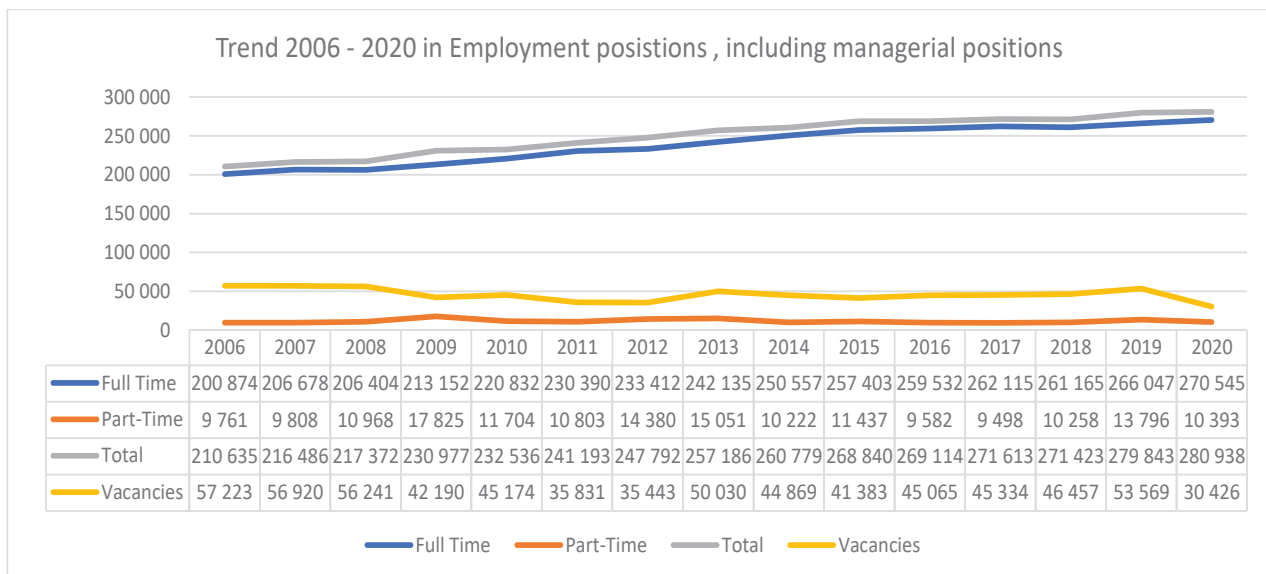
The Municipal Systems Act states in section 68 that *"a municipality must develop its human resource capacity to a level that enables it to perform its functions and exercise its powers in an economical, effective, efficient and accountable way, and for this purpose must comply with the Skills Development Act, 1998 (Act No. 81 of 1998), and the Skills Development Levies Act, 1999 (Act No. 28 of 1999)"*.

The provision of services by municipalities is a constitutional obligation. Part B of Schedule 5 of the Constitution, concerning functions falling concurrently within the national and provincial competence constituent units identifies the following services (functions) that fall within the ambit of local government and its municipalities. These are

water; electricity; town and city planning; road and storm water drainage; waste management; emergency services for example, firefighting; licenses; fresh produce market; parks and recreation; security; libraries; and economic planning. Part B of Schedule 4 of the Constitution lists functions within the exclusive domain of provincial government, and further identifies the following matters that are also the responsibility of municipalities: air pollution, building regulations, childcare facilities, electricity and gas reticulation, local tourism, municipal airports, municipal planning, municipal health services, municipal public transport, and municipal public works.

To implement the scope of work allocated to municipalities, the municipal staff complement has according to the *Non-financial census of municipalities for the year ended 30 June 2020* by Stats SA, increased from 210 635 (200 874 full time and 9761 part time) in 2006 to 280 937 (270 545 full time and 10 393 part time) in 2020.

Figure 5: Trends in employment positions of municipalities, 2006-2020



Source: Statistics South Africa, *Non-financial Census of Municipalities 2020*

One of the biggest challenges for local government is to attract and retain qualified and competent persons in all areas of administration. Local government is facing a capacity and skills deficit, including inappropriately skilled personnel, a high proportion of

vacancies and deficiencies in administrative and management systems. Systemic issues include a lack of accountability for performance, political instability, political deployments and interference in administration, inadequate skills development and financial constraints. The lack of technical skills is particularly acute in finance and engineering services, with a shortage of technical skills in road transport and wastewater treatment. Many municipalities rely heavily on consultants: for instance, to prepare their financial statements or write their IDPs. Only 55 out of the country's 257 municipalities have qualified engineers to assist in the rolling out of infrastructure projects.

National Treasury indicated that out of 2 393 municipal officials, only 1 618 officials meet the minimum competency levels as at 31 January 2021. Out of 240 CFOs reported on, only 155 (64.5 %) have achieved minimum competency levels. 61.4% of senior managers have achieved minimum competency levels.

4.5.2 Provincial reporting

Section 47 reports provided very limited information on human resources management.

In the **Eastern Cape**, 13 municipalities maintained a vacancy rate of less than 15%, which has been determined by the provincial department to be acceptable, given the geographic rural nature of the Eastern Cape, which is a hindrance for the municipalities to attract and retain skilled and competent personnel. In the Eastern Cape, most municipalities have Human Resource Plans, but these plans are not aligned to the IDP as a result they are not properly implemented. Four municipalities were supported by the provincial Department in reviewing integrated HR Plans and aligning them to the Organogram and IDP of the municipalities through several workshops.

Municipalities in the **Free State** experienced a high vacancy rate during the 2019/2020 financial year, as some contracts came to an end, and vacancies needed to be filled.

Gauteng reported that 22% of the approved positions in municipalities were vacant. The high vacancies exist within basic service delivery units, which include water, electricity, sanitation and waste management. Emfuleni LM (64%) recorded the highest vacancy rate, followed by Rand City West LM (51%), while vacancy rates between 45% to 47% were recorded at West Rand DM, Mogale City LM and Merafong City LM. Most Gauteng municipalities have developed and implemented a comprehensive Human Resource Management and Human Resource Development policy and Skills Development Plan. The province expressed concern that there seems to be a general lack of the more progressive human capital development and retention policies such as career development, talent management, succession planning, retention and exit strategies.

KwaZulu-Natal reported an overall vacancy rate of 19.5% in approved posts across municipalities, representing an improvement of the 21.3% vacancy rate in 2018/19.

4.6 Skills development

4.6.1 National overview

The development of employees through training, up-skilling, coaching and mentoring is crucial in ensuring that service delivery takes place. Municipalities are required to annually assess the skills of their personnel and develop a workplace skills plan and submit it to the Local Government Sector Education Training Authority (LGSETA). The percentage of the budget spent on implementing the workplace skills plan (WSP) is one of the general KPIs as prescribed by the Minister in terms of Regulation 10 (e) of the Municipal Performance Management Regulations of 2001.

According to LGSETA, the education levels in the local government sector are relatively low with 19% of employees having a highest level of education lower or equal to NQF Level 1. Only 60% (70, 407) of employees have a matric or higher. In addition, 21% of manager-related occupations have less than a NQF 4 educational level or matric certificate.

The School of Public Leadership, Stellenbosch University assessed the challenges facing the Skills Development Facilitator in implementing skills development in 2017. The research findings point to a crisis on how skills development is managed in municipalities:

- Municipalities do not acknowledge the ethical values that support skills development, as a key element of skills development policies and strategies;
- There is a poor awareness and a lack of understanding of the municipal skills development policies by the employees;
- Municipalities are poorly practicing skills development;
- Skills development plans for departments are absent; and
- Consultative committees that are legislatively required to be constituted are not functioning optimally and are not sufficiently giving input into skills development.

4.6.2 Provincial reporting

Most municipalities in the **Eastern Cape** adopted WSP, but it was reported that they struggle to implement the plans. It was also reported that mandatory grants received from LGSETA are being utilised in other programmes.

In **Gauteng**, all municipalities except West Rand DM and Rand West City municipalities have invested in the training and development of its workforce. Midvaal LM enrolled 20 officials for the Minimum Competency Regulations Training Programme. The City of Johannesburg trained 206 youth through an artisan programme.

In **KwaZulu-Natal**, only 19 of 55 municipalities reported 100% expenditure on the WSP. Twelve municipalities reported expenditure of less than 50%, with information from three municipalities not provided.

In **Mpumalanga**, out of 4865 staff members approved for training, only 2648 staff members (54.4%) were trained in 2019/20.

All municipalities in the **Western Cape** have submitted workplace skills plans for the past three years. Various capacity and skills development initiatives were provided by municipalities, which include Municipal Minimum Competency, Project Management Training, End User Computing, Supply Chain Management and the Local Government Accounting Certificate. During 2019/20, municipalities in the Western Cape spend an average of 64% of their personnel skills budget, which is a decline from 77% in the previous two years. Municipalities in the Western Cape trained 28 553 employees in 2019/20, which is the same number as the previous year.

4.7 Disciplinary cases

4.7.1 National overview

According to Circular No 31: Database on the Disciplinary Cases for Senior Managers, the municipalities are required to establish a record of staff members dismissed for misconduct or who resigned prior to finalisation of disciplinary proceeding and to report all such cases to the provincial departments and DCoG.

4.7.2 Provincial reporting

It was reported that there are numerous disciplinary cases in the **Eastern Cape** and that many take long to finalise.

During the 2019/20 financial year, nine cases were reported in the **Free State**. The municipal managers of Nketoana and Dihlabeng were arrested by the Hawks, while the municipal manager of Nala and Director: Corporate Services of Nala were arrested and charged with fraud and corruption. Various court actions and processes were under way in the cases against the municipal managers of Nketoana, Metsimaholo, Mafube and the Director: Corporate Services from Tswelopele.

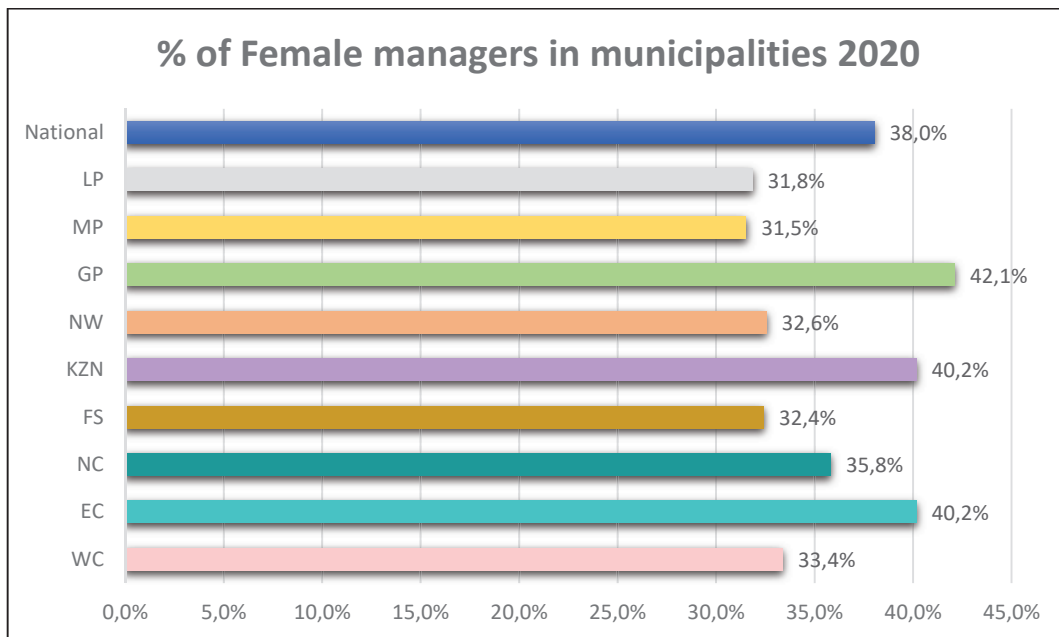
North West reported the suspension of the HR Managers of Dr Kenneth Kaunda DM and Rustenburg LM, both due to flawed recruitment processes. The HR Manager and the Senior Legal Officer in Madibeng LM were suspended due to gross insubordination, intimidation and victimisation. The Municipal Manager of Lekwa-Teemane was suspended due to non-payment of statutory deductions. Only the HR Manager of Madibeng was dismissed, in the other cases the investigations were ongoing,

4.8 Challenges in municipal transformation and organisational development

Provinces cited various challenges that hinder progress towards achieving compliance in this key performance area. The following main challenges were identified from the Section 47 reports:

- Failure to meet employment equity targets;
- High vacancy rates;
- Non-compliance with appointment requirements, employment contracts and performance agreements; and
- Poor implementation of performance management systems.

The under-representation of women at any level of governance and decision-making results in a democratic deficit. The achievement of gender equality is therefore a key transformational priority. By 2020 the share of female managers was as follows nationally and per province:

Figure 6: Female managers in municipalities, 2020

Source: Stats SA: Non-Financial Census 2020

In the **Eastern Cape**, the reduction of the high vacancy rate continues to be a challenge for most municipalities, and some have opted to request assistance from the provincial Department through secondment of officials. In enhancing municipal transformation and organisational development, the provincial Department continues to support municipalities by facilitating the filling of section 54A and 56 manager's posts that are budgeted for. Political and administrative instability are contributing factors to the delays in the recruitment process in various municipalities. In the Eastern Cape, organisational structures still need urgent attention because although the provincial Department has provided hands on support to municipalities, there is still a challenge.

The high vacancy rate in the three local municipalities of Tokologo, Maluti-a-Phofung and Metsimaholo in the **Free State** hampered service delivery with acting incumbents changing after six months, leading to a lack of continuity. The following challenges were experienced in terms of compliance with legislation governing municipalities in the Free State:

- Lack of proper implementation of the Performance Management System;
- Challenge in filling posts as per legislated time frames and positions remain vacant for longer than three months;
- High vacancy rate in technical departments, due to financial constraints and lack of suitable candidates;
- Compliance with MSA Regulations i.e., late and/or non-submission appointment reports;
- Compliance with regards to signing and submission of employment contracts and performance agreements as legislated; and
- Alignment of performance agreements to the Service Delivery and Budget Implementation Plan (SDBIP) which defeats the purpose of performance management.

The following challenges were highlighted in **Gauteng**:

- Emfuleni LM and Merafong City LM recorded the highest staff vacancies, particularly in the service delivery areas, which has contributed to persistent water and electricity losses, as well as sanitation overflows in these municipalities;
- Challenges remain in achieving zero vacancies in senior management positions; and
- Municipalities are struggling to appoint women and people living with disabilities at senior management level.

In **KwaZulu-Natal**, challenges reported include municipalities that did not provide the required information on the number of vacant posts in relation to approved/budgeted posts and municipalities which did not reviewed their organograms.

There were challenges in **Limpopo** in the submissions of quarterly reports on the status of disciplinary cases in municipalities to the MEC responsible for local government. There were delays in signing employment contracts and submission of performance agreements by some municipalities.

In **Mpumalanga**, it was reported that municipalities were delaying the recruitment process of filling the posts of senior managers. Gender representation is not a priority for municipalities when they are filling the posts of senior managers, resulting in more males than female managers appointed. Municipalities also do not have a strategy in place to attract and recruit people with disabilities. There is also limited resources in municipalities to perform the PMS function. There are also delays in the finalisation of job evaluation, therefore job descriptions are not signed in most municipalities.

Western Cape municipalities continued to experience challenges related to attracting and retaining skilled staff during 2019/20. This was due to budget constraints and a shortage of the required skills, especially in rural areas. Within this context, municipal capacity building and skills development initiatives were of vital importance.

A comprehensive analysis by **LGSETA** of WSP data, existing research projects and stakeholder engagements, revealed a series of skills needs both in terms of occupational shortages (scarce skills) and skills gaps (top-up skills). The 2020 Sectoral Priority Occupations List of LGSETA includes the following occupations: Water Reticulation Practitioner, Chief Financial Officer, Town Planner, Internal Audit Manager, Building Inspector, Civil Engineering Technician, Project Manager (Technical), Electrical Engineering Technician, Property Valuer, Disaster Management Officer. Audit positions (such as internal audit manager) are included in the top 20 occupational shortages. Together with finance, auditing skills have been flagged within the top 10 skills gaps. This highlights issues raised by the AG regarding poor capacitation of the audit and finance functions at municipalities.

Several technical occupations (e.g., electrical, civil, property valuer, technical project management) have been flagged as shortages; this underlines a key source of service delivery issues in local government and the importance of skills development to bolster capability and capacity in these areas. Two key water services related occupations have been flagged as hard to fill. Combined with a decrease in the number of learners

completing associated qualifications, this spells a potential exacerbation in the current crisis regarding maintenance of the country's water infrastructure.

Management competencies are key to the success of the sector and skills gaps are evident in several areas, which require focused attention. The skills gap refers to critical skills which are a gap in the competence or skills set of existing employees. The top ten skills gaps are: Occupational Health and Safety, Financial and Auditing Skills, Governance and Ethics, Leadership and Management, Productivity Tools, Labour Relations, Writing Skills, Personal Development, Legal Skills and IT Skills.

4.9 Support, interventions, trends and recommendations

An overview is provided here of the various interventions and support provided to municipalities by National and Provincial Government, SALGA, as well as recommendations provided in the various Section 47 reports, emerging trends and national recommendations.

4.9.1 Provincial support and interventions

The **Eastern Cape** province supported all 39 municipalities by monitoring their submissions of their Workplace Skills Plan to LGSETA and by monitoring their implementation. The provincial Department has conducted Employment Equity Awareness and Compliance Workshops in all the six districts with their local municipalities to assist them in complying with the Employment Equity Act.

In the **Free State**, Kopanong LM was assisted by the provincial Department and Tokologo LM was assisted by PMU technicians for Town Planning functions. The provincial Department and the provincial Treasury have supported municipalities with secondment of officials, in positions ranging from municipal manager, CFO, administrator and Director: Technical Services and Director: Corporate Services. The following local municipalities were supported in this manner: Maluti-a-Phofung, Metsimaholo, Dihlabeng, Mohokare,

Kopanong, Nala, and Mafube. The Free State province reported technical advice and support to municipalities on various issues ranging appointments, HR, and compliance.

To ensure compliance, **Gauteng** intervened in Lesedi LM and Sedibeng DM, where the MEC directed municipalities to fill the vacant senior management positions within a specified timeframe. The provincial Department supported the local municipalities of Emfuleni, Merafong City, Rand West City, Mogale City and Lesedi to institutionalise a Performance Management System. Emfuleni LM was also supported with the organisational structure and institutional review.

In terms of addressing vacant senior management positions, a MEC directive was issued in **KwaZulu-Natal** that all senior management posts were to be filled within six months, failing which posts must be re-advertised. Municipalities were also requested to submit their recruitment plans to the provincial Department. The province supported municipalities with recruitment plans, draft adverts, interviews and shortlisting.

In **Limpopo**, the MEC sent letters to Mayors of municipalities requesting them to expedite the filling of vacant municipal senior manager positions. The provincial Department continued to support and monitor the recruitment process for senior managers in municipalities. The provincial Department developed a standard framework for employment contracts and performance agreements across all municipalities. Municipalities were also assisted with the framework for determination of categorisation of remuneration packages of senior managers.

Mpumalanga supported municipalities during the selection and recruitment of senior managers as and when requested. The province recommended that the filling of senior managers' posts must be a standing item when there's MUNMEC and meeting of municipal managers so that municipalities can report progress on the filling of positions.

Mpumalanga reported that SALGA trained municipalities on the job evaluation system and provided municipalities with relevant templates with the development of job

descriptions. In supporting and monitoring the implementation of Task Job Evaluation to municipalities, SALGA coordinated a Job Evaluation session for various municipalities.

North West provided support to municipalities on appointment of senior managers, staff establishments assessment tools, and advertisements.

The **Northern Cape** supported municipalities by secondment of officials, after municipalities were unable to fill posts. Acting Municipal Managers were seconded to Ubuntu LM, Siyancuma LM and !Kheis LM. According to the province, interventions and support to municipalities has had limited improvement on the functionality of municipalities. The municipalities will have to take ownership on their processes to improve their performance.

4.9.2 National support and interventions

As part of efforts aimed at professionalising the local government sector, **SALGA** successfully rolled-out the Accredited Municipal Performance Management Training Programme involving 319 learners in the Practitioner Stream across all the nine provinces. The training programme was officially launched on 27 February 2020, and a total of one hundred and 122 learners successfully completed the training programme and were certified as competent by the LGSETA.

SALGA implemented a range of interventions to build municipality capacity and capabilities. These included facilitated leadership conversations to executive coaching, training sessions and blended learning programmes through the SALGA Centre for Leadership and Governance (SCLG). During 2019/20, SALGA through SCLG, trained and conducted capacity building programmes for 8467 Councillors and municipal officials, while 1937 Councillors and officials benefitted from attending credits-carrying programmes.

A major aspect of improving institutional capabilities is ensuring the appointment of suitably qualified personnel. **DCoG** has developed systems and processes to effectively monitor and support the area of recruitment and selection of appropriately qualified and competent senior managers. The objective is to realise the professionalisation of local government administration and to enable municipalities to perform their constitutional obligations.

With regards to Municipal Staff Regulations, Chapter 7 of the Municipal Systems Act enjoins municipalities to develop and adopt appropriate policies and systems (consistent with the regulations setting uniform norms and standards issued by the Minister in terms of section 72 of the Act) to ensure fair, efficient, effective and transparent personnel administration. The development of regulations referred to above was finalised, and the regulations were certified by the Chief State Law Adviser.

The required location of planning, engineering, project management and specialised financial functions must be prioritised, and the skills to carry these out must be put in place. The development of shared district service hubs would provide an opportunity to deploy a range of skills. The services will be shared by the municipalities in areas such as Financial Services, Water and Electrical engineering, Local Economic Development Infrastructure, transport planning, as well as broader development planning.

4.9.3 Provincial recommendations

Some provinces made **recommendations** in their Section 47 reports about prioritising and improving certain aspects of municipal transformation and organisational development:

The **Eastern Cape** provincial Department identified the need to develop strategies to assist municipalities to report correctly in the submission of information. Most municipalities have not submitted this information. The non-submission of the statistical

information will continue to hinder government's agenda of addressing the past imbalances.

Gauteng indicated that municipalities must ensure they address staff capacity in service delivery units, including retraining and redirecting underutilised officials in other units. There should also be prioritisation of filling of senior management positions and the employment of women and people living with disabilities in senior management, through the development and implementation of a retention strategy.

KwaZulu-Natal stated that priority managerial positions such as MM and CFO must be prioritised for filling as it has the potential to impact negatively on service delivery. The provincial Department should continue to provide guidance and support to municipalities in fulfilling the appointment requirements and procedures. KwaZulu-Natal stated that municipalities should be encouraged to hasten the filling of key positions which impact service delivery. The provincial Department should review training reports and identify reasons for under spending. Technical support should be provided to municipalities on the implementation of the workplace skills plan.

Mpumalanga proposed that national CoGTA should ensure compliance with the Employment Equity Act form part of the performance agreement of the municipal manager and Director Corporate Services in each municipality. Mpumalanga recommended that the provincial CoGTA should share the database of people with disabilities from the Office of the Premier with municipalities to assist them in their recruitment process. The national and provincial Departments should continuously monitor the process of ensuring that skilled youth are appointed on entry level posts and are retained by municipalities. Mpumalanga further proposed that the provincial CoGTA should ensure that municipalities comply to ring-fence 1% budget for training.

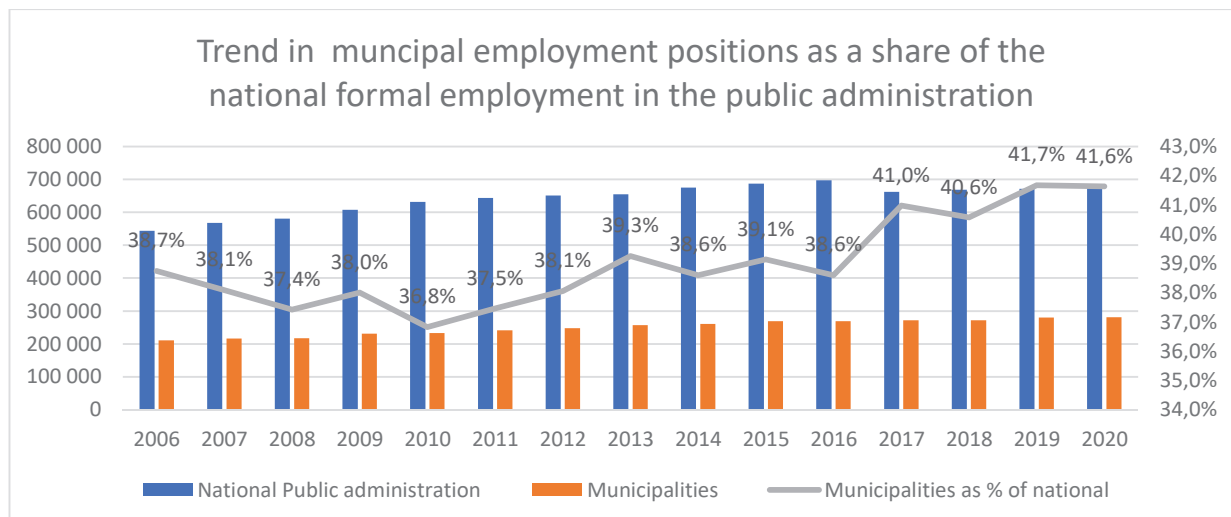
North West stated that municipalities with a high vacancy rate should ensure that they urgently appoint senior managers. Municipalities should also be cognisant of championing the appointment of competent women in senior positions. Municipalities

should quicken the outcomes of disciplinary hearings so as not to hamper the delivery of basic services.

4.9.4 Emerging trends

- The complexity in managing the human resources in municipalities is ever increasing and the scope of the functions executed by municipalities is adding to the increasing number and variety of skills' requirements, capacity building initiatives and other challenges;
- As reported by provinces, there is inconsistent implementation of performance management systems;
- The inadequate management of performance has a further negative consequence in municipalities' ability to develop and submit annual performance reports to the AG as required by legislation;
- If the complexity and number of functions (38 in Schedules 4B and 5B of the Constitution) are considered, it could be argued that the share of municipal employment is inadequate to perform the range and complexity of functions. The figure below shows the share increased from 38,7% in 2006 to 41,6% in 2020.

Figure 7: Municipal employment vs national public administration, 2006-2020



Source: Stats SA: Non-Financial Census 2020

- When the CoGTA staff complement is compared to that of the DPSA, it is clear that the ratio is not aligned to the staff ratios between national/provincial and local government. Although the CoGTA staff has added support from the provincial CoGTAs as far as implementation support is concerned, the policy and monitoring areas are inadequately resourced. Provincial CoGTAs also have varying levels of capacity. Whilst there is seeming structural alignment between the vision, strategic goals and programmes of the provincial COGTAs, the budgets of the departments reflect a huge variance amongst departments as to the interpretation of their mandate and strategic focus;
- Vacancy rates are often over reported because many municipalities still report on outdated organograms and this means they appear to have massive vacancy rates, even though these contain unfunded positions;
- Despite the promulgation of regulations to guide appointment procedures, some municipalities continue to appoint municipal managers and senior managers who do not meet the minimum competencies prescribed for their posts;
- Employment equity targets for women, youth and people living with disability are not being met; and
- The lack of technical skills is particularly acute in finance and engineering services, with a shortage of technical skills in road transport and wastewater treatment.

4.9.5 National recommendations

- Provincial CoGTAs should be strengthened to enable them to fulfil their statutory obligations with support of NT, DPSA and DPME assessments on organisational structures and budgets;
- Prototype organograms should be implemented where the existing ones are not functional and in line with the municipal grading norms and standards;
- As recommended by several provinces, more effort is required to ensure the recruitment, development and retention of women, youth and people living with disability in municipalities, including in senior management positions; and

- Attention should be given to develop shared district service hubs, which could provide an opportunity to source scarce skills and strengthen capacity in planning, engineering, project management, finance and technical service delivery functions.

SECTION 5: KEY PERFORMANCE AREA: BASIC SERVICE DELIVERY

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5.1 Introduction

According to the Constitution of the Republic of South Africa (Part B of Schedule 4 and 5), municipalities are responsible for the provisioning and regulation of key services and public goods. There remains a core set of essential services intended for all local authorities across the country. These essential services should include the following: water and sanitation services (limited to potable water supply and domestic wastewater and sewage systems); refuse removal and solid waste removal; and electricity and gas reticulation.

According to the White Paper on Local Government (1998), municipalities should conform to certain basic principles in terms of service delivery. Municipal services should be:

- accessible and communities should have access to at least a minimum level of services as a constitutional obligation;
- easy and convenient to use;
- as affordable as possible; and
- Of a predetermined standard, meaning that services should be suitable for their purpose, be timeously provided, be safe and be available on a continuous basis.

Section 73 of the Municipal Systems Act (No.32 of 2000 as amended) defines a 'basic municipal service' as a municipal service that 'is necessary to ensure an acceptable and reasonable quality of life and, if not provided, would endanger public health, safety, or the environment'. This Act further determines specific duties and requirements for all municipalities, which include giving priority to the needs of the local community; promoting the development of the local community; and ensuring that all members of the local community have access to at least the minimum level of basic services. The following areas of municipal service delivery are considered in this report:

- Access to basic services;
- Indigent policy management and free basic service delivery; and
- Municipal Infrastructure Grant (MIG) performance.

5.2 Access to basic services and infrastructure development

5.2.1 National overview

South Africa has made considerable strides toward improving the well-being of its citizens since its transition to democracy in the mid-1990s, but progress has been slowing down. Throughout the post-1994 period, government has set targets for access to services, but universal access to functional infrastructure has been elusive primarily due to infrastructure backlogs, neglect of routine operation and maintenance of infrastructure, uneven or lack of technical capacity and the application of inappropriate delivery technologies in remote rural areas.

Both urban and rural municipalities are facing challenges in sustainable service provision. For example, despite Metros rolling out major service delivery programmes, the rate of urbanisation and in-migration obscures progress as the demand intensifies. Rural municipalities battle with service provision to spatially dispersed communities. In many instances, bulk infrastructure capacity inhibits service delivery, and the cost of such investment is often prohibitive.

The following information on access to basic services and interruptions to service delivery, was drawn from the General Household Survey, 2020 and the Non-Financial Census of Municipalities, 2020. The Stats SA publication: *In-depth analysis of the Community Survey 2016 data*, was used for information on the regulation of services.

5.2.1.1 Water

The water service sector refers to water supply and sanitation services, which are predominantly provided by the Department of Water and Sanitation (DWS), water boards and municipalities. Although the DWS leads the sector through policy development, regulation, and monitoring and evaluation, it has relinquished its implementation responsibility by transferring water schemes to relevant municipalities.

According to Part B of schedule 4 of the Constitution, the provision of water services is a municipal responsibility. Not all municipalities are authorised to provide water. The two-tiered local government system requires that powers and functions be divided between category B and C municipalities to avoid duplication and coordination problems. Authorisation is granted to all category A (metros) municipalities while category B (local) municipalities are authorised in certain instances and category C (district) municipalities in others.

An authorised municipality may appoint another organisation (including another municipality) to provide the water services function on its behalf. Such organisations are referred to as water service providers. Although most South African households have access to, and use piped water, a sizeable percentage of households, particularly in rural municipalities, still must rely on other sources of water.

The Non-Financial Census of Municipalities of 2020 found that of the nearly 13.6 million domestic consumer units¹ that received water in 2020, 9.9 million units had access to water inside the yard, 3 million units had water within 200 metres from their yard and 682 000 units had access more than 200 metres from their yard.

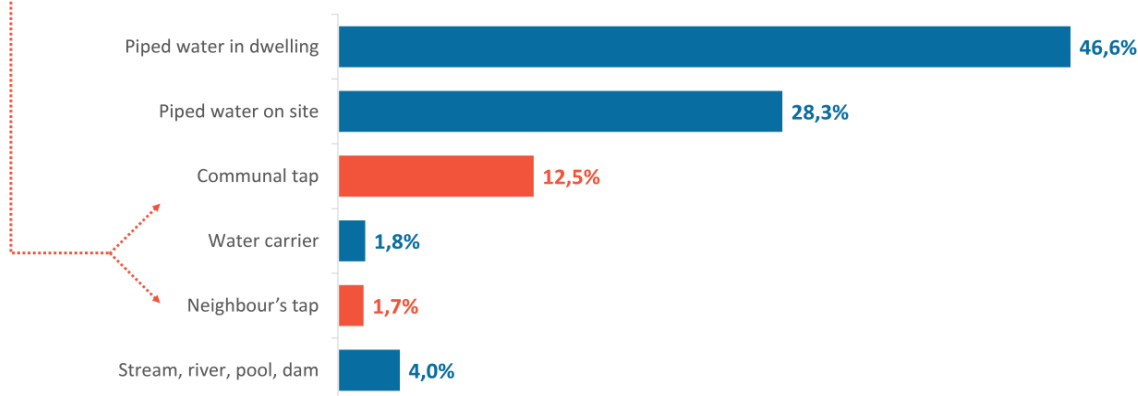
According to the General Household Survey (GHS), 2020, the percentage of households with access to an improved source of water increased from 84,4% to 89,1% between 2002 and 2020. The increases were most notable in Eastern Cape (+16%) and KwaZulu-Natal (+11,5%). Despite these notable improvements, access to water declined in six provinces between 2002 and 2020. The largest decline was observed in Mpumalanga (-2,6%), Limpopo (-2,5%) and Free State (-2,3%). Although these declines have been registered, more households still had access to piped water in 2020 than 2001.

¹ A consumer unit is defined as an entity to which the service is delivered, and which receives one bill if the service is billed, alternatively known as the delivery point. Households and consumer units do not coincide one to one, particularly in blocks of flats, on stands where there are multiple households in the same dwelling, or in additional dwellings such as garden flats, backyard rooms etc., and in the case of public taps (Stats SA, Non-financial census of municipalities for the year ended 30 June 2020, p.31).

Figure 8: Percentage of households by selected main water source, 2020

Around 14% of Households relied on a communal or neighbours tap, for main sources of drinking water. 89,1% of SA households have access to improved water sources

Percentage of households by selected main water source, 2020



Source: Stats SA, GHS 2020

Tap water inside their dwellings, off-site or on-site was most common among households in Western Cape (98,5%), Gauteng (98,0%), and Northern Cape (91,8%) and least common in Limpopo (71,3%) and Eastern Cape (72,1%). Since 2002, the percentage of households in Eastern Cape with access to water increased by 16% and those in KwaZulu-Natal by 11,5%. Nationally, the percentage of households with access to tap water in their dwellings, off-site or on-site increased by 4,7%. Despite these notable improvements, access to water declined in six provinces between 2002 and 2020. The largest declined was observed in Mpumalanga (-2,6 %), Limpopo (-2,5 %) and Free State (-2,3%).

An estimated 46,6% of households had access to piped water in their dwellings in 2020. A further 28,3% accessed water on-site while 12,5% relied on communal taps and 1,7% relied on neighbours' taps. Although generally households' access to water improved, 3,0% of households still had to fetch water from rivers, streams, stagnant water pools, dams, wells and springs in 2020. In metropolitan areas, 98,1% of households had access to tap water. This type of access to water was most common in Nelson Mandela Bay

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(100%), Cape Town (99,8%), and Johannesburg (99,5%). Mangaung (87,4%) and the City of Tshwane (94,9%) recorded the lowest access amongst metros.

The functionality of municipal water supply services measures the extent to which households that received water from a municipality had reported, over the 12 months before the survey, interruptions that lasted more than 2 days at a time, or more than 15 days in total during the whole period. Households in Limpopo (58,5%) and Mpumalanga (56,4%) reported the most interruptions, while households in Western Cape (5,2%) and Gauteng (9,9%) experienced the least interruptions. Approximately one-fourth (28,6%) of South African households reported some dysfunctional water supply service in 2020.

Compared to households nationally, a much smaller percentage of households in metropolitan areas reported water interruptions (12,1% compared to 28,6%). Water interruptions were most common in Nelson Mandela Bay (28,1%), Buffalo City (24,6%) and eThekweni (19,1%) and least common in Cape Town (4,2%) and Johannesburg (7,3%).

5.2.1.2 Sanitation

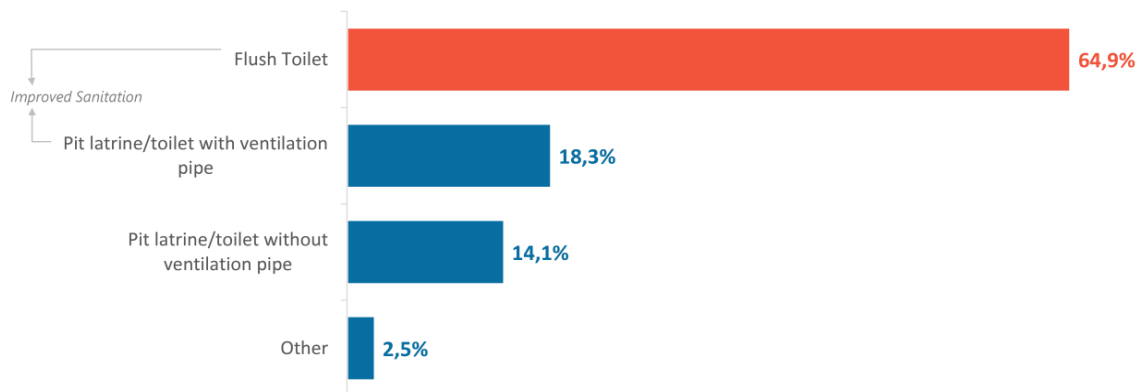
The Department of Water and Sanitation (DWS) is mandated to regulate the sanitation sector in South Africa, and to provide macro planning, bulk regional services and monitoring. The Constitution commits the national and provincial governments to monitor and regulate the performance of municipalities with respect to the functions listed in Schedules 4 and 5 of the Constitution.

According to the GHS, 2020, the percentage of households with access to improved sanitation increased from 61,7% to 83,2% between 2002 and 2020. The most improvement was noted in Eastern Cape where the percentage of households with access to improved sanitation increased from 59,3% to 92,7%, and Limpopo in which access increased from 31,8% to 58,7%. The installation of pit toilets with ventilation pipes played an important part in achieving the large improvements.

Figure 9: Percentage of households by type of toilet facility, 2020

Almost two-thirds of South African households have access to flush toilets while 83,2% had access to improved sanitation. *Less than 1% no access to sanitation facilities.*

Percentage of households by type of toilet facility and province, 2020

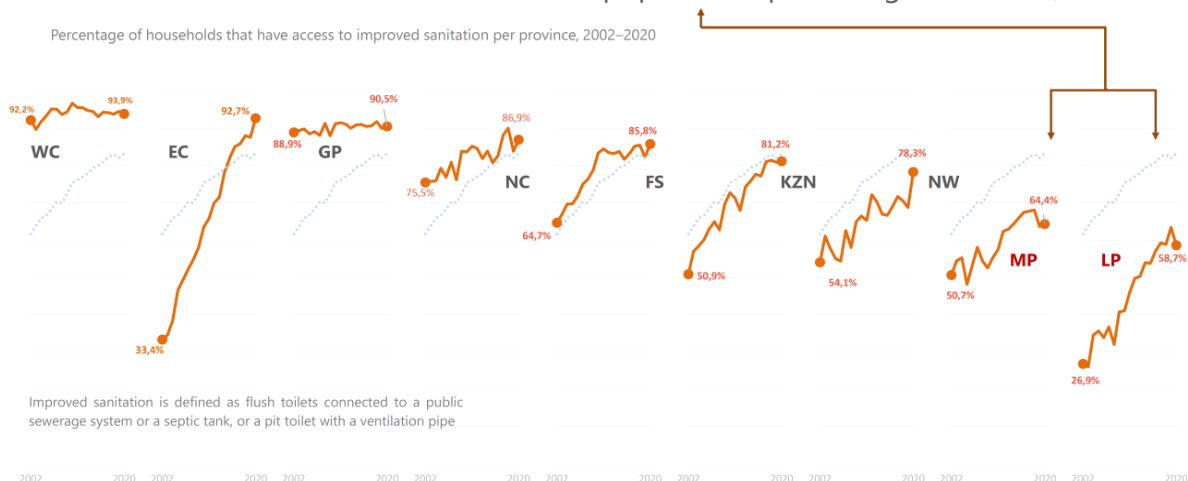


Source: Stats SA, GHS 2020

Nationally, the percentage of households with access to improved sanitation increased from 61,7% in 2002 to 83,2% in 2020. While most households in Western Cape (93,9%) and Eastern Cape (92,7%) had access to improved sanitation, access was most limited in Limpopo (58,7%) and Mpumalanga (64,4%). In Eastern Cape, households' access to improved sanitation facilities increased by 59,3% between 2002 and 2020, growing from 33,4% to 92,7%.

Figure 10: Percentage of households that have access to improved sanitation per province, 2002-2020

Majority of households in WC (93,9%) and GP (90,5%) had access to improved sanitation, access was most limited in Limpopo and Mpumalanga, 2020 SA Averages is 83,2%



Source: Stats SA, GHS 2020

Almost two-thirds (64,9%) of households nationally used flush toilets that were either connected to a public sewerage system or a septic or conservancy tanks, while another 18,3% used pit toilets that are connected to ventilation pipes. Households that did not have access to improved sanitation facilities largely depended on pit toilets without ventilation pipes (14,1%). The use of flush toilets was most common in Western Cape (93,0%), Gauteng (87,0%) and Free State (77,4%), but less than one-quarter (24,2%) of households in Limpopo used them. The largest percentage of pit toilets with ventilation pipes were observed in Eastern Cape (44,9%) and Limpopo (34,5%). In the absence of flush toilets, 74,7% of households in Limpopo used pit latrines, most (40,2%) without ventilation pipes. More than one-third (35,5%) of households in Mpumalanga and 20,5% of households in North West used pit toilets without ventilation pipes.

In metropolitan municipalities, households' access to improved sanitation was highest in Nelson Mandela Bay (98,9%), Buffalo City (93,7%) and least common in eThekweni (80,2%) and City of Tshwane (83,4%).

According to the Non-Financial Census of Municipalities 2020, over the period 2019 to 2020, Gauteng, KwaZulu-Natal and Limpopo were the only provinces that reported zero in the provision of bucket toilets by municipalities. Free State and Eastern Cape provinces reported an increase in the provision of bucket toilets from 2019 to 2020. The largest percentage decrease in the provision of bucket toilets was reported in North West (-20,9%), followed by Western Cape (-14,0%). The highest increase in the provision of bucket toilets was reported in Free State (27,1%).

5.2.1.3 Electricity

Although Eskom is responsible for the generation and bulk transmission of electricity, Schedule 4B of the Constitution allocates the authority to distribute electricity to municipalities in their areas of jurisdiction subject to legislation and regulation by national and provincial government. The Municipal Systems Act establishes municipalities as service authorities and introduces a distinction between authority and provider.

While the authority function includes the development of policies, drafting by-laws, setting tariffs, and regulating the provision of services in terms of the by-laws and other mechanisms, the service provider undertakes the actual service provision function. The Electricity Regulation Act (Act No. 4 of 2006, as amended) states that persons operating an electricity 'distribution facility' must have a licence to do so. NERSA has licensed 188 distributors, including six metropolitan municipalities, 2 metropolitan electricity service providers (City Power and Centlec), 164 local municipalities, 1 district (uMkhanyakude District Municipality), 13 private distributors and Eskom.

Although all municipalities with a NERSA distribution licence are electricity service authorities, this licence does not confer service authority status as this can only be done by the minister responsible for local government. According to the Municipal Structures Act, the responsibility to distribute electricity is allocated to a district municipality unless a local municipality is authorised to do so by the national Minister responsible for local government.

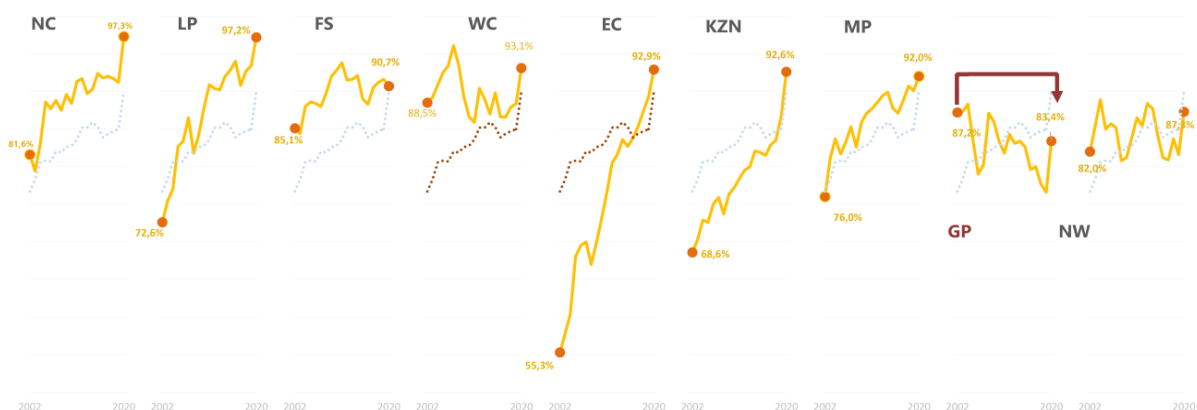
SALGA pointed out that Eskom is involved in the distribution of electricity in 140 municipalities, but that these municipalities do not have service delivery agreements in place. Many municipalities consequently fail to make payments for Eskom for the electricity delivered to households in its jurisdiction, leading to an accumulation of debt and threats by Eskom to start cutting off electricity to municipalities. Electricity distribution is a major source of revenue for municipalities as the Municipal Fiscal Powers and Functions Act allows municipalities to levy a surcharge on electricity tariffs, even if Eskom provides it.

The GHS 2020 reported that an increase in the percentage of households that were connected to the electricity supply from the mains from 76,7% in 2002 to 90,0% in 2020, was accompanied by a decrease in the use of wood (20,0% to 8,1%) and paraffin (16,1% to 3,4%) over the same period. The common use of wood and coals for cooking purposes was still prevalent in rural provinces such as Limpopo (37,1%) and Mpumalanga (18,9%). One fifth of households (21,5%) did not use electricity for cooking in 2020.

Figure 11: Percentage of households connected to the mains electricity supply by province, 2002-2020

Declines in **connection to electricity** in **Gauteng** can be associated with the rapid in-migration experienced by the province.

Percentage of households connected to the mains electricity supply by province, 2002–2020



Source: Stats SA, GHS 2020

The percentage of South African households that were connected to the mains electricity supply increased from 76,7% in 2002 to 90,0% in 2020. Households with access to mains electricity were most common in Northern Cape (97,3%) and Limpopo (97,2%), and least common in Gauteng (83,4%) and North West (87,3%). The largest increases between 2002 and 2020 were observed in Eastern Cape (+37,6%), and Limpopo (+24,6%) while the percentage of households with access to mains electricity declined in Gauteng (-3,8%). This decline can be associated with the rapid in-migration experienced by the province and the associated increase in household numbers.

Most of South African households that had access to electricity used pre-paid meters (80,6%), while 12,3% were still billed using a conventional meter. A large percentage (7,1%) of households obtained electricity from other sources (e.g. neighbour or landlord). This figure was particularly large in Gauteng (14,1%). The use of conventional meters was highest in Gauteng (22,0%) and KwaZulu-Natal (18,1%).

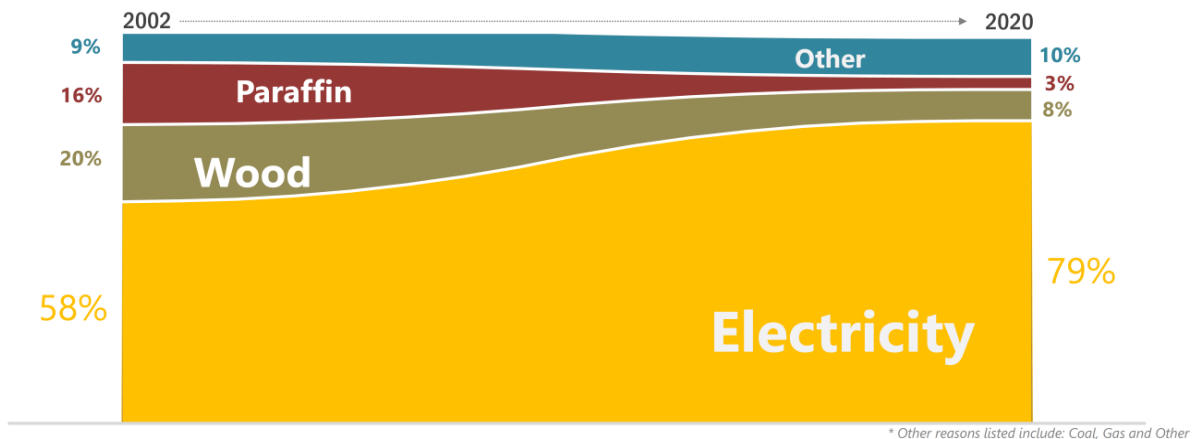
Households that used conventional electricity meters were slightly more common in metros (19%) than nationally (12,3%). The use of conventional meters was most widespread in eThekweni (30,6%) and Ekurhuleni (25,9%) and least common in Nelson Mandela Bay (1,1%) and Buffalo City (4,1%). Pre-paid meters were, by contrast, most common in Nelson Mandela Bay (96,9%) and Mangaung (93,5%). It is notable that more than one-fifth (21,8%) of households in the City of Johannesburg obtained electricity from other sources (e.g. neighbour or landlord) compared to 10,6% across all metros.

The percentage of households that used electricity for cooking increased from 57,5% in 2002 to 78,5% in 2020. Simultaneously, the use of paraffin, coal and firewood declined notably. The percentage of households that used paraffin declined from 16,1% in 2002 to 3,4% in 2020, while the percentage of households that used firewood decreased from 20,0% to 8,1%. The percentage of households that used gas increased from 2,2% in 2002 to 4,5% in 2020.

Figure 12: Types of energy used for cooking, 2002-2020

Paraffin and wood as a source of energy for cooking continues to decline as electricity becomes more accessible.

Energy used for cooking, 2002-2020



Source: Stats SA, GHS 2020

The percentage of households that used electricity as a main source of energy for cooking was highest in the Northern Cape (86,9%) and Free State (85,5%), and lowest in Limpopo (60,7%). The use of paraffin was most common in Gauteng (6,6%) and least common in Western Cape (0,1%). The use of wood and coal was particularly noticeable in Limpopo (37,1%), Mpumalanga (18,9%), Eastern Cape (9,7%) and KwaZulu-Natal (8,5%). Less than one per cent of households used wood for cooking in Western Cape and Gauteng (0,3% and 0,5% respectively). Gas was most frequently used by households in Western Cape (13,5%) and Northern Cape (11,1%).

5.2.1.4 Solid waste removal

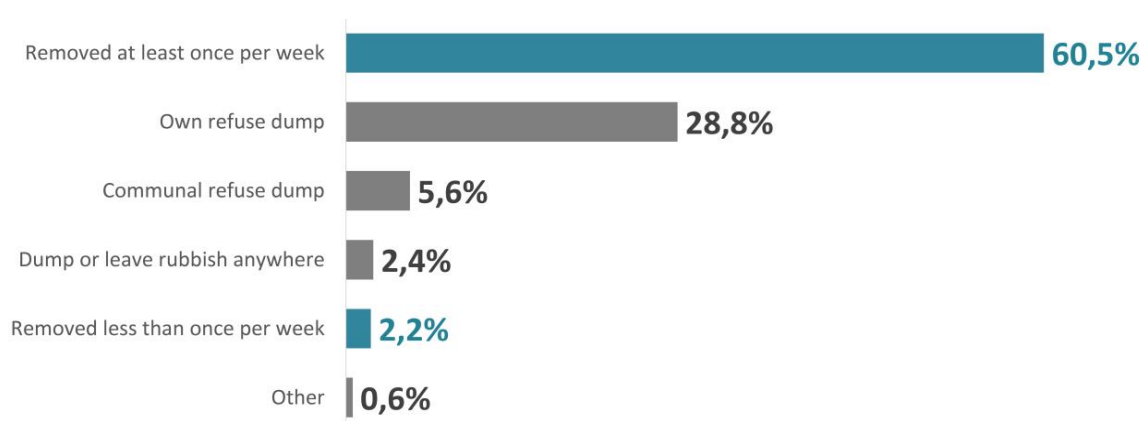
The management of solid waste, including the responsibility for refuse removal, refuse dumps, solid waste removal and cleansing, is primarily a local government function assigned to it by Section 156(1) (a) of the Constitution, as read with Schedule 5. The roles of national and provincial governments are outlined in the Waste Act. Local governments are tasked with the sustainable delivery of services subject to the national and provincial regulations and standards.

According to the GHS, 2020 62,7% of households in South Africa had their refuse removed weekly or less regularly in 2020. It is notable that refuse removal was much more common in urban than in rural areas (84,5% compared to 12,5%), while 85,8% of households in metropolitan areas had access to these services.

Figure 13: Percentage of households by type of refuse removal services, 2020

Regular refuse removal for almost 62,7% of households. Almost one-third (28,8%) however used own refuse dumps in the absence of services.

Percentage of households by type of refuse removal services, 2020



Source: Stats SA, GHS 2020

Household refuse was removed at least once per week for 60,5% of all households nationally. More than one-third (34,4%) of households had to rely on communal or household refuse dumps, while 2,4% of households had no facilities at all. It is notable that most of these figures have changed little over the years. Households in urban areas are much more likely to receive some rubbish removal services than those in rural areas, while a much larger percentage of rural households are left to rely on their own refuse dumps.

Refuse removal was most common in Western Cape (87,0%) and Gauteng (85,1%), and least common in Limpopo (21,3%). Relatively little refuse removal took place in rural areas, and refuse removal was least common in the rural areas of Eastern Cape (0,5%)

and Limpopo (6,2%). Overall, 87,5% of households in rural areas discarded refuse themselves compared to only 15,5% of households in urban areas.

Refuse is removed at least once per week or less often for 85,8% of all households in metropolitan areas, notably higher than the national figure of 62,6%. Refuse removal was most common in Ekurhuleni (93,7%) and Nelson Mandela Bay (90,8%) and least common in Buffalo City (67,3%), Tshwane (76,3%) and Mangaung (79,0%).

5.2.2 Provincial reporting

There are widespread variations reported across provinces in their Section 47 reports on the delivery of services, with some of the more rural municipalities reporting challenges of backlogs, maintenance, capacity, and funding.

The **Eastern Cape** reported a general improvement of municipal performance on basic service delivery and on information provision by municipalities, although in some cases municipalities were still not meeting the required standard.

According to Gauteng province, municipalities have generally performed well at achieving annual water provision targets. The municipal performance in water service provision was aggregated at 92% in formal areas and 98% in informal areas. The City of Tshwane connected 2 826 new households to the water provision network and Ekurhuleni MM connected 2 317 new households. Communities residing in informal households were provided with water services through mobile water tankers, public standpipes and plastic tanks. The City of Tshwane provided 171 informal settlements with water, Ekurhuleni MM installed 169 water standpipes in informal settlement and provided water tankers to 119 informal settlements. Lesedi LM provided water services to all five informal settlements within its jurisdiction. Only four municipalities in Gauteng reported to have maintained the Blue Drop water quality standards in 2019/20, namely Ekurhuleni MM, Emfuleni LM, Merafong City LM and Midvaal LM.

On aggregate, municipalities have achieved a combined 90% provision of sanitation services to formal households and 98% of informal households in Gauteng in 2019/20.

The City of Tshwane, Ekurhuleni MM, Midvaal LM, Lesedi LM and Emfuleni LM reported to have provided electricity to all its licensed supply areas and all newly developed formal households were connected to the municipal grid. On aggregate, a combined 54% of informal settlements in Gauteng were provided with electricity services.

The non-revenue water and electricity has a significant impact on municipal revenue. Ekurhuleni (30%) and the City of Tshwane (30%) experienced the highest water losses in 2019/20. Merafong City LM (51%) and the City of Johannesburg (30%) had the highest electricity loss level.

A combined total of six informal settlements were formalised in Gauteng in 2019/20: City of Tshwane (3), City of Johannesburg (1), Ekurhuleni (1) and Mogale City (1).

Generally, the standard service level for residential waste collection in Gauteng was a once-a-week, door-to-door waste collection. However, illegal dumping, shortage of equipment and poor mechanical condition of plant and equipment was reported to have affected the waste collection services in Merafong City LM and Emfuleni LM. Ekurhuleni MM reported increased waste volume as collections were missed during the lockdown. The delays in the procurement of new bulk containers affected waste collection services in Mogale City LM.

According to **KwaZulu-Natal** province, the quality of information received from certain municipalities on access to water and sanitation raised questions about the general accuracy and substance of the information gathered and maintained by the municipalities. This data should be readily available from municipalities and should be regularly updated and verified, to ensure proper and accurate planning, implementation and monitoring of the water and sanitation services rendered by the water service providers.

Statistics reveal that the provision of the refuse removal service by most local municipalities in KwaZulu-Natal was limited to formal urban and semi-urban areas only. Municipalities provide different intervals of refuse removal in different areas. Most municipalities will provide daily refuse removal to businesses, with weekly refuse removal in the formal urban areas and sporadic or weekly collection at gathering points in certain semi-urban or rural areas.

Limpopo reported that municipalities continued to deliver basic service to communities, but municipalities should establish a delicate balance between delivering and improving current services, maintaining existing infrastructure and extending infrastructure to eradicate the historical backlog. The province reported that 974 851 households had access to potable water, 836 880 households had access to sanitation, 1 264 218 households had access to electricity and 732 233 households had access to refuse removal. The provision of water remained a huge challenge in communities, while there was a need to improve waste collection in rural areas. The province reported 36 licensed landfill sites and 10 unlicensed landfill sites.

In **Mpumalanga**, Ehlanzeni District reported an increase of 26 250 households for access to portable water for 2019/20. The City of Mbombela and Bushbuckridge recorded a decrease in access to sanitation due to ageing infrastructure and non-prioritisation of sanitation projects. The water challenges also contribute to the difficulties experienced by communities on sanitation. Gert Sibande District reported an increase of 1998 households in access to water and an increase of 24 216 households with access to sanitation in 2019/20. Nkangala District also indicated increases in access to water (6 954 households) and sanitation (9 043 households).

There has been a bucket system re-emergence at Victor Khanye Local Municipality, which resulted in 49 bucket systems in 2019/20 due to illegal land invasion in Mandela and Brakfontein Informal settlement. This is despite the efforts by the Provincial Government to eradicate the bucket system in these areas completely, by relocating the informal settlement from this area to Botleng Ext 6 & 7.

There was a decrease in the access to electricity at Nkomazi LM because of the illegal connections and distribution losses. Another reason was that electricity bulk infrastructure is unable to cope with the high demand for electricity which results in power interruptions and low voltage. The Emalahleni LM has registered a slight increase of 0.13% access to electricity due to electrification of households in 7 Wards and the installation of solar light in Cacadu, Dordrecht and Indwe. Steve Tshwete LM had a decrease in the access to electricity because the demand exceeded the Eskom NMD by 55 MVA. Emakhazeni LM also had a decrease due to illegal connections and distribution losses. The Thembisile Hani LM had a slight increase of 2.08% in the access to electricity due to new connections.

In terms of refuse removal, Ehlanzeni District (-18 222) and Gert Sibande District (-2 662) reported a decrease in the number of households with access to refuse removal, while Nkangala District reported an increase of 5 198 households.

The **Northern Cape** stated that water scarcity has been identified in some areas of the province. To accelerate the number of households with access to water and sanitation services, government has introduced the Water Services Infrastructure Grant (WSIG). Fourteen municipalities in the Northern Cape were allocated R319,620 million in 2019/20 to implement projects under WSIG. Only 52.23% of the funds were spend, with less than 55% expenditure in Nama Khoi LM (14%), Kamiesberg LM (48%), Umsobomvu LM (54%), Sol Plaatje LM (54%) and Gamagara LM (38%).

Five municipalities in the Northern Cape received funding through the Regional Bulk Infrastructure Grant (RBIG) for access to bulk water and sanitation through regional bulk projects. A total of R116, 957 million was awarded to the municipalities through the budget and adjustment budget. Hantam LM and Emthanjeni LM reported 100% expenditure of the grant, while no expenditure was reported in Karoo Hoogland LM, Kgatelopele LM and Gamagara LM.

In terms of sanitation, it was indicated that municipalities must maintain their water waste treatment works (WWTW) as the last Green Drop Report has indicated some of the plants were in a critical state of risk.

Municipalities in the Northern Cape received R200,092 million in the budget and adjustment budget for the Integrated National Electrification Programme Grant (INEP) to fund bulk infrastructure (substations and lines), of which 41.18% was spent. Seven municipalities spent 100% of the grant, one municipality 99% and one municipality 88%. The grant was mostly used for electrical connections in previously disadvantaged areas and for bulk infrastructure in some municipalities. However, the municipalities with the bigger allocations Ga-Segonyana LM (no reported expenditure), Gamagara LM (52.28%), Sol Plaatje LM (48.34%), Dawid Kruiper LM (70.23%), Umsobomvu LM (63%) and Phokwane LM (16.26%) did not perform that well.

North West reported that 89% of households had access to a basic level of water, 88% of households had access to a basic level of electricity, while access to basic level sanitation was at 62% and access to a basic level of solid waste removal at 75%. The local municipalities with the highest reported level of access of between 96% to 98%, were City of Matlosana, JB Marks and Moretele. Sanitation and solid waste access were still very low in some municipalities. Solid waste access was below 50% in the local municipalities of Tswaing, Ratlou, Ditsobotla and Kagisano Molopo. Sanitation access was below 50% in the local municipalities of Ratlou, Tswaing, Mahikeng, Ramotshere Moiloa, Kagisano Molopo, Moses Kotane, and Madibeng.

In the **Western Cape**, it was reported that, out of 25 municipalities, 19 municipalities supplied 100% access to basic waste removal, 13 municipalities supplied 100% access to basic water, 12 municipalities supplied 100% access to basic electricity and 15 municipalities supplied 100% access to basic sanitation. Only one local municipality supplied below 80% access to basic waste removal (Langeberg); three local municipalities and the City of Cape Town supplied below 90% access to basic water (Theewaterskloof, Hessequa, Saldanha Bay); two local municipalities supplied below

90% access to basic sanitation (Cederberg, George); and only three local municipalities supplied below 90% access to basic electricity (Cederberg, Hessequa and Knysna).

Access to piped water for the City of Cape Town grew from 87,6% to 88,8% and compliance with prescribed national water quality standards amounted to over 99%. At Theewaterskloof LM, all residents in urban areas in the service area of the municipality have access to water services and free basic water is provided to all. It is however estimated that there may still be households on the farms in the rural areas, with existing service levels below RDP standards.

Cederberg LM's low access to electricity is due to a shortage of power from the Eskom. Some informal settlements in Cape Town MM, mainly in Eskom supply areas, remain under-connected or unconnected. Some households in this category have the added challenge of being located on private property, land below the 1:50-year flood line, land under power lines or in road or rail reserves and storm water retention or detention ponds, amongst others.

Cederberg LM and Hessequa LM have shown low levels for sanitation. Cederberg raised specific challenges around funding constraints related to the completion of their Citrusdal Waste Water Treatment Works. Hessequa indicated that there are households calculated within the rural areas (not within urban edges) to which the municipality does not render sanitation services directly.

5.3 Indigent policy management and free basic service delivery

5.3.1 National overview

The National Framework for Municipal Indigent Policies provides a framework, which municipalities can use to build their own indigent policies. It also forms the basis for actions that national government can take to ensure municipalities perform on their

constitutional mandate to ensure access to basic municipal services for all. It defines the term 'indigent' as "lacking the necessities of life", which are the goods and services necessary for an individual to survive, including sufficient water, basic electricity, basic sanitation and refuse removal.

The Local Government Equitable Share is the share of nationally raised revenue, which is payable to the local government sphere in terms of section 214 of the Constitution. This transfer supplements municipal revenue for the provision of free basic services to poor households, and for the funding of institutional capacity and support to weaker municipalities. For the 2019/20 financial year, the DCoG transferred R65,6 billion to all receiving municipalities to enable them to provide free basic services to poor households and to maintain the basic municipal administration as contemplated in the Constitution.

Municipalities must develop their own indigent policies to provide free basic services to poor households. The Municipal Indigent Policy supports the national initiative of improving the lives of indigents by providing access to free basic services. It is compulsory that all municipalities develop credible indigent registers to provide free basic services, however, municipalities, particularly low-capacity municipalities struggle to develop credible indigent registers and managing them. They simply do not have the skills or the resources to succeed. Consequently, the Free Basic Services (FBS) programme in such municipalities is fragmented and the outputs from the indigent registers they have built are often inaccurate and not credible.

Various relevant national departments have produced sector specific policies and strategies for the implementation of FBS, which refer to the minimum standards regarding the provision of FBS. The minimum service level for Free Basic Water (FBW) supply is 6 kilolitre per month to those with plot or house connections. The Department of Energy has set the basic level of energy provision for Free Basic Electricity (FBE) to poor households at 50 kilowatts per month, for an average poor household.

In most municipalities, benefitting from the FBS subsidy is linked to households having a municipal account, which then implies that a majority of those intended to benefit are not

benefiting from the programme due to the lack of such an account. The majority of the poor live in informal settlements or deep rural areas and are not municipal account holders and are therefore excluded from the indigent registers. The fluctuations on the indigent registers of municipalities were the manifestation of many challenges such as changes in targeting methods, annual registrations, and lack of awareness raising campaigns.

According to the *Non-financial census of municipalities for the year ended 30 June 2020* by Stats SA, 14,1 million consumer units received water from municipalities in South Africa, of which 3,4 million (23,9%) consumer units received free basic water services. Western Cape showed the highest proportion of consumer units that benefited from the free basic water services policy (39,8%), followed by Eastern Cape (31,0%) and KwaZulu-Natal (30,3%). The provinces with the lowest proportion of consumer units that benefited from the free basic water services policy were Limpopo (7,9%), Mpumalanga (8,4%) and North West (10,1%).

According to 2020 estimates, 12,8 million consumer units received sewerage and sanitation services from municipalities in South Africa, and 22,1% of these consumer units had access to free basic sewerage and sanitation services. Western Cape showed the highest proportion of consumer units that benefited from free basic sewerage and sanitation services (45,0%), followed by Eastern Cape (27,9%) and Gauteng (24,4%). The province with the lowest proportion was Limpopo (4,5%), followed by North West (8,4%) and Mpumalanga (8,7%). There were 2,8 million consumer units receiving free basic sewerage and sanitation services from municipalities in 2020 compared with 2,9 million consumer units in 2019.

According to 2020 estimates, 12,5 million consumer units received electricity services from municipalities in South Africa and 2,4 million (19,0%) consumer units had free basic electricity services. Gauteng showed the highest proportion of consumer units that benefited from the free basic electricity services policy (28,9%), followed by Western Cape (28,1%) and Northern Cape (24,3%). Limpopo showed the lowest proportion (5,5%), followed by Mpumalanga (8,1%) and North West (10,4%).

According to 2020 estimates, 10,5 million consumer units received solid waste management services from municipalities in South Africa, and 26,0% of these consumer units had access to free basic solid waste management services. Western Cape showed the highest proportion of consumer units that benefited from free basic solid waste management services (44,4%), followed by KwaZulu-Natal (39,1%) and Northern Cape (27,4%). The province with the lowest proportion was Limpopo (7,1%), followed by Mpumalanga (14,2%) and North West (14,9%).

The number of registered indigents (households) were recorded as 3 580 006 at June 2020, which was more than 3 363 990 at June 2019. The number of beneficiaries for water was 2 686 289, for electricity 2 108 202, for sewerage and sanitation 2 048 575 and for solid waste management 2 430 817.

5.3.2 Provincial reporting

The **Eastern Cape** reported that the limited resources of the province influenced the commitment to achieve access to basic services. All municipalities had credible indigent policies, but some municipalities failed to meet the required standard.

It was reported by **KwaZulu-Natal** that most municipalities in the province do have indigent registers in place; however, it is not known how many of these are pro-actively developed by the municipality. Some municipalities utilise existing indigent registers, such as those developed and maintained by Eskom, due to a lack of own internal capacity to develop and maintain its own indigent registers. Richmond LM and Zululand DM indicated that they did not have indigent registers in place, while three municipalities did not provide information. Most municipalities in KwaZulu-Natal, which had data available on the number of households registered in its indigent register, showed very little movement, year on year, in the numbers of households registered in the indigent register. The number of municipalities which have not provided information on the numbers of households registered in the indigent register have increased from 2018-19, with no less than 19 municipalities not providing information on this.

Mpumalanga reported that in 2019/20 there was a total of 152 948 indigents of which 152 948 were served with free basic refuse removal as compared to 124 779 that were served in 2018/19, indicating an increase of 28 169 in the province. All indigents were served with free basic electricity as compared to 124 779 that were served in 2018/19, showing an increase of 28 169.

Limpopo reported that free basic services were provided in varying ways and quantities by municipalities. FBE was provided to 324 098 households, while FBW was provided to 290 701 households and FBS to 190 246 households.

All municipalities in the **Northern Cape** had adopted the FBS policy and implemented indigent registers with qualifying households. Municipalities provided 6 kl free basic water per household per month, but Kamiesberg LM provided only 2 kl free basic water per household per month. Sol Plaatje LM reported the highest number of households which received FBS, namely 11 509 households.

North West found that all municipalities are compliant with the implementation of the FBS policy, however, the implementation is not achieving its intended purpose due to the targeting approaches utilised by municipalities. There is generally a disjuncture between the number of indigents as per municipal indigent register and the number of indigents as per the fiscal allocation. The programme is not adequately capacitated at municipal level and some of the policies are outdated.

There are 24 local municipalities and one metropolitan municipality, which provide services in the **Western Cape**. All these municipalities provided free basic services, however the percentage of indigent households with access vary. According to the province, the lockdown had a massive impact on the number of indigents and demand for free basic services.

5.4 Municipal Infrastructure Grant (MIG) expenditure

5.4.1 National overview

The MIG Programme entered its fifteenth year of implementation in 2019/20 and is aimed at providing grant funding to municipalities to implement infrastructure that would allow municipalities to provide at least a basic level of service to poor households. The programme was introduced as part of major reforms implemented by government to improve service delivery in a coordinated manner that involves all government spheres. DCoG manages the MIG by exercising its mandate to foster cooperative governance and to develop capacity in the local government sphere.

The objectives of the MIG Programme as indicated in the MIG Policy Framework document (2004) are to: a) fully subsidise the capital costs of providing basic services to poor households: this implies that priority must be given to meeting the basic infrastructure needs of poor households, through the provision of appropriate bulk, connector and internal infrastructure in key services; b) distribute funding for municipal infrastructure in an equitable, transparent and efficient manner which supports a coordinated approach to local development and maximises developmental outcomes; c) assist in enhancing the developmental capacity of municipalities, through supporting multi-year planning and budgeting systems; and d) Provide a mechanism for the coordinated pursuit of national policy priorities with regard to basic municipal infrastructure programmes, while avoiding the duplication and inefficiency associated with sectoral fragmented grants.

The MIG supports the development of new and the upgrading of infrastructure to provide basic services (water, sanitation, refuse), roads and social infrastructure for poor households in all non-metropolitan municipalities. It also allows for the renewal of infrastructure servicing the poor and the maintenance of roads servicing the poor as identified through the Rural Roads Access Management System (RRAMS).

Municipal Infrastructure Grant makes specific transfers to supplement municipal capital budgets to eradicate backlogs in municipal infrastructure delivery. DCoG reported MIG expenditure amounting to R11,7 billion (79.1%) of expenditure, as at the end of June 2019/20.

Table 3: National Overview of MIG Expenditure as of 30 June 2020

Province	Revised Allocation (R'000)	Transferred to date	Transfers as % allocation	Expenditure to date	Expenditure as % allocation	Expenditure as % transferred
Eastern Cape	3,060,840	3,060,840	100%	2,396,465	78.29%	78.29%
Free State	770,107	770,107	100%	649,352	84.32%	84.32%
Gauteng	312,842	312,842	100%	142,392	45.52%	45.52%
KwaZulu-Natal	3,215,816	3,215,816	100%	2,862,792	89.02%	89.02%
Limpopo	2,944,637	2,944,637	100%	2,074,693	70.46%	70.46%
Mpumalanga	1,813,621	1,813,621	100%	1,647,840	90.86%	90.86%
Northern Cape	457,801	457,801	100%	299,966	65.52%	65.52%
North West	1,797,741	1,797,741	100%	1,316,542	73.23%	73.23%
Western Cape	442,698	442,698	100%	330,646	74.69%	73.93%
Total	14,816,103	14,816,103	100%	11,720,688	79.11%	79.08%

Source: MIG DoRA – June 2020

These were the figures as of 30 June 2020 and was reported to DCoG by 10 July 2020 by municipalities via provinces. The Annual Financial Statements reported by municipalities would most likely reflect updated expenditure figures in comparison to the above table.

The provinces that reported the highest levels of expenditure are Mpumalanga and KwaZulu-Natal provinces that have spent 89% and 91% of their allocation of

approximately R1,8 billion. Gauteng had the lowest expenditure with 45 %, which was due to the poor spending of Emfuleni LM during the 2019/20 financial year.

Thirty-two percent (32%) of the total allocation was spent on roads and storm water, 24% percent was spent on water, 21% on sanitation, 5% on solid waste and another 18% on sport and recreational facilities, and 11% on community facilities such as cemeteries, community halls, libraries and disaster management centres.

In 2019/20, 64,614 households received water connections and 42,852 households were provided with sanitation services. A total amount of 1 058 km of roads were upgraded, rehabilitated or constructed and 45 715 households were provided with community lighting. Work opportunities and full-time equivalents amounting to 372,154 were created.

The trend has been that municipalities spend 30-40% of their MIG allocations in the last quarter of the municipal financial year. In 2019/20 municipalities only spent on average 21% of their allocations in the last quarter (April – June 2020).

5.4.2 Provincial reporting

The Section 47 reports provided information on MIG expenditure per province, with the impact of the COVID-19 lockdown also mentioned:

In the **Eastern Cape**, 18 municipalities reported a 100% expenditure on MIG for 2019/20, which was less than the 21 municipalities in 2018/19. Three municipalities achieved expenditure of between 90% and 99%, while four municipalities achieved expenditure of between 80% and 89%. Nine local municipalities achieved MIG expenditure of below 80%: Amahlathi (31%), Great Kei (64%), Ngqushwa (72%), Kouga (67%), Makana (79%), Engcobo (70%), Enoch Mgijima (33%), Ingquza Hill (77%) and Port St Johns (69%).

In the **Free State**, a total of 85% out of the revised MIG allocation of R770 million was spent as at the end of June 2020. Twelve municipalities did not spend 100% of their

2019/2020 MIG allocation due to the late implementation of projects by municipalities as well as the national lockdown. An amount of R11 085 728 was spent from the 2018/19 MiG roll over of R18 39 902 in respect of Lejweleputswa District Municipality for the implementation of Masilonyana MIG projects. Nine Municipalities in the Free State received MIG funds on a cost reimbursement method whereby monthly transfers were done based on claims received by the municipality. The main expenditure on MIG was on the following categories: Sanitation (29.7%), Roads and Stormwater (23%), Water (21.4%), Sport and Recreation (9.2%) and PMU (5.3%). A total of 2 685 jobs of the planned 3 000 jobs were realised from MIG projects.

Gauteng reported that the following four municipalities underspent on the MIG in 2019/20: Merafong City LM (0%), Emfuleni LM (7%), Midvaal LM (79%) and Lesedi LM (30%).

Of the 53 municipalities that received Municipal Infrastructure Grants during the 2019-2020 financial year in **KwaZulu-Natal**, 24 Municipalities reported that there was 100% expenditure. This was a decrease from the previous financial year in which 30 Municipalities had spent 100% of the allocation. Several Municipalities reported that the impact of the national lockdown regulations resulted in delays in the implementation of infrastructure projects during the 2019/2020 financial year. Mandeni Local Municipality reported the lowest MIG expenditure of only 38.96%.

In **Limpopo**, MIG expenditure rates have been improving from 82% in 2017/18 to 92% in 2018/19. During 2019/20 the expenditure declined to 86%. Capricorn DM has performed the best with 99% expenditure in 2019/20, while Waterberg DM performed the worst with only 66% expenditure. Eleven municipalities managed to spend 100% of their allocation in 2019/20. The seven municipalities that spent less than 80% of their MIG in 2019/20 were: Fetakgomo Tubatse LM (60%), Vhembe DM (76%), Ba-Phalaborwa LM (74%), Mopani DM (71%), Lepelle-Nkumpi LM (70%), Modimolle-Mookgophong LM (51%) and Bela-Bela LM (51%).

The municipal MIG allocation for municipalities in **Mpumalanga** for 2019/20 was R1.81 billion and an amount of R1.77 billion (98%) was spent as at end of June 2020. Three local municipalities were unable to spend 100% of their allocations by the end of the financial year and these were Dr Pixley Ka Isaka Seme, Govan Mbeki and Dr JS Moroka. There was a slight decline of performance from 99% expenditure in 2018/19 to 98% in 2019/20. This was mainly caused by the delays in implementation of water and sanitation projects, which were reprioritised for implementation as an intervention to COVID-19 pandemic.

A total of R457,8 million was allocated to the **Northern Cape** municipalities for the 2019/20 financial year, of which 69.83% was spent. The slow spending by some municipalities resulted in the grant being stopped to 14 municipalities and re-allocated to five municipalities that were spending well. Four local municipalities (Hantam, Karoo Hoogland, Kareeberg and Joe Morolong) reported 100% expenditure, six municipalities reported expenditure of above 90% and four municipalities reported expenditure of above 80%. !Kheis LM reported expenditure below 50%, while the expenditure of four municipalities were unreported.

North West reported an average of 78% expenditure for MIG in the province for 2019/20, which represents a decrease from the 91% average spending over the previous three years. The lockdown had a negative impact on the implementation of MIG projects. The most expenditure recorded was in the category of water and sanitation (R639 million), roads and storm water (R496 million), social infrastructure (R165 million), economic infrastructure (R12.3 million) and waste facilities (R12 million). Only three local municipalities (Mahikeng, Ditsobotla and Kagisano Molopo) managed to spend 100% of their MIG allocation. Ten municipalities spent below 80% of their MIG, with the weakest performance by the local municipalities of Ramotshere Moiloa (53%), Madibeng LM (48%) and Ratlou (23%).

MIG expenditure in the **Western Cape** at the end of June 2020 was at 77%, which was significantly lower than the 93% and 94% recorded in the previous two years.

Municipalities like Kannaland (45.9%), George (24.3%), Laingsburg (40.4%) and Prince Albert (22.7%) achieved low expenditure figures, mainly due to poor pre-implementation planning. COVID-19 further exacerbated their respective implementation challenges. It should be noted that Witzenberg LM has achieved 100% expenditure in the previous four years and the effect of COVID-19 lockdown has resulted in Witzenberg only spending 50% of its allocation in 2019/20.

5.5 Challenges in basic service delivery

Province have identified several challenges that contribute to poor spending of MIG funding, inconsistent indigent support and Free Basic Service delivery and the general poor state of infrastructure.

In the **Eastern Cape**, the impact of COVID-19 pandemic has been a major contributing factor to the lack of completion of service delivery projects across the province. Insufficient funding for infrastructure projects such as roads and a lack of revenue were also cited as inhibiting factors. The following other challenges were identified:

- Poor planning by municipalities which delays the implementation of projects (Supply Chain Processes not adhered to resulting in late appointments of service providers);
- Poor performance by appointment service providers delays project delivery;
- A shortage of technical skills within municipalities (Town Planners, Engineers etc.);
- Drought, aging infrastructure and lack of capacity of the treatment works compromises the delivery of water services;
- Lack of community participation hinders service delivery which results in unnecessary protests;
- Development and upgrading of access roads are of poor quality and roads are easily worn out resulting in reversed backlogs; and
- Non-maintenance of septic tanks and ponds resulting in spillages.

The **Free State** reported numerous challenges in the capacity of municipalities in relation to institutional arrangements in providing Free Basic Services. These challenges relate to the capacity of municipalities and the capacity of the province to support municipalities in the FBS function. There is poor indigent register management in some municipalities, with some qualifying households excluded and persons who do not qualify entered into the register. Some municipalities provided Free Basic Water at unsustainable amounts, providing more than 6kl despite the poor financial position of the municipality.

Increased illegal connections and the bypassing of water and electricity meters, ageing infrastructure and vandalism were generally reported to have contributed to high water and electricity losses in **Gauteng**. The province indicated that COVID-19 impacted service delivery as most projects had to be delayed due to lockdown regulations. Emfuleni LM had insufficient financial resources to tackle the clearing and unblocking of sewer-lines. Despite various initiatives by municipalities, the levels of water and electricity losses remain unacceptably high across municipalities.

In **KwaZulu-Natal** some of the challenges reported, include:

- Although most municipalities have indigent registers, it is not known how many were pro-actively developed by the municipalities;
- There were some challenges with data on access to basic water and sanitation from municipalities; and
- There was a decrease in MIG expenditure in KZN, due to the lockdown.

Mpumalanga identified several challenges that affect especially water, sanitation and electricity performance in municipalities:

- Poor budgeting for operations and maintenance;
- The lack of water master plans, which point out the source for challenges of inadequate or under capacity bulk infrastructure (dams, reservoirs, waste water treatment works and water treatment works);
- The slow pace of implementation of sanitation infrastructure to improve connections to waterborne toilet systems;

- A lack of technical capacity, in particular process controllers which are inadequate for the operation of waste water treatment works;
- Huge Eskom debts in Govan Mbeki, Lekwa, Mkhondo, Msukaligwa, Dipaleseng, Emalahleni, Victor Khanye, Thaba Chweu, and City of Mbombela municipalities;
- Illegal connections and electrical infrastructure theft;
- Continued drought affected performance in the supply of water to municipalities such as City of Mbombela, Chief Albert Luthuli, Nkomazi, Lekwa, Bushbuckridge, Emalahleni, Dr JS Moroka and Thembisile Hani;
- Excessive technical water loss due to leakages and constant pipe bursts because of aged infrastructure, as well as illegal and unauthorised connections; and
- Local municipalities such as Bushbuckridge, Thaba Chweu, Nkomazi, Lekwa, Emalahleni, Msukaligwa, and Emakhazeni operating beyond bulk infrastructure capacity.

In the **Northern Cape**, the provision of water is a challenge due to water scarcity in some areas of the province and the demand of new informal settlements. While there has been an investment in water schemes to assure water supply, there is a need to strengthen focus on water conservation and water demand management. A major source of water loss is ageing infrastructure exacerbated by poor operations and maintenance at municipal level.

In **North West**, the following challenges were identified with FBS:

- Municipalities failed to prioritise projects and get necessary documents to initiate projects on time;
- There is generally lack of infrastructure in areas where indigent populations are concentrated which provides for a need of a policy framework that would provide for the provision of alternative services in such areas.;
- The FBS policy is biased toward urban settlements and that has created a room for leaving out the neediest households who are often in rural areas;

- There is a need for a more standard and concise provincial FBS policy implementation framework that can be used across local municipalities, as there are currently large differences in the quality and extent of the policies across municipalities and variety in terms of how they are implemented; and
- There is a need for coordinated effort across local and provincial government to improve the identification of and tracking of indigent households, to promote and improve FBS provision and to enhance the economic development of the poor.

The **Western Cape** identified some challenges with MIG performance in municipalities, including a lack of counter-funding and reliance on grant funding, lack of three-year capital planning and technical capacity constraints due to inability to attract candidates with the necessary certification, qualification and skill sets.

5.6 Support, interventions, trends and recommendations

5.6.1 Provincial support and interventions

The following support interventions had emerged across the various provinces:

The Municipal Infrastructure Services Agency (MISA) intervention provided capacity through the deployment of highly skilled personnel in municipalities in the **Eastern Cape**. Capacity within the existing technical personnel was insured in the form of training and bursary offers. A war-on-leaks programme has been introduced to fight leaks and spillages that cause water shortages in most WSAs. Furthermore, municipalities are encouraged to consider and take seriously community participation when implementing programmes by making sure that dedicated personnel is in place using Provincial Institutional and Social Development Guidelines. Municipalities are urged to plan for Operations and Maintenance whenever they apply for Municipal Infrastructure Grant projects.

The **Free State** reported various MIG intervention meetings, implementation sessions, monitoring meetings, one-on-one meetings with municipalities, MIG quarterly forum meetings, site visits, PMU evaluations and Ad hoc project appraisal meetings to ensure the effective monitoring of the Municipal Infrastructure Grant in 2019/20. The following seven municipalities in the Free State were supported in the development of Indigent policies: Mangaung MM, Setsoto LM, Mafube LM, Moqhaka LM, Matjhabeng LM, Ngwathe LM and Metsimaholo LM.

Municipalities in **Gauteng** implemented various initiatives to reduce their water and electricity losses:

- Meter and tariff management;
- Replaced conventional electrical meters with prepaid electricity meters as well as replacement of faulty prepaid meters;
- Installed bulk online meters at all Eskom intake points to ensure that Eskom is billing municipalities correctly;
- Undertook regular inspections and auditing of meter and installation of smart meters continued across municipalities;
- Upgraded the identified ageing electrical networks;
- Retrofitting of all 400Watt HPS floodlight on high-mast poles with new energy efficient LED type floodlights; and
- Installation of electricity pre-paid meters at Mohlakeng hostel.

The Department of Energy availed R6.4 million for electrification of Sicelo and Savanna City housing developments in Midvaal LM. The Department of Water and Sanitation donated 150 water tanks to informal area of local municipalities within Sedibeng and West Rand districts.

KwaZulu-Natal has reported various initiatives to strengthen the provision of water in the province:

- CoGTA has produced 14 draft WSAs state of water provision reports. The report outlines water access by households, service level (yard, 200 m RDP standard,

rudimentary supply) and this is referenced per ward in the entire province of KwaZulu-Natal. The report also outlines short-, medium- and long-term interventions;

- In terms of capital injection into universal access for water, approximately R 3,6 billion was allocated to water in 2019 / 2020 (RBIG / MIG / WSIG);
- WSAs have been supported through MIG, for implementation of WCWDM (water conservation / water demand management) programs;
- The Water Experts Task Team (WETT), monitored challenges, recommendations /remedial action on all matters relating to water services, including progress on the items in the Ministerial Intervention Matrix;
- An operational level platform for regular engagement between functionaries from Cogta and DWS has been put in place and was regularly engaging on implementation of water services programs, non-revenue water, monitoring of water service delivery and grant utilisation;
- CoGTA KZN is finalising a Provincial Water Master Plan and finalizing the assessment of the state of existing water, sanitation and electricity infrastructure;
- CoGTA KZN has implemented an accelerated water intervention programme to deal with short-term, high priority water projects;
- The Department of Water & Sanitation has launched the web-based WSDP (Water Services Development Plan) system and is currently support WSA distribution planning and uploading of data on to the system; and
- MISA support has been intensified in the province and additionally has undertaken some projects – sewer upgrades in Abaqulusi LM (eMondlo), water provision (boreholes) in Ubuhlebezwe LM, Dr Nkosazana Dlamini-Zuma LM and Newcastle LM.

In **Limpopo**, municipalities have been encouraged to embark on forward planning to expedite the appointment of service providers. MISA continued to provide technical support to municipalities in the province.

5.6.2 National support and interventions

Following the declaration of a National State of Disaster in terms of the National Disaster Management Act (Act No 57 of 2002) by Cabinet, **DCoG** pursued the optimal utilisation of the MIG funding to alleviate the water and sanitation challenges faced by municipalities and by doing so curb the spread of COVID-19 within communities without reliable water and sanitation services.

To allow the MIG to fund operations and maintenance of water and sanitation infrastructure in line with the declared disaster, DCoG approached the National Treasury to allow that the MIG conditions be relaxed through the invocation of Section 20(6) of the Division of Revenue Act. Municipalities were requested to reprioritise the 2019/20 allocation and give priority to water and sanitation projects that would unlock functional infrastructure. These projects were mainly on repairs and maintenance of existing infrastructure.

DCoG proposed to National Treasury through Section 20(6) that the following areas be addressed to facilitate the reprioritisation of envisaged under expenditure of 2019/20 MIG funding already transferred to municipalities in March 2020:

- (i) Allow for the utilisation of MIG funding for the repairs (unplanned) and maintenance (unplanned and planned) of infrastructure components on systems hampering the delivery of water and sanitation services to the poor; and
- (ii) Allow non-Water Services Authorities to utilise MIG to fund water and sanitation infrastructure development activities, including repairs and maintenance to curb the spread of COVID-19. The investment by the non-WSA must be informed by a mutual agreement with the relevant WSA.

DCoG engaged with the Departments of Human Settlements, Water and Sanitation to ensure that the projects to improve immediate water and sanitation needs in communities

were aligned. The reprioritised projects by municipalities were screened and signed off by DWS Regional Offices as a measure to confirm the level of coordination before it was finally registered by the DCoG.

MISA worked with the Department of Water and Sanitation (DWS), provinces and municipalities to identify areas that required interventions to combat the spread of COVID-19. The following interventions were undertaken to support communities:

- Water tankers and tanks were made available by DWS, provinces, municipalities, foundations and other interest groups, to provide destitute communities with water;
- Water sources were developed through drilling, equipping and refurbishment of boreholes;
- Hygiene packs, in the form of sanitisers and antiseptic bath soaps were distributed to densely populated and high-risk communities. MISA, through a partnership with Tirisano Construction Fund (TCF) and the IDC distributed 60 000 hygiene packs to communities and traditional leaders; and
- Lists of water infrastructure projects were prepared for funding through the MIG and other partners (e.g., Tirisano Construction Fund committed R50m towards water infrastructure projects and hygiene packs).

DCoG and its provincial counterparts supported municipalities during the pre-implementation phase of MIG projects through:

- Infrastructure programme planning support to ensure that municipalities will have projects aligned to deal with remaining backlogs;
- Projects verification support to municipalities to ensure that projects to be implemented by municipalities do meet the conditions of the grant;
- MIG implementation planning support to ensure that MIG projects are appropriately planned and scheduled for implementation; and
- Supporting municipalities to set spending trajectories on their MIG programmes.

DCoG and its provincial counterparts also assist municipalities during the implementation phase of MIG projects through:

- Ensuring that positive spending trends are maintained as per the pre-set payment scheduled. This includes frequent engagements with municipalities to maintain spending discipline and setting remedial actions on how to overcome poor expenditure trends; and
- Attending coordinated site visits to targeted projects in which all relevant stakeholders participate to confirm that projects are implemented as approved.

More intermediate (bi-monthly) transfers were made to 30 identified municipalities to promote financial performance through tighter controls on the release of MIG. Out of the 30 municipalities, only Richtersveld LM did not report any funds spent against transferred amounts by the end of June 2020. Overall, the cost reimbursement exercise seems to have had a positive impact in all provinces where it has been implemented. Officials from the national and provincial MIG units found that the closer monitoring of projects has improved the quality of the services being provided as they were able to intervene as soon as they could see that the project was not being implemented correctly in terms of both the financial and non-financial aspects. The quality of reporting also improved as contractors were compelled to provide reports that were consistent with the expenditure on the project as the project progressed.

MISA provided infrastructure support to 87 priority municipalities. Support was provided through District Support Teams (comprising of Civil Engineers, Electrical Engineers and Town Planners). MISA signed technical support plans (TSPs) with each municipality, setting out the nature and extent of support. The support focused on improving infrastructure planning, delivery, operations and maintenance. The municipalities were also supported with the development and implementation of SPLUMA compliant plans and the IUDF. Another area of focus was the implementation of Sector Plans (Energy, Water Conservation and Demand Management Plans, Operations and Maintenance plans). MISA support also contributed towards enhancement of revenue management and building technical skills pipeline and capacity in local government.

5.6.3 Provincial recommendations

In going forward, the following recommendations on service delivery and infrastructure have been made:

The **Gauteng** province made the following recommendations on improving basic service delivery in municipalities:

- Emfuleni LM in partnership with sector departments such as National Treasury, GPT and CoGTA needs to source financial resources and expertise to implement a complete replacement of old sanitation distribution lines across the municipality;
- Municipalities should improve security protection to combat water and electricity losses, as well as continue to audit and install smart meters and coordinate with the relevant law enforcement agencies to ensure consequence management;
- Municipalities should prioritise the formalisation of informal settlements and elevate the reporting thereof;
- Municipalities should address illegal dumping through education campaigns and strengthening public participation mechanisms at a local level; and
- Municipalities such as Merafong City LM and Emfuleni LM should address shortages of equipment, poor mechanical condition of plant and equipment and dedicate funds for procurement of equipment and the maintenance thereof.

KwaZulu-Natal proposed more awareness campaigns by municipalities to encourage communities to report burst pipes and improved repairs and maintenance budget and expenditure to reduce water losses. Incentives should be offered by municipalities to reconnect consumers who are illegally connected with no penalties to encourage customers to come forward and be legally connected which will in turn improve revenue collection of municipalities. There is also a need to improve budget and expenditure on repairs and maintenance to refurbish the electricity infrastructure and the implementation of the maintenance plan to reduce losses that are due to the ageing infrastructure.

Limpopo recommended that SCM processes in municipalities should be given closer attention, including training of all SCM related committees.

In **Mpumalanga**, various recommendations were made to improve the management of infrastructure delivery in municipalities:

- Contract management at municipal level should be improved, including regular meetings of BID specification and BID adjudication committees to consider projects for contracting;
- There should be appointment of qualified artisans and process controllers including capacity building in municipalities;
- CoGTA in partnership with DBSA, through the Provincial Project Management Unit should support municipalities with master planning, asset care and project preparation to improve planning, implementation and maintenance of water infrastructure.
- CoGTA should provide technical support to project management units in municipalities to improve performance on project implementation.
- CoGTA working with Districts, DWS and MISA should continue to undertake functionality assessments of all Reservoirs, Water Treatment Works, Waste Water Treatment Works, water leakages and pipe bursts to provide guidance on required remedial actions;
- Mobilization of other sectors such as DWS, DHS and the private sector should take place through the DDM to support municipalities in addressing sewer spillages;
- CoGTA working with the Department of Human Settlement (DHS) should integrate infrastructure for basic services in the implementation of integrated human settlements by DHS;
- Repayment Agreements with Eskom should be coordinated by CoGTA and Provincial Treasury. Both should continue to monitoring adherence and full implementation of repayment agreements on a monthly and quarterly basis; and
- There should be ring-fencing of the budget for waste management and prioritisation of waste management services in line with the basic services in terms of planning, development and implementation including waste management fleet.

5.6.4 Emerging trends

- Despite notable improvements, access to water declined in six provinces between 2002 and 2020;
- Approximately 28.6% of South African households reported some dysfunctional water supply services in 2020. (The functionality of municipal water supply services measures the extent to which households that received water from a municipality had reported, over the 12 months before the General Household survey, interruptions that lasted more than 2 days at a time, or more than 15 days in total during the whole period);
- There has been a decline in the functionality of municipal infrastructure due to poor asset management and under-investment in repairs and maintenance, resulting in ageing infrastructure and high losses;
- Whilst there are still a significant number of households without access to services, these are mainly in the more rural areas where densities are relatively low and it is extremely costly on a unit basis to provide new connections;
- Urban municipalities are also facing challenges in sustainable service provision. Despite Metros rolling out major service delivery programmes, the rate of urbanisation and in-migration obscures progress as the demand increases;
- A range of reasons, including rapid household growth and urbanisation, as well as a preference for flush toilets have all contributed to slow progress in sanitation access over the last 3 to 5 years. The relative scarcity of water and regular water interruptions experienced in many parts of the country might increasingly lead to the use of alternative sources of sanitation;
- Municipalities encounter difficulties when it comes to defining a household and they are uncertain whether to define beneficiaries in terms of households, account holders or citizens and how to report accordingly. The most vulnerable societal groupings are frequently not aware of the indigent policy or do not register and as a result, indigent registers are often extremely under-representative leading to them failing to be an effective means of allocating essential services; and

- Provinces have identified some challenges with MIG performance in municipalities, including a reliance on grant funding, lack of three-year capital planning and technical capacity constraints.

The **Auditor-General** has noted in previous reports that almost half of the municipalities defined as water services authorities did not have a maintenance plan for their water infrastructure. Many municipalities also failed to conduct any conditional assessments of their infrastructure to inform their plans and budgets. The municipal trend of failing to plan adequately has left most municipalities vulnerable to crisis management. Maintenance, for example, is in most cases no longer performed as a preventive measure, but on a reactive basis. Other shortcomings in the development and maintenance of infrastructure identified by the Auditor-General included the underspending of grants, delays in project completion, poor quality workmanship and inadequate monitoring of contractors.

MISA identified the need to repair water and sanitation infrastructure and restore services to communities, however the lack of funds and the poor state of readiness of municipal infrastructure were exacerbating factors. There was also inadequate coordination and planning on water services infrastructure by the Department of Human Settlements, Department of Water and Sanitation and the DCoG, which resulted in misalignment of bulk and reticulation and water service delivery vulnerabilities.

The **FFC** has found that municipal infrastructure delivery programmes are characterised by management and spending inefficiencies that include project completion delays, budget overruns, asset deterioration and under-utilisation, among others. Efficient infrastructure delivery processes are hampered by, among other factors, gaps in planning and prioritisation processes, deficient project management capabilities, stringent regulations and weak intergovernmental coordination.

The 2016 Community Survey showed the positive correlations between more urban areas with higher levels of settlement density and increased service delivery. Three main factors influence this:

- Economies of scale – the cost per household of delivering the same level of service is lower in higher density areas than in lower density rural areas;
- Technical capacity – larger urban areas are likely to have better access to experienced and skilled staff and service providers than in rural areas;
- Financial capacity - economic activity and wealth tends to be concentrated in cities and towns, resulting in an improved revenue base for urban municipalities.

At the same time these disparities are driven by a number of internal factors, including the loss of professional capacity, failure to adequately maintain infrastructure, failure to collect revenue and manage services sustainability. In many municipalities the focus on expanding access has come at the expense of repairs and maintenance, leading to unreliable service delivery and high levels of electricity and water losses. Failure to invest in operation and maintenance inevitably results in higher costs and the inability to realise revenue projections.

Assessment of local government strongly suggest that municipalities have been constrained by a lack of clarity about the functional areas listed in Schedules 4 and 5 of the Constitution. Key features that need to be addressed are the duplication of structures and functions between spheres and districts and local municipalities, and misaligned or inappropriate devolution of functions.

5.6.5 National recommendations

- The capacity for delivery of infrastructure services should be prioritised, including the relevant technical skills, planning and project management;
- More emphasis should be placed on the maintenance of existing infrastructure. Municipalities should fast-track repairs and maintenance of water infrastructure, sanitation, repair potholes, energise streetlights, attend to sewer spillages, cleaning and waste management;

- Asset management improvement should be prioritised within the scope of the amended Municipal Infrastructure Grant (MIG) framework which allow municipalities to plan for and manage existing assets using a portion of the grant;
- Planning of infrastructure implementation over longer multi-year periods should be considered; and
- The mechanism for effective FBS to the most vulnerable should be reviewed to ensure that the process is fair and easily accessible and the requisite resources are allocated.

SECTION 6: KEY PERFORMANCE AREA: LOCAL ECONOMIC DEVELOPMENT

- 6.1 Introduction

- 6.2 Number of jobs created through municipal initiatives
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 - 6.6.4 Emerging trends
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6.1 Introduction

The Constitution provides a framework for the role of local government in Local Economic Development (LED). According to Sections 152 (c) and 153 (a) of the Constitution, local government must "promote social and economic development" and it must "structure and manage its administration, and budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community".

The White Paper on Local Government (1998) states that the powers and functions of local government must be exercised in a way that meets the basic needs of the poor and the growth of the local economy. According to a report on LED by Ndaba and Rogerson (2017), LED has been anchored on the defined principle of 'developmental local government', which was introduced in 1998. This means that LED is an identified mandate which local government is required to pursue to improve the economic and social well-being of communities. The consensus is, however, that LED in South Africa has underperformed and that fresh ideas are required to reinvigorate the landscape of LED.

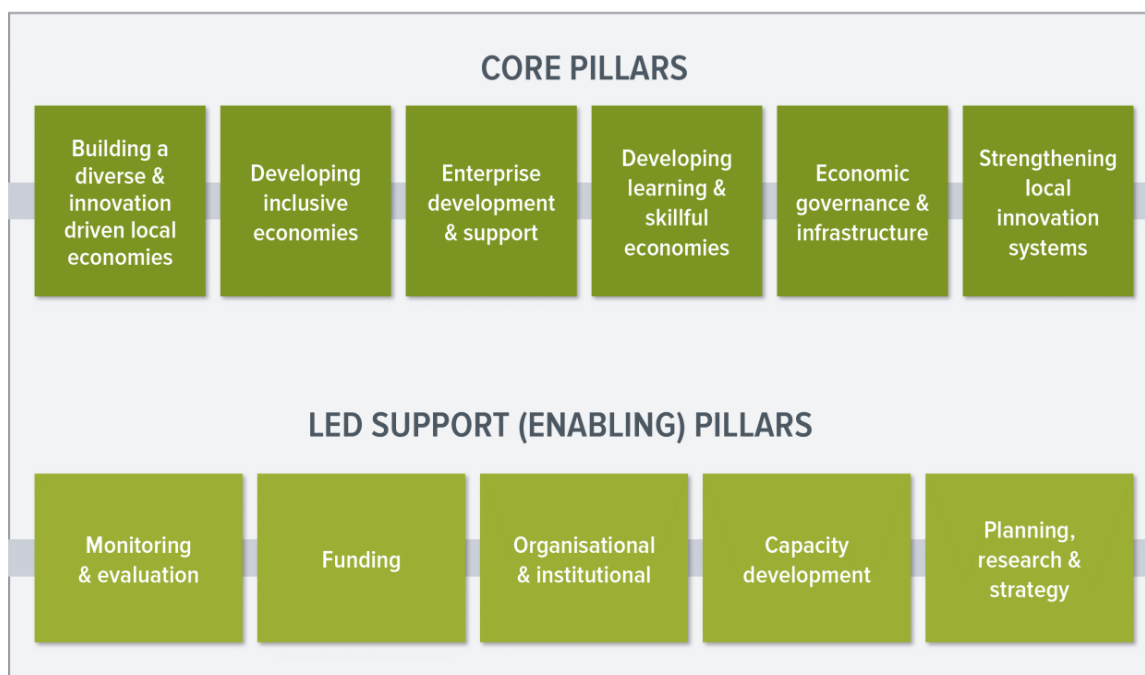
Although local government is not directly responsible for creating jobs, it is responsible for creating an enabling environment. Municipalities should therefore spend their limited resources on unlocking economic development opportunities and not directly on job creation. Municipalities must lead LED with a clear vision and a clear strategic agenda. There should be a stronger emphasis on understanding key roleplayers to drive the vision and therefore strategic collaboration and partnerships.

Since the release of South Africa's first National Framework for Local Economic Development (LED) in 2006 by the then Department of Provincial and Local Government, progress had been made in the following areas:

- A significant number of municipalities had adopted LED Strategies;

- Most LED Strategies had been integrated within Integrated Development Plans (IDPs);
- Budgets had been allocated to LED programmes at the municipal level;
- All provincial governments had dedicated support programmes for LED;
- More than 30 Local Economic Development Agencies (LEDAs) were established and charged with the responsibility to implement LED programmes;
- National economic sector Departments had invested in various programmes in LED, mainly in capacity building and funding; academic institutions had developed various short-term learning and long-term certificate and degree programmes; and
- Non-state actors such as civil society groups and the donor community had also invested funding and capacity building programmes in various municipalities and communities.

The review of the 2006-2011 LED Framework indicated that one of its biggest limitations was its failure to offer a clear implementation plan and a clear monitoring and evaluation system. More emphasis is required on the role of municipalities in fostering a favourable climate for investment in the municipal space and delivering the infrastructure required for such investment. This includes the strategic use of procurement in creating economic opportunities for local small business and the establishment of a stronger relationship between municipalities and the private sector to tap into the economic potential in municipalities.

Figure 14: LED Core Pillars and LED Support Pillars

Source: Revised National Framework for Local Economic Development (2018-2028)

The development of the Revised National Framework for Local Economic Development 2018-2028 has been underpinned by the need to advance and deepen the understanding of LED and its function in national and regional development and growth in South Africa. This Framework expresses the need to mobilise all stakeholders: state owned enterprises, civil society, universities, science councils, innovation agents, informal sector, relevant government departments, private sector, donor funding agencies, non-government organisations, Small Medium and Micro Enterprises (SMMEs), cooperatives, and LED practitioners around a common national agenda and collective responses aimed at stimulating competitive, inclusive and innovation-driven local economies. This Framework is designed to entrench LED as primarily a territorial response to local challenges of development. It emphasises the importance of unique characteristics of localities; an innovative approach to development; a Local Government-led process, multi-stakeholder driven process, and an outcome based on progressive partnerships.

Following the adoption of the Revised National Framework for Local Economic Development 2018-2028, the Department of Cooperative Governance is developing an Integrated Township Economic Development Programme, which will seek to respond to the imperative of developing thriving local economies and position township economies as focal points of government interventions. The driving force behind job creation must be supported by LED strategies that support the creation of inclusive economies with the view of integrating cooperatives and township economies into the mainstream local economic development landscape.

6.2 Number of jobs created through municipal initiatives

6.2.1 National overview

The purpose of this indicator is to establish the extent to which municipalities contribute to creating jobs through the implementation of capital projects, as well as their own LED initiatives.

Municipalities' contribution to job creation should be seen in the context of national and international economic cycles. For the period of this report (2019/20 municipal financial year) Stats SA² reported that total employment decreased by 671 000 or -6,6% year-on-year between June 2019 and June 2020. This was largely due to decreases in the following industries: trade (-180 000 or -8,0%), business services (-140 000 or -6,0%), construction (-111 000 or -18,5%), manufacturing (-100 000 or -8,2%), community services (-90 000 or -3,2%), transport (-35 000 or -7,0%), mining (-12 000 or -2,6%) and electricity (-3 000 or -4,9%).

The losses in individual municipalities, however, varied according to the major employment sectors in the specific municipality. The job losses were most profound in the following municipalities:

² StatsSA. 2020. Quarterly employment statistics: June 2020.
<https://www.statssa.gov.za/publications/P0277/P02772ndQuarter2020.pdf>

Table 4: Municipal employment lost between 2019 and 2020

Code	Municipality	Share of total municipality employment lost between 2019 and 2020	Number of total employment lost between 2019 and 2020
JHB	City of Johannesburg	-2.9%	-60,968
TSH	City of Tshwane	-3.9%	-47,733
GT421	Emfuleni	-22.2%	-42,712
EKU	Ekurhuleni	-2.8%	-34,360
GT481	Mogale City	-19.8%	-22,859
NW373	Rustenburg	-12.7%	-22,339
BUF	Buffalo City	-7.8%	-18,057
GT485	Rand West City (Randfontein/Westonaria)	-22.7%	-17,200
KZN225	Msunduzi	-7.5%	-15,801
LIM354	Polokwane	-5.2%	-13,652
CPT	City of Cape Town	-0.8%	-13,253
WC023	Drakenstein	-11.9%	-13,026
MAN	Mangaung	-3.7%	-10,311
WC044	George	-12.7%	-10,304

Source: IHS Markit Regional eXplorer 2236 (2.6p)

This indicator is aligned to the general key performance indicator as prescribed by the Minister in terms of Regulation 10 (e) of the Municipal Performance Management Regulations of 2001: “the number of jobs created through municipality’s local economic development initiatives including capital projects.”

Sub-outcome 5 of Outcome 9 recognised the importance of generating public employment through the Community Work Programme (CWP). The CWP has as its purpose to create income security, work experience for participants and promote social and economic inclusion by targeting areas of high unemployment. The programme provides employment of at least two days a week to the unemployed to engage in socially useful work. Among its core beneficiaries are women and young people. CWP has had a positive impact in the livelihood of communities in the province since its implementation. It has

been reported that CWP has given people an opportunity to acquire skills and knowledge needed to turn their lives around and be self-sufficient.

The CWP had a budget allocation of R 3,879 billion for the 2019/20 financial year, which was distributed across all the provinces, with close to 250 000 people being provided with some form of work opportunity. Through effective Programme Coordination, CWP managed to facilitate training and skills development opportunities to approximately 10 percent of enrolled participants for the reporting period. Six partnerships were established to support the CWP as planned.

Examples of some of significant CWP collaborations includes a partnership with the HWSETA where 49 CWP participants were trained on Psycho-social Support for community care givers. The beneficiary participants have since graduated from the University of North West. This training has empowered participants to respond better to child abuse, neglect and exploitation, especially useful during the COVID-19 pandemic. Another partnership was with Lefakong Farm in the North West Province, where women were trained on how to grow process and sell the Moringa plant. This partnership has enhanced self-sufficiency amongst the women and serves to complement income generation and the local economy. There was also a partnership with the KwaZulu-Natal Department of Agriculture, in the form of providing technical support to some Agrarian Revolution Projects run by the CWP. The partnership has enhanced the promotion of food security in vulnerable households. Another partnership with KZN CoGTA has supported CWP by linking agricultural projects to markets. KZN CoGTA has also supported the establishment of a cooperative of women through the Agrarian Revolution Piggery Project at Ukhahlamba, KwaZulu-Natal.

The metros have a major impact on the implementation of the expanded public works programme (EPWP) and the creation of jobs through this programme. The 2019/20 report from the South African Cities Network on the state of the EPWP in South African cities, indicated that EPWP continues to provide a valuable source of employment for approximately 1.4 million people across South Africa annually, with a total budget of R2.7

billion in 2019/20. The EPWP grant for Municipalities was R730 million in 2019/20, approximately 27% of total EPWP expenditure. During the 2019/20 year, the cities implemented 1 514 EPWP projects, across the infrastructure, environment and culture and social sectors. Collectively, the cities have contributed 65% of all projects implemented by metropolitan and district municipalities in South Africa.

The average number of projects implemented in the 2019/20 annual reporting period for all cities decreased by 43 projects compared to the 2018/19 reporting period. Ekurhuleni MM was the only city to increase their number of projects implemented. For 2019/20, the average Work Opportunity (WO) target versus number achieved fell short by 3 055 WOs, and the average number of WOs created in the 2019/20 period fell by 1 730 compared to 2018/19. The City of Cape Town and Ekurhuleni are responsible for the majority percentage share of person-years of work including training, for all the cities. According to the SACN, cities should investigate partnering with private enterprises and higher education and accreditation institutions, to implement training programmes that give participants qualifications and skills that can be used in the broader economy.

6.2.2 Provincial reporting

The Section 47 reports of provinces reported in various ways on job creation. In some cases, the number of job opportunities created by various initiatives (LED, EPWP, and CWP) were separately indicated, but some provinces only reported on one of these programmes. While some provinces indicated the number of participants, others identified the employment opportunities.

The Section 47 report of the **Eastern Cape** indicated that 35 municipalities provided information on job opportunities created by EPWP, but the number of job opportunities was not provided in the report.

As of the end of June 2019, the CWP in the **Free State** province provided 24 807 work opportunities. As far as the implementation of the CWP in the Free State was concerned,

the province reported that more should be done to recruit persons with disabilities and youth.

Gauteng municipalities created 32 540 employment opportunities through the EPWP, 6 238 opportunities through community works projects and 3 998 employment opportunities through various LED initiatives in 2019/20. The total employment opportunities for 2019/20 were 42 776, which was more than 29 785 in 2018/19, but less than 44 0612 in 2017/2018. Gauteng municipalities further supported 17 923 SMMEs, which is only a small decrease from the previous financial year.

KwaZulu-Natal reported that 70% of CWP jobs in municipalities were maintained in 2019/20.

In 2019/20, **Limpopo** delivered 9 625 LED jobs, 12 510 EPWP jobs and 17 435 CWP jobs. This represents a decrease in all three categories from 2018/19: 17 087 LED jobs, 22 279 EPWP jobs and 23 759 CWP jobs.

In **Mpumalanga**, the CWP created 28 029 work opportunities across all 17 local municipalities in 2019/20, which was slightly more than the 27 593 work opportunities reported in the previous financial year. Most municipalities implemented plans or activities to support SMMEs.

In the **Northern Cape**, R35,139 million was allocated to 29 municipalities through the EPWP Integrated Grant. Fourteen municipalities spent 100% of their allocations, while Dawid Kruiper LM only spent 15.2% of the grant. Sol Plaatje LM reported that it created 605 work opportunities.

In **North West** it was reported that during 2019/20, the CWP participation rate was 22 081. CWP is implemented in all municipalities and various wards, supporting schools, ECD, Home Based Care centres and the development of food gardens.

There has been a significant decrease in the reported number of employment opportunities created through EPWP in the **Western Cape**. Municipalities created 47 750 work or job opportunities to their local communities through EPWP in 2019/20. This was lower than the 50 638 jobs in 2018/19 and the 59 249 jobs created in 2017/18. COVID-19 has been identified by the province as having the single largest impact on the decrease of job opportunities. The absence of data from municipalities was also a factor.

6.3 Development and implementation of LED strategies and plans

The Section 47 reports indicated that there was mainly compliance with the drafting of LED strategies. However, there were challenges with the currency of some plans and the implementation thereof.

According to the **Eastern Cape**, only three municipalities have developed, adopted and implemented their LED strategy in 2019/20, which is a regression from 12 municipalities in 2018/19. There was poor implementation of LED programmes due to COVID-19 regulations. Most municipalities therefore did not provide information about the implementation of LED strategies.

Most municipalities in the **Free State** have LED strategies that have been adopted, and about 13 municipalities are in process to review their strategies. Letsemeng LM did not have a LED strategy yet, but CoGTA in partnership with MISA was in the process of developing their LED strategy. Only Maluti-a-Phofung and Metsimaholo LM updated their strategies in 2019/20.

All municipalities in **Gauteng** have strengthened their LED strategies and plans in compliance with legislative and regulatory requirements. Metropolitan municipalities attracted investment to a value of over R34.8 billion in 2019/20 to advance the local economy. Districts and local municipalities in Gauteng were however, not doing well in facilitating a conducive environment to stimulate local economic development, with non-reporting on investment attraction.

Most municipalities in **KwaZulu-Natal** reported that their LED strategies were still within the five years validity period during the 2019/20 financial year.

According to **Limpopo**, all the municipalities in the province have developed LED plans and strategies.

In **Mpumalanga**, it was reported that 13 municipalities were implementing LED strategies in 2019/20, which was an improvement on the seven municipalities in 2018/19. However, seven municipalities were still not implementing their strategies in 2019/20. Three municipalities did not have functional LED Forums.

Most municipalities in **North West** have LED strategies, developed at various stages and adopted by council. JB Marks LM, as a merged municipality, is still using separate LED strategies and needs to develop a strategy for the new municipal boundary. There was no clear evidence on the implementation of LED strategies in most of the municipalities or coordination of resources with other stakeholders. Most of the LED strategies and plans were not aligned to SDFs.

The **Western Cape** reported that most municipalities were in the process of implementing their LED strategies. Some municipalities have recently adopted reviews or updates, including Matzikama LM (LED Strategy), Bergrivier LM (Review), Saldanha Bay LM (Strategic Economic and Financial Framework, LED Strategy), Witzenberg LM (Review) Cape Winelands DM (Cape Winelands Regional Socio-Economic Development Strategy) Overberg DM (Regional Economic Development focus), Overstrand LM (Review), Theewaterskloof (Review), and Cape Agulhas LM (Review). SALGA and MISA have indicated that they would assist Beaufort West LM with the development of a comprehensive LED strategy. There was no information available about the LED strategy of Kannaland LM.

6.4 Capacity for implementing LED in municipalities

Provinces have reported about the establishment of dedicated LED units and staff, but have highlighted the challenges of vacancies, lack of funds and the need to strengthen capacity in many municipalities.

Municipalities in the **Eastern Cape** were building their capacity for implementing LED in various ways, including establishing dedicated LED units and appointing competent LED practitioners and managers. Nine municipalities have established Local Economic Development Agencies to augment and strengthen the LED planning and implementing capacity of the municipalities. According to the province, there was generally an improvement in the filling of LED posts in 2019/20. One municipality did not provide any information to the province, while the LED units of five municipalities were either not budgeted for or there was no dedicated unit.

Thirty per cent of positions in municipal LED units in **Gauteng** were vacant in 2019/20 as compared to 45% recorded in the previous two financial years. However, Emfuleni LM did not provide information. The highest vacancy rates were reported in Merafong City LM (62%), City of Johannesburg (41%) and Sedibeng DM (41%).

The **Free State** reported that the LED Units in Moqhaka LM and Phumelela LM, both with only one official, were not functional. A further three municipalities had only two officials in their LED units, and seven municipalities only had three officials. According to the Free State, there was still some work needed to build capacity within municipalities responsible for the implementation of LED on a local level.

The **Limpopo** Section 47 report stated that all municipalities had LED units in place. However, the province was concerned about the high vacancy rates in LED units. Municipalities in Limpopo have not been expediting the filling of posts or appointment of suitable personnel in LED units.

North West reported that all municipalities have established LED units at various capacities. Dr Kenneth Kaunda DM and Lekwa-Teemane LM have established LED development agencies to augment LED planning and implementation capacity in these municipalities. Eight municipalities in the provinces were categorised as low capacity, indicating that they have one official in the LED unit and no or limited budget for the function.

In **Mpumalanga**, there were 22 filled posts in LED units in 2019/20. Four local municipalities and one District Municipality did either not have any filled or approved posts. Most municipalities reported that they had only one official responsible for the function.

The **Western Cape** reported various initiatives undertaken by municipalities as part of their LED strategies, including consultation with stakeholders through the establishment of forums in West Coast DM (West Coast Business Development Forum) and Matzikama LM (LED Forum). Mossel Bay LM reported that the Mossel Bay Economic Development Forum/Rural and Business Stakeholder engagement were held every quarter in 2020. Most of the LED projects and programmes originated from and were implemented from the forum. The municipality reported the facilitation of 16 LED interventions. In the Western Cape, there was a vacant LED Manager post within the municipal organogram of Langeberg LM. Beaufort West LM did not have a dedicated LED official, but has advertised for such a position.

6.5 Challenges in local economic development

In 2019, the University of the Free State undertook research on LED within intermediate cities on behalf of the SACN and SALGA. The study found that LED was an ambiguous concept that included both pro-poor and pro-development economic development approaches. Within municipalities, there was confusion about the LED department's role, and LED was not considered a high priority. As a result, LED departments lacked capacity and resources, and produced strategic plans that were rarely updated. These plans tended to be disconnected from reality, lacked strong economic rationale or made simplistic assumptions about the economic value chains, and assumed that funding will come from other spheres of government. The private sector was also not aligned with municipalities, and economic analysis and intelligence were lacking.

Some of these challenges raised in the research have been reported by provinces, including limited budgets, lack of qualified staff, an absence of a common understanding of LED, outdated strategies and non-implementation of plans.

In the **Eastern Cape**, there was a challenge with the poor quality of reports from municipalities, which did not contain enough credible information. There was a lack of funding for the implementation of LED strategies.

The **Free State** noted the following challenges:

- Capacity constraints within LED Units, due to a lack of human resources, budget and understanding of LED;
- Poor planning on the implementation of local economic development due to outdated LED Strategies that were not credible;
- Poor coordination between different stakeholders on the implementation of local economic development and the differentiated approach to LED; and
- Confusion about the roles and responsibilities regarding LED on provincial level between the Department of Small Business Development, Tourism and Environmental Affairs (DESTEA) and CoGTA.

Gauteng reported the following challenges:

- Municipalities have a record of not reporting sufficiently under the KPA of LED;
- Municipalities have struggled with high LED vacancies and indicated that non-availability of financial resources lead to the delay in filling of posts;
- Municipal non-reporting and under-expenditure of LED allocated capital budgets suggest that municipalities do not seem to recognize the role of capital investment infrastructure as a critical driver of LED;
- The lack of integration and alignment of municipal LED strategies and plans with those of the province;
- There is also a need to strengthen LED strategies and plans to contribute to targeted efforts in building and revitalising township economies; and
- Municipal quarterly reports suggested that municipalities are struggling to facilitate a conducive environment to stimulate local economies.

KwaZulu-Natal reported that 23 municipalities allocated the recommended 2% budget allocation for support of SMMEs and co-operatives, indicating a regression from the previous financial year.

In **Limpopo**, the understaffing of LED units was one of the major challenges identified.

Mpumalanga reported that LED units were not allocated sufficient resources to facilitate LED. A lack of LED governance and consequently low business confidence affects business sector investment and creation of employment opportunities. According to the province, a lack of municipal capacity and inadequate funding often lead to poor implementation of LED strategies.

In **North West**, there was a lack of coordination within municipalities to develop regeneration strategies to retain and attract investment. The programmes of national and provincial government did not align to municipal LED programmes. Mining towns were experiencing high socio-economic challenges, local SSMEs were not utilised in MIG

projects, which has resulted in project disruptions. The limited capacity in some municipalities has affected LED support, monitoring and implementation.

According to the **Western Cape** Municipal Economic Review and Outlook, the Province's economic outlook has significantly deteriorated, in line with global and national developments. As a prime global tourism destination and centre of wine production in South Africa, the Western Cape economy was particularly vulnerable to lockdown restrictions related to tourism and the sale of alcohol.

LGSETA has noted that while there are learnerships for LED, it is not a defined learning pathway into a specific role. The very low level of investment in LED learnerships is an area for concern. LGSETA has reported that the number of learners completing economic advisory qualifications has decreased slightly, along with those for Geographic Information Systems Specialist/Technician.

6.6 Support, interventions, trends and recommendations

6.6.1 Provincial support and interventions

Provinces have reported the following support to municipalities on LED:

The **Eastern Cape** CoGTA provided support to municipalities in process of appointing service providers to develop LED strategies, and supported municipalities to review strategies in-house, with the collaboration of Stats SA and the Eastern Cape Socio-Economic Consultative Council (ESECC). The province also supported CWP Local Refence Committees by providing a CWP induction workshop on norms and standards. The provincial Department has developed an Urban and Small-Town Development Framework, to guide the implementation of the urban development programme within the province.

The **Free State** supported municipalities with the development or review of LED strategies and had regular meetings with LED officials of municipalities to support them, as well as district capacity building workshops.

Gauteng together with partners hosted a youth engagement in Merafong LM, trained youth in Midvaal, piloted a Youth Directorate in Mogale City LM and hosted a capacity building session for Municipal Youth Practitioners.

KwaZulu-Natal assessed 54 LED strategies for alignment with the national LED Framework and provided comments on areas requiring improvement in the LED KPA.

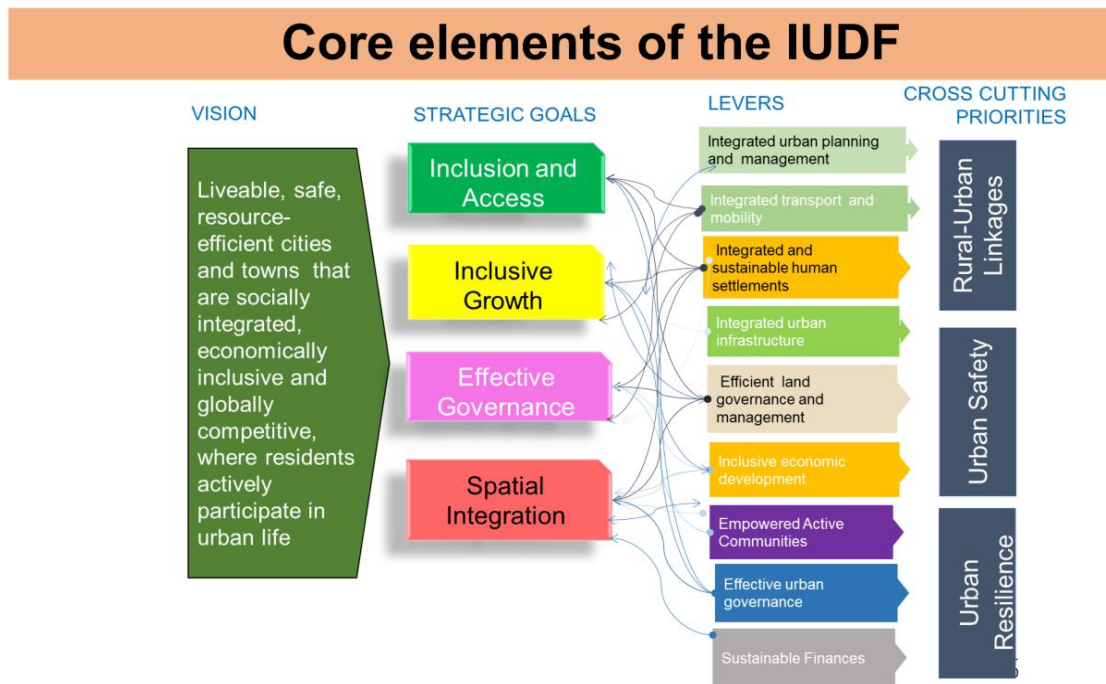
Mpumalanga CoGTA and the Gert Sibande DM supported Msukaligwa LM to complete its LED Strategy Review. The provincial CoGTA developed and finalized a Provincial Anti-Poverty Strategy to address poverty, unemployment and inequality.

Provincial support in the **Northern Cape** for LED included awareness, training and assistance on LED mandates and implementation.

6.6.2 National support and interventions

As part of the implementation of the IUDF, DCoG provided support to intermediate cities through a number of interlinked programmes. The first programme is the Intermediate City Support Programme. There are nine intermediate cities that participate in this programme: Polokwane, the City of uMhlatuze, Steve Tshwete, Drakenstein, Mogale City, Sol Plaatjie, Thulamela, KwaDukuza Municipality and Rustenburg. The Intermediate City Support Programme provided support to these municipalities mainly in the areas of spatial planning, economic development and project preparation.

Figure 15: Core elements of the IUDF



DCoG rolled out the Integrated Urban Development Grant (IUDG) in eight cities: Polokwane, the City of uMhlathuze, Steve Tshwete, Drakenstein, Mogale City, Sol Plaatjie, KwaDukuza and Stellenbosch. In total, for the year under review, the IUDG allocation for the intermediate cities was R948 million. The Department is also supporting intermediate cities to develop Capital Expenditure Frameworks (CEF), which are long term infrastructure plans for intermediate cities as required in terms of policy lever four of the IUDF. The Department also rolled out the Learning Network for a selected number of Intermediate Cities.

6.6.3 Provincial recommendations

Provinces made various recommendations on improving LED performance:

The **Free State** proposed creating a platform for municipalities and other stakeholders to share information and best practices. Municipalities should also align their strategies with

the Reviewed National LED Framework. There should be engagement between provincial CoGTA, DESTEA and SALGA on the implementation of LED and coordination between the departments.

Gauteng province advocated for a stronger focus on institutional capacity, coordination and partnership. It made the following recommendations:

- Gauteng CoGTA and Department of Economic Development (DED) should serve as a node of coordination to facilitate access to additional resources, training, support and professionalisation of LED in municipalities;
- Municipalities need to strengthen LED budgeting and expenditure management; and
- Gauteng CoGTA should develop entrepreneur development programmes in partnership with DED that will support municipalities in attracting investments and create sustainable employment opportunities.

Mpumalanga recommended that municipal LED units should play a more meaningful role in facilitating linkages between big business opportunities and SMMEs and that municipalities should strengthen supply chain policies to support local SMMEs. Municipalities should consider budgeting for the LED initiatives in line with section 153 (a) of the Constitution and should budget for facilitating LED planning and implementation.

Mpumalanga indicated that municipal LED forums should be strengthened through improved participation of key stakeholders, including business, to allow for joint planning, implementation and integration of identified LED Projects into the IDPs with clear annual targets and budgets.

The **Northern Cape** stated the importance that municipalities develop the necessary infrastructure that makes it easier for businesses to operate, to attract them to set up in their municipal areas. To achieve this, municipalities must work with both national and provincial government. The province was of the view that municipalities in the Northern

Cape should take the strong focus on renewable energy in the province into consideration in developing LED strategies.

The **North West** province has recommended that DMs should strengthen LED coordination with national government, provincial government and government entities. Municipalities should also strengthen their internal coordination with town planning and infrastructure units, to implement regeneration programmes to revive towns, rural nodes and township economies. LED units should also be involved in implementation and monitoring of procurement policy to address empowerment of local businesses and communities. Where applicable, local municipalities should engage mines on their SLPs to create an enabling environment and skill development programme.

The **Western Cape** emphasised the strong link between the LED strategy of a municipality and the IDP. According to the province, the LED strategy plays a determining role in the effectiveness of the overall IDP approach. The Western Cape province engaged with senior officials of municipalities as part of the Technical Integrated Municipal Engagements (TIME) to ensure greater alignment of provincial and local government. It was found that strategic procurement was not utilised as an economic development enabler. A key challenge identified by the Western Cape was the increasing tension between service delivery versus the compliance or regulatory framework and the impact on LED. A review of the legislative framework was required focusing on the enabling of a conducive environment for growth and reduction of red tape.

6.6.4 Emerging trends

The **SACN** and **SALGA** study, *Rethinking LED: Local Economic Development in Intermediate Cities, 2019* identified a number of trends in the way LED is conceptualised and functioning in the municipal context. This has been supported by the provincial reports, especially on the role of LED and its current institutionalisation:

- Within municipalities, there is confusion about the LED department's role, and LED was not considered a high priority, with an absence of a common understanding of LED;
- LED departments lacked capacity and resources, including limited budgets, lack of qualified staff;
- LED plans tended to be disconnected from reality, lacked strong economic rationale and assumed that funding will come from other spheres of government. outdated strategies and non-implementation of plans; and
- The private sector was also not aligned with municipalities, and economic analysis and intelligence were lacking.

6.6.5 National recommendations

The **SACN** and **SALGA** study identified four institutional principles for LED:

- A functional economic development directorate can exist on a small budget;
- A functional economic development directorate needs to be involved in both pro-growth and pro-poor projects;
- LED needs to occupy centre stage within a municipality and economic thinking must be integrated into the other functions performed by a municipality.; and
- A functional economic development directorate should furnish the rest of the municipality with robust economic intelligence.

The study further provided six strategic issues that requires priority in reimagining LED, which are in line with the Revised National Framework for LED and should be considered in taking LED forward:

- i. Local governments should mainstream economic considerations into their sectoral departments and into the strategies of those departments by:
 - Employing more people with economic and business skills;
 - Educating other departments to understand the relationship between the services they deliver and economic development; and

- Developing long-term plans and vision, based on the municipality's competitive advantages and economic assets.
- ii. Local governments need to use municipal levers, such as land-use planning, to support their economies by:
- Introducing proactive rezoning and more flexible land-use regulations, especially during times of economic decline; and
 - Relaxing zoning parameters to allow for higher coverage or use performance-based zoning.
- iii. Municipalities should do more to build economic intelligence, with the assistance of other spheres of government by:
- Tackling the business red tape;
 - Developing a database of business closures, changes and confidence levels;
 - Assisting other departments (e.g., planning, finance) to develop scenarios for periods of economic growth and decline; and
 - Using municipal information (e.g., land use applications, clearance certificates) to build economic intelligence.
- iv. Local governments should strengthen economic strategies that are appropriate for their specific economic context and based on solid economic intelligence by:
- Developing sector forums;
 - Appointing an economic development advisory body; and
 - Building a comprehensive understanding of local economic drivers and assets
- v. Local governments should develop economic partnerships, as municipalities need to facilitate, not drive, economic development by:
- Training people to work within social compact;
 - Ensuring municipal councils understand the relationship between private sector and government; and

- Establishing LED agencies.
- vi. Local governments should create appropriate institutional arrangements that support economic development by:
- Appointing subcommittees for economic analysis and risk identification;
 - Rethinking the structure and functions of economic development departments/units; and
 - Employing people with economic, statistical and business skills.

SECTION 7: KEY PERFORMANCE AREA: MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT

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7.1 Introduction

Sound financial management practices are essential to the long-term sustainability of municipalities. Municipal financial management involves managing a range of interrelated components: planning and budgeting, revenue, cash and expenditure management, procurement, asset management, reporting and oversight. Each component contributes to ensuring that expenditure is developmental, effective and efficient and that municipalities can be held accountable.

Financial viability is crucial in determining a municipality's ability to ensure effective service delivery to its community. There are two factors that play determining roles in the financial viability of all municipalities: the availability of adequate funding and prudent financial management by the municipality itself. This can be broken down as follows:

- Debt coverage indicates the municipality's ability to service its payments from its own revenue; and
- The ability of the municipalities to collect its receivables to fund day-to-day operations and be less reliant on grant funding.

This essentially reflects the municipality's ability to manage its cash flows in terms of the sound management of its working capital.

Financial viability refers to the ability of a municipality to generate cash flow to meet operating expenditure and debt commitments and, where applicable, ensure growth while maintaining service delivery. This is measured through assessing the three key performance indicators included in the ratios provided for in the 2007 MSA regulations: debt coverage, outstanding consumer and services debt to revenue, and cash flow.

Information in this section was compiled from amongst others, National Treasury's Analysis Document: *The State of Local Government Finances and Financial Management as at 30 June 2020*, Section 71 reports for the period under review from National Treasury, as well as Section 47 reports from the provinces.

7.2. Revenue collection and financial viability

7.2.1 National overview

National Treasury reported at the end of the fourth quarter of 2019/20, that aggregated billing and other revenue of municipalities amounted to 88.8%, or R427.5.4 billion, of the total adjusted revenue budget of R481.4 billion. When billed revenue is measured against their adjusted budgets, the performance of metros reflected a shortfall across water services for the fourth quarter of the 2019/20 financial year.

As of 30 June 2020, aggregated revenue for secondary cities was 81.9% or R52.7 billion of their total adjusted revenue budget of R64.4 billion for 2019/20. The performance against the adopted budget for the four core services for the secondary cities for the fourth quarter 2019/20 showed surpluses against billed revenue, without considering the collection rate.

7.2.2 Provincial reporting

In 2019/20, the revenue performance in **Gauteng** improved to R146,4 billion (91%) against the adjusted budget of R160.7 billion, compared to 89% in 2018/19. The City of Ekurhuleni MM, City of Tshwane MM, Mogale City LM, Merafong City LM, Sedibeng DM and Midvaal LM performed below the 95% norm.

In **Limpopo**, no municipality collected above 95% revenue for 2018/19 and 2019/20, with Polokwane LM achieving the highest level (95%) in 2018/19 only.

In **Mpumalanga**, revenue as a percentage of the actual budget amounted to R 19 billion as at June 2020 constituting 98% spent own revenue in the province. In Chief Albert Luthuli LM the total municipal own revenue as percentage of the actual budget was only 77% and in Lekwa LM the percentage was 84%.

In **North West**, only three local municipalities reported revenue collection rates of 90% and above, namely Ditsobotla, Greater Taung and JB Marks. Six municipalities collected less than 60%: Moses Kotane (23%), Tswaing (58%), Mamusa (44%), Lekwa-Teemane (30%), City of Matlosana (58%) and Maquassi Hills (10%).

7.3 Expenditure

National Treasury reported that on aggregate, municipalities spent 79.9% or R384.3 billion of the total adjusted expenditure budget of R481.2 billion as at 30 June 2020. Of the adjusted operating expenditure budget amounting to R412.4 billion, R343 billion or 83.2% was spent by 30 June 2020. Municipalities have adjusted downwards the budget for salaries and wages expenditure to R123.5 billion. This constitutes 30% of their total adjusted operational expenditure budget.

7.3.1 Over / underspending of operational budgets

7.3.1.1 National overview

Municipalities that have difficulty compiling credible operational budgets or that are unable to manage their operational expenditures according to their budgets are at financial risk. Where either of these failures occur within the context of limited cash resources, and poor revenue collection rates, the financial risk is greatly magnified.

A net total underspending of R96.9 billion or 20.1% of municipalities' total adjusted expenditure budgets was reported. Compared to the R54 billion recorded as net total underspending in 2018/19, there has been an increase of R42.9 billion. National Treasury cautioned against deducting too much from the increase, due to non-submission of data and submissions that did not contain credible data.

7.3.1.2 Provincial reporting

Gauteng indicated that the actual aggregated operating expenditure for municipalities amounted to 95% in 2019/20, which represented expenditure of R127 billion. City of Tshwane MM, City of Ekurhuleni MM and West Rand DM performed as per the National Treasury norm of 95%.

In the **Northern Cape**, there was an operating deficit of R179 million in 2019/20, with 18 of the 31 municipalities recording an operational deficit. Sol Plaatje LM reported an operating surplus of R243 million.

North West reported that 51% of the total operating budget of R19.6 billion was spent by all municipalities in the four districts in the province. Not one municipality achieved the target of 95% of budget expenditure, with the national lockdown suggested as one of the possible reasons for underspending.

In the **Western Cape**, thirteen municipalities incurred actual expenditure that exceeded actual revenue generated. This included Central Karoo DM and all three its local municipalities, as well as Garden Route DM and three of its seven local municipalities.

7.3.2 Underspending of capital budgets

7.3.2.1 National overview

National Treasury has indicated that total capital expenditure as a percentage of total expenditure is used to assess the level of capital investments made by municipalities in responding to historical service delivery backlogs and addressing growing needs. The level of capital expenditure should be in the region of between 10% and 20% of total expenditure. A ratio below 10% reflects that a municipality has not sufficiently invested in infrastructure. While spending more than 20% on capital expenditure could be seen as a good performance, it could also indicate risks of financial sustainability.

In 2019/20, capital expenditure amounted to R41.2 billion, or 59.9%, of the adjusted capital budget of R68.8 billion. Aggregated year-to-date total expenditure for metros amounted to R234 billion or 84.4%, of their adjusted expenditure budget of R277.3 billion. The aggregated adjusted capital budget for metros in the 2019/20 financial year was R31 billion, of which 45.2%, or R14 billion, was spent as at 30 June 2020. Capital spending levels for secondary cities were reported at 53.6% or R5.1 billion of the adjusted capital budget of R9.5 billion.

National Treasury reported that there were 26 municipalities that have under-invested on capital infrastructure in 2019/20. The past records have shown that as municipalities experience financial difficulties, they reduce their own contributions towards capital investments to achieve a balance.

Between 2018/19 and 2019/20 financial years, the audited outcomes revealed that five of the eight metros spent less than 10% on capital expenditure as a percentage of total expenditure while two metros have adequately invested for infrastructure, within the acceptable norm of between 10% to 20%. In the case of secondary cities, 12 municipalities spent less than 10% on capital expenditure while four were within the norm of 10% and 20%. A total of 65 local municipalities have spent more than 20% of their total expenditure. According to National Treasury, as this category of municipalities heavily relies on conditional grants to fund their capital infrastructure, the spending was informed by the level of conditional grants transferred.

7.3.2.2 Provincial reporting

In **Limpopo**, Greater Giyani LM was the only municipality that spent 100% of its allocated capital budget in 2019/2020, while Greater Letaba LM spent 100% in 2018/19.

In **Mpumalanga**, the total capital budget in 2019.20 was R3,9 billion and R3,7 billion was spent (95%). The poorest performance was by Emakhazeni LM, which only spent 33%.

Three local municipalities in Gert Sibande District spent below 70%: Dipaleseng (63%), Mkhondo (62%) and Msukaligwa (68%).

Of the 29 municipalities in the **Western Cape** whose annual reports were available for review, an average of 80.06% (2018/19: 82.9%) of their adjusted capital budgets were spent in 2019/2020. This represented an average under spending of 19,94%. Seventeen municipalities underspent by more than 20%. Seven municipalities spent less than 60%: Matzikama LM (51.51%), Witzenberg LM (45%), George LM (52.01%), Overberg DM (53.10%), Oudtshoorn LM (55.60%), Prince Albert LM (41.76%) and Central Karoo DM (18.06%)

7.3.3 Underspending of Conditional Grants

At the end of the financial year, National Treasury, in consultation with the national departments administering conditional grants approved COVID-19 related projects to the value of approximately R3.9 billion between various conditional grants. The Transferring Officer's (TNO) reported expenditure of 68.2% against the total allocation for the period under review, while municipalities reported expenditure of 97.8% against the R32.2 billion transferred to municipalities in the fourth quarter.

At the end of the fourth quarter, a total amount of R1.8 billion was transferred for capacity grants and reported expenditure of 69.4% against the total allocation of R1.9 billion was reported by the TNO. These grants are intended to assist municipalities in the development of their management, planning, technical, budgeting and financial management capabilities in the 2019/20 financial year.

The highest performing conditional grant under this category during the fourth quarter remained the Expanded Public Works Programme (EPWP) at 86.1%, followed by the Integrated Skills Development Grant (ISDG) with reported performance of 79%. The Energy Efficiency and Demand Side Management (EEDSM) reflects an expenditure of less than 50% against the allocation of R227.1 million due to the low expenditure reported

on the grant. This was due to most of the projects being in the procurement stage and the late appointment of service providers.

Direct conditional grants allocated for Infrastructure allocation amounted to R31.1 billion in the 2019/20 financial year and this included an additional allocation of R86.2 million from the national adjusted budget. From the amount of R31.1 billion allocations, R30.5 billion has been transferred to municipalities, which constituted 98%. The fourth quarter expenditure report on Infrastructure conditional grants reflected an expenditure of 93.9%.

The general observation by National Treasury was that conditional grant spending was lagging both capital and operational expenditure items on municipal budgets.

7.4 Cash flow and cash coverage position of municipalities

7.4.1 National overview

In terms of section 45 of the MFMA, municipalities are not permitted to close the financial year with any short-term borrowing or overdraft. The fact that some municipalities were not able to close the financial year with positive cash positions is a very strong indicator that these municipalities were in financial distress at that date. Many municipalities may experience temporary cash-flow problems. However, where cash-flow problems persist over a number of months it is a strong indicator that there are severe underlying financial problems. According to National Treasury, municipalities with negative cash balances at year end demonstrates serious financial management problems.

A total of 24 municipalities had negative cash balances at the end of 2019/20, comprising of two metros, two secondary cities, 18 locals and two districts. More than 50% of municipalities had low cash coverage indicating that cash and short-term investments are insufficient to cover at least one month of fixed operating commitments. A total of four metropolitan municipalities and 142 non-metropolitan municipalities reported cash coverage of less than a month of operating expenditure in 2019/20.

most municipalities are unable to pay on current debt obligations from cash and investments. Seven metros and 17 secondary cities reported that their cash and investments were inadequate to settle current liabilities, while 138 local municipalities and 26 district municipalities also had inadequate cash and investments available to pay current liabilities.

Four of the eight metros have reported that their current assets are less than the current liabilities. About half of the local municipalities (91) had insufficient current assets to settle current obligations, this is a decrease from 102 in 2018/19. A total of 20 of the 44 districts also do not have enough cash and net debtors to settle current obligations.

7.4.2 Provincial reporting

Ten municipalities in the **Eastern Cape** did not have enough revenue to cover their expenditure, as they owed more money than they have and depended solely on the equitable share in running their day-to-day businesses.

In 2019/20, seven municipalities in **Gauteng** closed off with negative cash balances to a total of R16.5 billion, namely the City of Tshwane MM, City of Ekurhuleni MM, Rand West LM, Sedibeng DM, Emfuleni LM, Midvaal LM, and Lesedi LM. This contrasted with 2018/19 when all eleven municipalities in Gauteng ended the year with positive cash balances.

North West reported that 13 municipalities had persistent negative cash flow balances for 12 months, three municipalities had negative cash flow for 11 months, two municipalities for 10 months and one municipality for 9 months. Three local municipalities (Ratlou, Mahikeng and City of Matlosana) had a positive cash flow balance.

In North West, the financial situation in municipalities has deteriorated steadily since 2013/4. As at 30 June 2014, one municipality was classified as bankrupt and 10 municipalities as insolvent. The Financial Health Indicator Outcome for 2019/20 showed

that two municipalities were classified as bankrupt and 14 as insolvent. The only solvent municipalities in 2019/20 were Moretele LM, Greater Taung LM, JB Marks LM and Dr Kenneth Kaunda DM.

In the **Western Cape**, the municipalities with the highest liquidity risks were the local municipalities of Matzikama, Cederberg, Swartland, Laingsburg and Beaufort West, as their current liabilities exceeded their current assets.

7.5 Consumer Debtors

7.5.1 National overview

Consumer debtors as a percentage of own revenue provides a useful indicator of the state of municipalities' debtor management capabilities. Municipalities whose debtors are greater than 30% of their own revenue face a serious financial risk and should work to correct the situation as soon as possible.

Aggregate municipal consumer debts amounted to R191.5 billion (compared to R181.3 billion reported in the third quarter of 2019/20) as of 30 June 2020. The government agencies accounted for 7.7% or R14.8 billion (R18.1 billion reported in the 2019/20 third quarter) of the total outstanding debtors. The largest component of this debt related to households and represented 69.9% or R133.9 billion (70.5% or R127.7 billion in the third quarter). Not all the outstanding debt of R191.5 billion is realistically collectable, as these amounts are inclusive of debt older than 90 days, interest on arrears and other recoveries. If consumer debt is limited to below 90 days, then the actual realistically collectable amount is estimated at R33.4 billion.

Metropolitan municipalities were owed R102.3 billion in outstanding debt as at 30 June 2020. The largest contributors were the City of Johannesburg which was owed the largest amount at R31.1 billion, followed by City of Ekurhuleni at R16.4 billion, City of Tshwane at R16.2 billion and eThekweni at R13.5 billion. Households in metropolitan areas were

reported to account for R71.1 billion or 69.5% of outstanding debt, businesses accounted for R24 billion or 23.5%. Debt owed by government agencies was R4.5 billion or 4.4% of the total outstanding debt owed to metros.

For the secondary cities, R35.8 billion was reported in outstanding consumer debt. The majority of debt was owed by households amounting to R27.5 billion or 76.8 % of the total outstanding debt. An amount of R31.5 billion or 88.2% has been outstanding for more than 90 days.

National Treasury reported that a total of 204 municipalities took more than 30 days to collect outstanding debt, whereas 53 municipalities collected debt within the prescribed 30 days. Six metros took more than 30 days to collect debt, while two metros collected within the 30-day period. Almost 90% of secondary cities took more than 30 days to collect debt, while 25 local municipalities collected debts within 30 days period, representing a regression compared to 38 in 2018/19. A similar trend is also noted within the district category where there is a decline of municipalities that collected within the 30 days.

7.5.2 Provincial reporting

The outstanding debtors of **Free State** local and district municipalities have reached substantial proportions, totalling an amount of R16.2 billion in 2019/20. The four municipalities with the biggest outstanding debt were Mathjabeng (R4.7 billion), Metsimaholo (R2 billion), Maluti a Phofung (R1.9 billion) and Dihlabeng (R1.1 billion).

In **Gauteng**, there were outstanding debtors amounting to R79.3 billion in 2019/20, representing an increase of R17.1 billion from 2018/19. Most of the debt (82%) was owed to municipalities for the period of 90 days and above. Municipalities with the highest debt for 2019/20 were City of Johannesburg at R31.1 billion (June 2019: 25.1 billion), Ekurhuleni Metro at R16.4 billion (June 2019: R12 billion), City of Tshwane at R16.2 billion (June 2019: R11.8 billion) and Emfuleni LM at R9.3 billion (June 2019: R7.7 billion).

In **KwaZulu-Natal**, consumer debt to an amount of R27.27 billion was reported in 2019/20. Consumer debtors grew by 14.5% or R3.47 billion from the previous two years. The provision for bad debt was 52.66%, which mean that less than half of the debt (R12.91 billion) was deemed collectable by municipalities.

All municipalities in **Mpumalanga** were owed a total sum of R15 billion in 2019/20 and R11.8 billion in 2018/19, indicating a significant increase of R3.4 billion or 29% in municipal debt.

In **North West**, total debt owed to ten municipalities as at June 2020 amounted to R19 billion, of which R17 billion was owed for more than 90 days. Households owed 29% or R5.6 billion. The following municipalities had the most debt: Rustenburg LM (R5.6 billion), City of Matlosana LM (R 4.4 billion), Madibeng (R2.6 billion), Mahikeng (R1.8 billion) and Maquassi Hills (R1.5 billion).

7.6 Creditors

7.6.1 National overview

Section 65(2)(e) of the MFMA provides that the accounting officer of a municipality must take all reasonable steps to ensure “that all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure”. In addition, section 65(2)(h) provides that the accounting officer must take all reasonable steps to ensure “that the municipality’s available working capital is managed effectively and economically”. This involves ensuring that the timing of the municipality’s expenditures is matched by its flow of income.

National Treasury indicated that at the end of June 2020, municipalities owed their creditors R60 billion. Municipalities in the Free State have the highest outstanding

creditors greater than 90 days at R10.4 billion, followed by Mpumalanga at R6.7 billion and Gauteng at R4.6 billion.

A total of 200 municipalities took more than 30 days to pay creditors in 2019/20. Six metros and 15 secondary cities took more than 30 days to pay creditors, while it was the case for 143 local municipalities. This clearly shows that municipalities are not complying with Section 65 (2)(e) of the MFMA due to cash flow problems.

National Treasury noted high creditors payment periods and escalating amounts were owed to especially Eskom and Water Boards.

7.6.2 Provincial reporting

There was a total amount of R22 billion owed by **Free State** local and district municipalities in 2019/20. The three municipalities with the biggest outstanding debt were: Matjhabeng LM (R9.5 billion), Maluti-a-Phofung LM (R6.2 billion), Ngwathe LM (R1.6 billion).

In **Gauteng**, a total amount of R21.2 billion was owed by all Gauteng municipalities for goods and services rendered to municipalities in 2019/20, representing an increase from R16.6 billion in 2018/19. Three quarters of the amount (75%) was for settlement within 30 days, while 22% of the amount was for invoices over 90 days. Gauteng municipalities such as Rand West City LM, Merafong City LM, Emfuleni LM and Mogale City LM are on payment arrangements agreement with Eskom to address outstanding debts. Of the R5.4 billion outstanding debt to Eskom, R2 billion was owed by Emfuleni LM. The same four local municipalities were in arrears with Rand Water at 30 June 2020, with Emfuleni LM representing R868 million of the outstanding amount of more than R2.1 billion.

North West reported that the total creditors for 11 municipalities amounted to R4.1 billion, of which R2.7 billion was owed for over 90 days. Of the R4.1 billion, 34% was owed to Bulk Electricity and 25% was owed to Bulk Water. Only two municipalities, Madibeng LM

(R1.1 billion) and the City of Matlosana LM R1.3 billion) were responsible for more than 58% of the total outstanding creditors.

7.7 Municipal budgets

7.7.1 Funded budgets

In terms of section 18 of the MFMA, a municipal budget must be funded before a municipal council can adopt that budget for implementation. A funded budget is essentially a budget that is funded by cash derived either from realistically anticipated revenues to be collected in that year, government transfers from cash backed reserves of previous financial years.

National Treasury has developed a procedure to assess the Funding Compliance of municipal budgets. The Funding Compliance indicates upfront whether a municipality's budget is adequately funded and highlights strategic financial sustainability risks. Unfunded budgets are growing at an alarming rate. Several municipalities continue to adopt unfunded budgets despite being consistently cautioned against this practice. This demonstrates weak political oversight and non-adherence to sound budgeting principles. A total of 123 municipalities adopted unfunded budgets in 2019/20, an increase compared to 115 municipalities in 2018/19. These municipalities include two (2) metros, nine (9) secondary cities, 94 local municipalities and 18 district municipalities.

In **Gauteng**, the metropolitan municipalities approved surplus budgets during the 2020/21 financial year, The City of Johannesburg MM has shown consistent performance over the last five years. In contrast, Sedibeng DM approved deficit budgets for five financial years and West Rand DM for three years. The local municipalities of Emfuleni and Merafong City had deficits for three years.

7.7.2 Inadequate budgets for repairs and maintenance and asset management

MFMA Funding compliance guideline (MFMA Circular No. 42) identifies the repairs and maintenance expenditure level as one of the indicators to be considered during the budget process. This measure is included within the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible or sustainable in the medium to long term because the revenue budget is not being protected. For example, a degrading electricity or water network will not earn revenue if supply cannot be sustained. Repairs and maintenance levels should be examined by trend, benchmarking and engineering recommendations.

Repairs and maintenance of infrastructure is critical to restore or maintain the economic benefits and service potential expected from an asset. Municipalities are advised to spend a minimum of 8% on repairs and maintenance against the property, plant and equipment (PP & E). A ratio below this norm is a reflection that inadequate provision is being made for repairs and maintenance which could lead to early impairment of an asset.

In 2019/20 over 90% (233 of the 257) of municipalities in the country spent less than the 8% on repairs and maintenance. Poor spending on repairs and maintenance is prevalent in all categories of municipalities, indicating that infrastructure assets are not protected. Six metros had spent inadequately on repairs and maintenance as a percentage of PP & E in 2019/20, while 16 secondary cities spent inadequately on repairs and maintenance in 2019/20. Of a total of 186 local municipalities, 176 under provided for repairs and maintenance and the same trend was also observed among the district municipalities where 35 municipalities under provided for repairs and maintenance.

Gauteng reported that the aggregated actual performance on repairs and maintenance expenditure for 2019/20 was at R5.8 billion (4%) against the actual operating expenditure of R155.1 billion, compared to the R7 billion (6%) performance for 2018/19.

The performance was below the National Treasury norm of 8% expenditure on repairs and maintenance. Midvaal LM recorded 8% performance for both financial years.

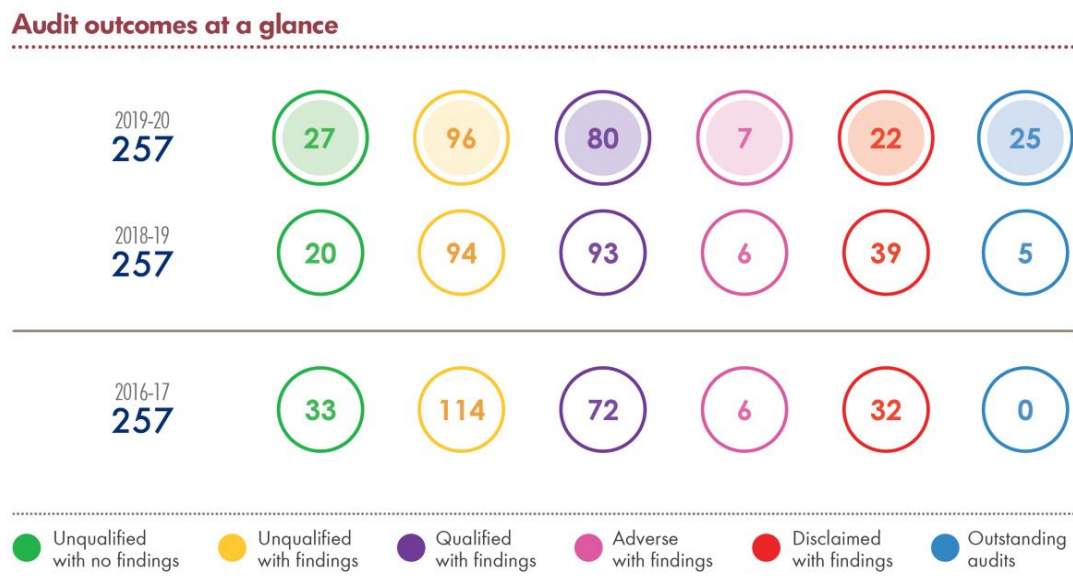
7.8 Submission of financial statements and the reports of the Auditor-General

7.8.1 National overview

The Auditor General found in its 2019/20 MFMA report that local government finances continued to be under severe pressure because of non-payment by municipal debtors, poor budgeting practices, and ineffective financial management. The financial position of just over a quarter of municipalities was so dire that there was significant doubt that they would be able to continue operating as a going concern in the near future. Almost half of the other municipalities were showing indicators of financial strain, including low debt recovery, an inability to pay creditors, and deficits. In 2019/20, fruitless and wasteful expenditure totalled R3.47 billion.

The overall audit outcomes for municipalities have not improved over the past four financial years. Most municipalities are now in a worse position than at the beginning of the current administration's term in 2016/17, with 46 improving their audit outcomes, but 61 regressing over this period.

In the 2019/20 financial year, 27 municipalities obtained unqualified opinions with no findings compared to 20 municipalities in 2018/19. A total of 15 municipalities (Senqu LM, Midvaal LM, Okhahlamba LM, Witzenberg LM, Cape Agulhas LM, Capricorn DM, Cape Winelands DM, Nkangala DM, John Taolo Gaetsewe DM, Drakenstein LM, Langeberg LM, Prince Albert LM, Saldana Bay LM, Theewaterskloof LM and Overstrand LM) were able to maintain clean audits over the past two years. Twelve municipalities improved their audit outcome to unqualified with no findings. Only one metro, Ekurhuleni obtained a clean audit, whereas it was the case with 11 local municipalities and 4 district municipalities.

Figure 16: Municipal audit outcomes, 2016/17, 2018/19 and 2019/20

Source: MFMA Report 2019/20

The Auditor-General made the following general findings on the provincial outcomes for 2019/20:

- **Eastern Cape:** Although there is improvement in outcomes, the improvements will only be sustained through an improved focus on strengthening controls;
- **Free State:** The lack of accountability in the province creates a perpetual disrespect for regulations, which leads to mismanagement of resources and lack for service delivery. The leadership needs to be decisive and take deliberate action if there is to be accountability;
- **Gauteng:** There have been pockets of improvement; however, inadequate monitoring of preventative controls has led to stagnation of outcomes and increasing levels of unauthorised, irregular, and fruitless and wasteful expenditure;
- **KwaZulu-Natal:** The audit outcomes in the province have stagnated because there is a lack of effective accountability and, as a result, consequence management is not consistently enforced. The province is encouraged to upscale

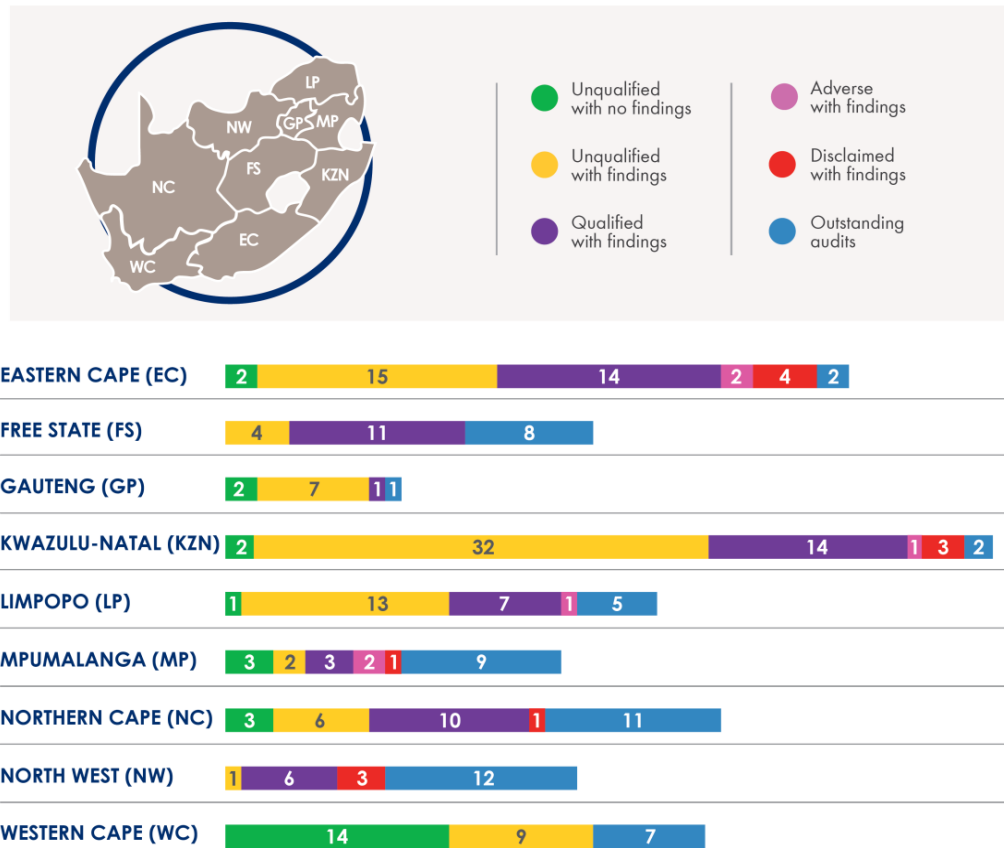
the implementation of preventative controls and drive consistent consequence management;

- **Limpopo:** The province recorded an improvement in audit outcomes, mainly driven by consultants. However, this improvement is not supported by an equal improvement in the key control environment at the municipalities and might therefore not be sustainable;
- **Mpumalanga:** The poor state of internal controls, failure to enforce consequences for transgressions and weak oversight are at the centre of deteriorating accountability in the province;
- **Northern Cape:** The benefit derived from implementing preventative controls is evident, but there is still a lot to be done to address undesirable audit outcomes in the province. A strong leadership tone will drive the required change;
- **North West:** There is total neglect of internal control disciplines in the province, which has caused financial and operational collapse, as well as weakened governance processes, and has resulted in a lack of accountability; and
- **Western Cape:** The province has good financial accounting controls; however, there are inadequate controls to prevent compliance failures.

National Treasury indicated that audit outcomes are not necessarily an indicator of the financial health in municipalities. Municipalities with positive audit outcomes can be in financial distress and equally, municipalities who are financially sound can obtain negative audit reports.

Figure 17: Municipal audit outcomes per province, 2019/20

AUDIT OUTCOMES PER PROVINCE



Source: MFMA Report 2019/20

7.8.2 Provincial reporting

In the **Eastern Cape**, 16 municipalities received unqualified audits with findings and two local municipalities (Elundini, Senqu) received clean audits. Fifteen municipalities received qualified audits. Four municipalities (Ingquza Hill LM, Makana LM, Sunday’s River LM and Chris Hani DM) received disclaimers, and two municipalities (Amathole DM, Sakhisizwe LM) received an adverse opinion.

The 2019/20 municipal audit in the Eastern Cape reflects an improvement as compared to the previous year, as it has only one regression and out of the eight municipalities that were disclaimed in 2018/19, four of them have improved. Irregular expenditure persisted to rise with three municipalities, namely Nelson Mandela Bay Metro, OR Tambo District and Buffalo City Metro as top contributors.

Only three municipalities in the **Free State** could improve their audit outcomes during 2019/2020. The audit outcome of the Fezile Dabi DM and the Nala LM improved from disclaimer to qualified, while Tswelopele LM improved from a qualified audit opinion to an unqualified audit opinion. There were no adverse or disclaimer of audits in 2019/20, but still no clean audits. Qualified audits (12) were twice as many as unqualified audits (6). There were three municipalities where annual financial statements were outstanding and in four cases the audit was pending.

Municipalities in **Gauteng** showed a stagnation of audit outcomes in 2019/20 with two clean audits, eight unqualified audits and one qualified audit, compared to one clean audit and 10 unqualified audits the previous two years. Ekurhuleni MM improved from a qualified to a clean audit, while Lesedi LM, Mogale City LM and West Rand DM improved the quality of their financial statements. Rand West City LM has regressed, while Midvaal LM maintained a clean audit for three consecutive years. According to the province, non-compliance with laws and regulations (especially with SCM regulations) continue to grow at an alarming rate and of concern is the high increase in irregular expenditure.

In **KwaZulu-Natal**, there were two clean audits (Okahlamba LM and uMhlathuze LM) in 2019/20 (improving from one in 2018/19). There were 32 unqualified audits with findings, which was similar to the previous year. The number of qualified opinions declined from 18 in 2018/19 to 14 in 2019/20. There were three disclaimers (compared to two the previous year) and there was one adverse opinion (compared to none the previous year). The levels of unauthorised, irregular, fruitless and wasteful expenditure in the 54 municipalities of KwaZulu-Natal remained both high and widespread. The following were recorded in 2019/20: 35 municipalities (unauthorised expenditure), 45 municipalities

(fruitless and wasteful expenditure), 51 municipalities (irregular expenditure). The total amount of unauthorised, irregular, fruitless and wasteful expenditure incurred by the municipalities during 2019/2020 amounted to R8.1 billion which increased by R1.7 billion or 27% from the previous year.

In **Limpopo**, audit opinions improved with unqualified opinions increasing from six in 2018/19 to 15 in 2019/20. Molemole LM, Thulamela LM and Maruleng LM have consistently maintained unqualified audit opinions. Capricorn DM obtained a clean audit for two consecutive years in 2018/19 and 2019/20. The number of qualified opinions decreased from 18 in 2018/19 to 10 in 2019/20. While there were three disclaimers in 2017/18 and one disclaimer in 2018/19, there was none in 2019/20. Mogalakwena LM obtained an adverse audit opinion for three years in succession.

Mpumalanga reported three clean audits (Ehlanzeni DM, Nkangala DM, Steve Tshwete LM) and 6 unqualified audits in 2019/20. The same number of qualified (5) and adverse (2) opinions were reported in 2019/20 as in the previous year. The number of disclaimers increased from one to five in 2019/20. While 13 municipalities remained unchanged from the previous year, three municipalities improved (Steve Tshwete LM, Ehlanzen DM, City of Mbombela LM), while four municipalities regressed (Msukaligwa LM, Gert Sibande DM, Emakhazeni LM, Thaba Chweu LM).

In the **Northern Cape**, there was some marginal movement in audit outcomes in 2019/20, with clean audits improving from one to three (ZF Mgcawu DM, Frances Baard DM and John Taolo Gaetsewe DM) and qualified audits increasing from 15 to 16. Three of the audits were outstanding. According to the province, the outcomes indicated that leadership in the municipalities did not respond to the matters raised by the AG in the previous financial year and has not implemented the necessary controls to ensure the quality of financial statements submitted for auditing.

In **North West**, the audit outcomes for 2019/20 reflected limited progress in an overall negative picture. Twelve of the 23 municipalities recorded qualified findings (12 in the

previous year) and seven municipalities received disclaimers (eight in the previous year). The number of municipalities which received unqualified outcomes with findings doubled from two in the previous year to four. There were no clean audits in the past five years. Five municipalities had received adverse of disclaimer of audit opinion for five years or more consecutively: Madibeng LM, Ngaka Modiri Molema DM, Mamusa LM and Lekwa-Teemane LM.

In the **Western Cape**, 18 municipalities have received clean audits in 2019/20. There were three municipalities that regressed, while six municipalities have improved. Beaufort West is the only municipality in the Western Cape that received a disclaimer, while Kannaland and Laingsburg received qualified opinions.

7.9 Municipalities experiencing financial distress

National Treasury identified 175 municipalities that were in varying degrees of financial distress in 2019/20, which is an increase compared to 163 reported in the previous year. According to the assessment of financial indicators, municipalities in financial distress are generally characterised by poor cash flow management, increasing debtors' books and creditors as well as insufficient repairs and maintenance of infrastructure. Most of these municipalities have a history of unfunded budgets and disclaimed audit opinions.

It was found that six of the 27 municipalities that received unqualified audit opinions with no findings, were classified as being financially distressed. A further 52 of the 91 municipalities that received unqualified audit reports with findings, were classified as financially distressed. National Treasury indicated that good audit outcomes do not necessarily indicate good financial health. Audit outcomes provide more of a reflection of the state of record keeping and compliance with the law, while financial distress indicators look at the actual health of the municipality's finances. However, in the case of 12 disclaimed audit opinions, there was a correlation between the audit outcome and the state of financial health in the municipality.

Causes of financial distress can be classified into:

- **Structural (or fixed) factors**, including the erosion or interruption of the tax base, decrease in population size, residents' socio-economic status, structural impediments that contributes to constrained national fiscus and decline in economic productivity. Structural factors are known to be the hardest to resolve, as they are sometimes outside the municipality's control;
- **Organisational factors**, including mismanagement, transparency and labour unions power in public administration and other political factors. Organisational factors are relatively easier to resolve because they are often internal to the organisation. Research shows that mismanagement, one of the organisational factors, is a major cause of fiscal distress; and
- **Hybrid factors**, which relate to intergovernmental relations and coordination. Sometimes grey areas exist in intergovernmental relations, especially regarding roles, responsibility and accountability.

Some causes of financial distress are beyond the municipality's control but are within the power of national government to resolve. These are referred to as unfunded or underfunded mandates, where a municipality is required to perform a function, but revenue instruments are with the provincial government. Another challenge is the undefined roles and responsibilities and unclear institutional arrangements between districts and local municipalities. There are also structural changes in the economy that impacts on a sustainable municipality, for example the impact of the COVID-19 pandemic on the economy.

National Treasury stated that most of the financial problems are believed to be within the control of a municipality. These include the lack of proper financial management and weak municipal leadership, including ineffective councils and governance structures.

7.10 Challenges in municipal financial viability and management

The Section 47 reports from the provinces have confirmed some of the challenges concerning revenue, compliance, capacity and leadership:

The **Eastern Cape** reported that own revenue has been decreasing over the past financial years. All municipalities in the province are below the norm of 95% collection rate. This indicates poor revenue collection and non-implementation of revenue enhancement strategies resulting in most municipalities to be grant dependent. There is non-implementation of debt management, credit control policies and by-laws as well as a failure by municipalities to meet their obligations of paying their creditors on time. Leadership in municipalities is not exercising the necessary responsibility to enhance good governance.

In the **Free State**, the absence of cost reflective and economic tariffs combined with poor revenue-raising mechanisms and weak implementation of debt collection were identified as major issues. Correct metering and accurate billing were found to be a serious challenge to most municipalities, which constrains credit control and revenue collection. The main root causes for poor audit opinions, included leadership, governance and oversight inadequacy, poor financial and performance management, non-compliant supply chain management.

In **Gauteng**, the following challenges were identified:

- It became more difficult for municipalities to collect revenue due to high unemployment rate, economic challenges and challenges relating to the COVID-19 pandemic;
- A low expenditure trend on capital budgets was a concerning factor;
- Municipalities were failing to spend all their grant allocations at financial year end;
- Municipalities did not have sufficient cash balances to finance their monthly financial obligations including to pay creditors with 30 days; and

- The ever-increasing outstanding debtors has indirectly caused financial constrain to municipalities to deliver services to communities.

KwaZulu-Natal highlighted negative trends, including regressed negative cash coverage and regressed net available cash, as well as high levels of unauthorised, fruitless and wasteful (UIFW) expenditure. Auditor-General findings on irregular expenditure was primarily around non-compliance and contravention of the supply chain management regulations, poor contract management, and flaws in bidding processes during procurement or tender processes.

Limpopo identified challenges with the implementation of the Municipal Property Rates Act, including unregistered properties and properties built on communal land. Some of the land that government properties are built on or occupied are not surveyed and some of the properties have not been registered with the Deeds Office. Most issues raised by the Auditor-General findings were asset management, governance and leadership, records management and supply chain management processes. The province also reported lack of capacity and skills in financial and supply chain units. There was reoccurrence of unauthorised, fruitless and wasteful expenditure in municipalities.

According to the **Mpumalanga** province, municipalities were still not properly planning for capital projects and low capital spending was due to Supply Chain Management inefficiencies and low revenue collection. There was also a failure by municipalities to implement revenue enhancement strategies and credit control policies. Information on invoices sent to government departments were often incomplete, resulting in government departments not paying their government debt to municipalities.

North West province reported that there are weak internal controls in all the municipalities of the province and generally a lack of compliance with laws and regulations. Municipalities have recurring audit findings, which is evident that root causes are not adequately addressed, governance structures should be strengthened, and consequence

management should be implemented. Fruitless and wasteful expenditure is not reported as legally required.

Municipalities in the **Western Cape** reported that the effect of COVID-19 could be seen in the level of revenue collected when compared to previous years. Some municipalities such as the City of Cape Town, Mossel Bay LM and Knysna LM experienced significant revenue losses. In general, municipalities in the Western Cape have reported a month-on-month reduction in revenue of between 20-30%. This did not only have an impact on the financial sustainability of municipalities in the long term, but also on their cash flow in the immediate term.

7.11 Support, interventions, trends and recommendations

7.11.1 Provincial support and interventions

According to the Section 47 reports there were support and interventions provided by provinces on critical issues such as audit outcomes, debt collection, and revenue management:

- The Eastern Cape CoGTA facilitated current and arrear debt meetings on a quarterly basis between government departments and municipalities with the aim of assisting municipalities to improve revenue collection, ensure that payments are processed by government departments and resolve any disputes;
- The Eastern Cape province conducted a provincial Municipal Chief Audit Executive Forum which assisted internal auditors in executing their role of strengthening governance as well as to emulate best practices from other municipalities;
- The Eastern Cape CoGTA Project Management Unit in partnership with Development Bank of Southern Africa (DBSA) assisted some municipalities with Revenue Management Enhancement;
- Gauteng established various initiatives to improvement financial viability of municipalities, including the Debt Management Committee to facilitate payment of rates by the province to municipalities, the Resolution of Top 500 Business

Accounts and Resolution of Top 100 Residential Debtors to improve revenue collection faced by municipalities from businesses and residential customers;

- In KwaZulu-Natal support interventions were provided to all municipalities, including MPACs and officials to reduce UIFW and a UIFW plan was prepared for implementation;
- The provincial Department in Limpopo has established the Provincial Debt Forum to ensure that all stakeholders assist collecting outstanding government debts and resolve disputes. The province reported that payment of debt owed by sector departments and state-owned enterprises has improved significantly, due to support and systems at provincial level;
- Mpumalanga Provincial Treasury convened quarterly Provincial Government Debt Forum with sector departments and municipalities to encourage departments to honour their debt commitments and municipalities to submit reconciled monthly debt reports;
- Mpumalanga Provincial Treasury established a Technical Steering Committee as well as a MFMA Steering Committee for coordinating all support to municipalities in addressing audit findings. The Head of Department (HODs) of CoGTA and Provincial Treasury committed to play a closer role in the engagement and monitoring of municipalities;
- North West indicated that the provincial CoGTA would appoint a service provider to assist with customer data cleansing and billing integrity in municipalities;
- North West assisted municipalities with the recovery of outstanding government debt by coordinating a Debt Forum between government departments and municipalities;
- In the Western Cape, a special committee was established consisting of the senior officials from the Department of Local Government, the Provincial Treasury and various municipalities. The role of the committee was to assist municipalities with revenue enhancement strategies to ensure their financial survival; and
- To support municipalities with their audit findings raised by the Auditor General, the Western Cape Provincial Government provided various support initiatives and have initiated different platforms to address audit related findings. One of these

platforms is the annual initiation of a MFMA Provincial Steering Sub-Committee to give guidance to municipalities regarding their audit findings raised by the AG, as it arises. An automated system has also been developed to track the progress made by the municipalities to address these issues. Quarterly reports are submitted to the Provincial Executive to reflect progress per municipality.

7.11.2 National support and interventions

National Treasury reported the following progress on the financial positions of municipalities for 2019/20:

- Only 24 municipalities had negative cash balances in 2019/20, an improvement compared to 31 municipalities in the previous year. Six municipalities improved their cash positions despite the economic and development challenges that they have faced;
- Municipalities with low cash coverage decreased from 165 in 2018/19 to 146 in 2019/20;
- About 66 municipalities had positive cash-backed accumulated surpluses after considering all their commitments at the end of 2019/20;
- 24 of the 257 municipalities have provided within the norm for repairs and maintenance as a percentage of Property, Plant and Equipment (PP & E);
- 106 municipalities have spent more than 40 per cent of their capital budget on renewal of infrastructure;
- 61 municipalities are providing more than 100 per cent for depreciation of assets to improve the life span of their assets;
- 138 municipalities have adequately invested on capital infrastructure in 2019/20;
- 69 municipalities have enough cash and investments to meet current liabilities;
- 53 municipalities collected monies owed to them within 30 days of issuing a bill to consumers while 68 municipalities pay their creditors within 30 days of receiving the invoice; and
- 131 of the 257 municipalities have current assets which exceeds current obligations.

The third three-year phase of the programme, MFIP III, commenced on 1 April 2017 and ended on 31 March 2020. As of 31 March 2020, the MFIP procured and deployed 80 technical advisors (TAs). These advisors included direct capacity support to municipal budget and treasury offices and the municipal finance units of provincial treasuries. During the reporting period 1 July 2019 – 30 June 2020, 1 626 capacity building sessions were held, involving 4 895 officials on topics such as accounting and audit, supply chain management, budget and revenue management, budget and financial management, asset management, *mSCOA* and the Municipal Finance Recovery Service (MFRS).

7.11.3 Provincial recommendations

The following recommendations were made by provinces on financial viability issues:

- The **Free State** emphasized the remedial actions required from municipalities in carrying out audit action, including proper document management, monitoring of monthly reconciliations and implementation of consequences management;
- It was recommended that the **Gauteng** Department of CoGTA should intensify support to municipalities with mechanisms of financial viability, but that municipalities in the province should strengthen revenue collection strategies to improve financial viability;
- Gauteng province stated that municipalities in the province should strengthen their financial governance and internal controls. Compliance with legislation should be strengthened through consequence management, including a commitment to the audit action plan by the council and its administration;
- **Limpopo** recommended that the collection of revenue by municipalities should be prioritised to ensure that municipalities remain financially viable, especially households and government debt which remained high over a period;
- **Mpumalanga** proposed that municipalities should plan in advance for capital projects, so as to start with implementation as early as the commencement of the financial year;

- Mpumalanga recommended that municipalities appoint young professionals and engineers to assist with asset registers and that a competent individual or team of professionals should be deployed to deal with the internal controls and non-compliance on SCM matters and any other financial matters within municipalities.
- **North West** recommended that action be taken against municipalities that are not reporting their UIFW expenditures as required. Municipalities should develop consequence management policy, which must be adopted by the municipal council and implemented by management. Governance structures must be strengthened to deal with non-implementation of legislation with municipalities; and
- As a longer-term intervention measure, the Department of Local Government in the **Western Cape** in collaboration with the Hans Seidel Foundation have commissioned the University of Stellenbosch to design a financial and operational sustainability model for municipalities, regarding the new normal.

7.11.4 Emerging trends

- In 2019/20 over 90% (233 of the 257) of municipalities in the country spent less than the 8% on repairs and maintenance. Poor spending on repairs and maintenance is prevalent in all categories of municipalities, indicating that infrastructure assets are not protected. Six metros had spent inadequately on repairs and maintenance as a percentage of PP & E in 2019/20, while 16 secondary cities spent inadequately on repairs and maintenance in 2019/20. Of a total of 186 local municipalities, 176 under provided for maintenance;
- The Auditor-General and National Treasury have indicated several persistent challenges in financial viability and management, including negative audit outcomes, deteriorating cash flow positions and poor delivery of basic services;
- The overall audit outcomes for municipalities have not improved over the past four financial years. Most municipalities were in a worse position in 2019/20 than at the beginning of the administration's term in 2016/17, with 46 improving their audit outcomes, but 61 regressing over this period.

- *The State of Local Government Finance and Financial Management Report of National Treasury for 2019/2020*, confirmed the following trends:
 - There were 24 municipalities that closed their year with negative cash and cash equivalents;
 - Most municipalities (188) did not have sufficient cash and investments to pay for current obligations (liquidity ratio);
 - Only 57 municipalities settled their creditors within 30 days in 2019/20 while 200 took more than 30 days. Outstanding creditors grew rapidly from R53 million in 2018/19 to R66 million in 2019/20. High creditors payment periods and escalating amounts were owed to especially Eskom and Water Boards.
 - In the case of 115 municipalities, they were unable to pay all current or short-term obligations when they fall due (negative current ratios);
 - Unfunded budgets in 123 municipalities are a threat to municipal financial sustainability;
 - Underinvestment on capital infrastructure was evident in 116 municipalities which spent less than 10% of their total expenditure on capital infrastructure; and
 - Many municipalities are experiencing revenue losses in water and electricity due to ageing and condition of their infrastructure assets. Metros reported water losses of R5.6 billion and electricity losses of R9.2 billion in 2019/20.

The DCoG and National Treasury have set up Joint Teams to work with their provincial counterparts to address the following priority financial management support and intervention measures: development of credible, funded and cash-backed budgets; development of simplified revenue generation plans; support with the development of financial recovery plans; support with the implementation of audit remedial action plans; and implementation of Municipal Standard Chart of Accounts (MSCoA).

MFMA Circular No. 88 of 2017 was jointly issued by National Treasury, DCoG and the Department of Planning, Monitoring and Evaluation. Progress has been made to rationalise, better coordinate and standardise indicator planning, monitoring and reporting

in metropolitan municipalities and across local government. Ultimately, the Circular will be used to rollout a differentially applied set of indicators for local government to a common standard prior to their eventual regulation by DCoG.

7.11.5 National recommendations

- Provinces recommended more attention should be paid to financial viability, including revenue collection strategies, and the consideration of a financial and operational sustainability model for municipalities;
- Provinces also recommended strengthening of financial governance, internal controls and implementation of consequences management in municipalities;
- Provinces proposed that municipalities should plan in advance for capital projects, so as to start with implementation as early as the commencement of the financial year;
- Capacity building and support to municipalities should continue through the implementation of the financial management reform agenda for local government as reported by National Treasury:
 - Prescribed minimum competency levels should be adhered to, currently less than 70% of all required officials, CFOs and senior managers have achieved minimum competency levels;
 - Revenue management support of municipalities should be improved;
 - Metros should be supported to drive an effective spatial transformation agenda and contributing to inclusive economic growth;
 - Planning, budgeting and reporting reforms should be accelerated.
- National Treasury has called for a comprehensive review of the financing model for local government, including expanding more flexible grants to municipalities, exploring ways to increase the own-source revenues of municipalities and to clarify rules for levying development charges.

SECTION 8: KEY PERFORMANCE AREA: GOOD GOVERNANCE AND PUBLIC PARTICIPATION

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 - 8.2.1 National overview
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8.10 Challenges in good governance and public participation

8.11 Support, interventions, trends and recommendations

8.11.1 Provincial support and interventions

8.11.2 Provincial recommendations

8.11.3 Emerging trends

8.11.4 National recommendations

8.1 Introduction

Effective public participation is a key requirement for achieving good governance. Public participation processes include consideration of the establishment of ward committees, the deployment of CDWs, imbizos and complaint management systems. The focus on good governance speaks to the functioning of intergovernmental relations (IGR) structures, oversight and the combatting of fraud and corruption.

Local government is the sphere of government closest to the people. Local municipalities deliver many basic services and local ward councillors are the politicians closest to communities. Participation by the citizens is one of the underlying precepts of democracy. Local government serves as an avenue through which people participate in governance. The South African government has clear policies that state that local municipalities and councillors should be sensitive to community views and responsive to local problems. Partnerships should be built between civil society and local government to address local issues. Certain laws such as the Municipal Systems Act, 32 of 2000 and the Municipal Finance Management Act, 56 of 2003 outline participation processes that municipalities must use to consult the community.

The NDP found that participation is often a formulaic exercise run by consultants and that citizens have little confidence in the value of engagement. The NDP advocated strongly for local government to engage people in their own spaces: "Elected representatives and administrative officials should be prepared to go to community organisations, housing associations or business associations rather than expect them to come to governmental forums. Community development workers have an important role to play in facilitating these engagements. These shifts would help local government to focus on citizens' priorities."

There are structures and activities that are needed to ensure that citizens became part of the collective governance. These structures and activities include the establishment and functionality of ward committees, visible ward councils who are expected to account to

the communities, capacitated office of the Speaker to account and respond speedily to all community concerns, continuous engagement with the communities by the Premier, MEC, Mayors and Ward Councillors.

The Municipal Structures Act No. 117 of 1998 requires each municipality to ensure the establishment of ward committees. The object of a ward committee is to enhance participatory democracy in local government. Various indicators have been developed to measure the functionality of a ward committee and amongst them are:

- The number of ward committees and community meetings;
- Submission and tabling of ward reports and plans to council;
- Number of complaints, queries and requests registered from the community and those attended to and resolved;
- Management and updating of ward profiles and database of indigent households; and
- Participation in the development of plans and programmes of municipalities and other spheres of government impacting on ward development and monitoring thereof.

The above-mentioned indicators require the ward committee to also encourage and motivate the community to participate in all municipal planning, monitoring and reporting processes. The Act further empowers a municipality to budget for the payment of out-of-pocket expenses from its revenue, Equitable Share or Municipal System Improvement Grant to enable the ward committee members to function effectively.

However, community participation alone is not sufficient to ensure that good governance practices are adopted. Institutional integrity is of equal importance, and each municipality should ensure that its Finance Committee, Municipal Public Accounts Committee, Audit Committee, Council and sub-committees are fully functional. This should be done through the adoption of effective by-laws and policies that entrench the effective performance of all aspects of municipal governance.

Fraud and corruption within the public sector weaken Government's ability to achieve its core mandate of efficient and effective provision of service delivery. Often, it is the most vulnerable who are affected. Legislation to curb fraud and corruption includes the Prevention and Combating of Corrupt Activities Act, 2004 (Act No. 12 of 2004), Protected Disclosures Act, 2000 (Act No. 26 of 2000), Promotion of Administrative Justice Act, 2000 (Act No. 3 of 2000), Promotion of Access to Information Act, 2000 (Act No. 2 of 2000) and Public Service Act (Proclamation 103). In addition to this, Government institutions are encouraged to establish and implement appropriate strategies to combat corrupt and fraudulent practices within that institution.

8.2 Ward committees and public participation

8.2.1 National overview

In the local government sphere, municipal councils are obliged by law to develop a culture of local governance that shifts from strict representative government to participatory governance, and must for this purpose, encourage, and create conditions for residents, communities and other stakeholders in the municipality to participate in local affairs.

Ward committees were established in terms of Chapter 4 of the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998). The ward committee system was designed to ensure that citizens' inputs are considered during planning and decision-making processes at Local Government level. In 2005, the Government gazetted guidelines to standardise the establishment and operation of ward committees. The ward committee system has been supported by DCoG, Provincial Departments of Local Government and SALGA, through the provision of training and the development of manuals for ward committee members.

In terms of the Municipal Structures Act, 117 of 1998, if a metro or local council decides to have ward committees, it must establish a ward committee for each ward in the municipality (sect 73(1)). A ward committee must meet at least quarterly according to the

Guidelines for the Establishment and Operation of Municipal Ward Committees, issued by the Minister for Provincial and Local Government in the Government Gazette dated 24 June 2005.

Municipalities are obliged to engage with their communities. They are expected to comply with the provisions of the Municipal Systems Act on community participation, whereby they must develop affordable and efficient communication systems that will allow them to regularly keep in touch with the communities to disseminate information. New technologies and social media can change the communication between Government and the citizens as they contribute decisively to the transformation of public administration towards a new and open format that will be characterized by the active participation of citizens in public affairs, close collaboration between public services and between government and citizens, and transparency of State activities.

Community participation in local government governance has reached a new milestone with the launch of the second generation GovChat instant messaging platform during October 2019. The GovChat, in partnership with the Department of Cooperative Governance, enable citizens to access and interact with 10 000 municipal public representatives through the GovChat instant messaging platform. This platform provides government and citizens with a cost-effective communication platform that will serve as a public education tool, community complaints management system, facilities rating and reporting tool, as well as a citizen satisfaction survey tool.

According to the Citizen Engagement Unit of DCoG, there were 4 392 wards across all municipalities and in 4 278 (97,4%) of them ward committees have been established by 31 January 2020.

The B2B reporting system established that less ward committee meetings were reported in 2019/20 as compared with the previous year, although 99% of the expected number of meetings were still held. The total number of meetings in the 3rd quarter (85%) and 4th quarter (17%) were far below the required number of meetings, as could be expected with

the lockdown period since the end of March 2020. The lowest percentage of meetings in 2019/20 was reported by municipalities in the Free State (37%) and Northern Cape (65%), which was also the case in the previous year.

As with ward committees, Ward Councillor public report-back meetings form part of public participation. Ward Councillors can only claim to be accountable if they have regular interactions with the people they represent and if they consult and report on key council decisions. According to the Councillor Code of Conduct in the Municipal Systems Act (No. 32 of 2000), Ward Councillors are required to report-back to local communities at least quarterly.

A total of 10 706 Ward Councillor report-back meetings were noted through the B2B reporting system in 2019/20, which at 61% was below the expected number of meetings in the year. More meetings than the expected number of meetings (4 392), were only held in the 1st quarter (4 812), while only 426 meetings were reported in the 4th quarter, as to be expected during the lockdown period. Northern Cape municipalities with 30%, Free State, 38% and North West, 43%, reported the lowest average percentages of expected meetings held.

8.2.2 Provincial reporting

Provinces provided the following feedback in their Section 47 reports:

In the **Eastern Cape**, 100% of ward committees were established in 26 municipalities, 90% of ward committees were established in one municipality and 80% of ward committees were established in one municipality. Less than 80% of wards were established in Kouga LM and Makana LM and no information was reported by the local municipalities of Engcobo LM, Enoch Mgijima LM and Ingquza Hill LM.

In the case of 19 municipalities, the functionality of ward committees was considered as excellent by the Eastern Cape province. This means that the municipalities provided

information on the members participating in the meetings, that there were minutes available, written proof of tabling resolutions, minutes of feedback communities and ward committee activity reports. Makana LM was classified as weak by the province in terms of ward functionality.

In the **Free State**, all municipalities were supported to maintain functional ward committees and to develop Ward Operational Plans for each ward. The province reported that ward committees operated with various levels of functionality.

All municipalities in **Gauteng**, except for the City of Tshwane, established ward committees. The City of Tshwane was in a process of re-establishing ward committees. A total of 422 ward committees were established in Gauteng and 258 thereof were functional. During the past three financial years, the functionality of Gauteng ward committees declined from 91% in 2017/18 to 81% in 2018/19 and 54% in 2019/20. According to municipalities, the decline was due to the declared national disaster management lockdown to curb the spread of COVID-19. There was a reported decline in the number of ward committee meetings in Gauteng municipalities, from 2688 in 2017/8 to 1440 in 2018/19 and 1246 in 2019/20.

KwaZulu-Natal reported that for the first half of the year under review (July – December 2019), almost all local municipalities in the province reported that ward committee meetings and the public report back meetings were held regularly. However, during the second half of the year, especially the last Quarter (April – June 2020) the functionality of ward committees and community engagements in all municipalities was drastically affected by the COVID-19 national lockdown, which had a negative impact on planned ward activities. Municipalities had to look at alternative methods of communication and activities involving the community such as social media platforms.

During 2019/20, 563 ward committees were established in **Limpopo**, of which 530 were functioning to a satisfactory level. The province reported that 33 ward committees were not functional, of which 32 were at Mogalakwena LM and one was at Modimolle-

Mookgopong LM. Ward-based operational plans were developed to ensure proper monitoring and facilitation of projects within wards. All local municipalities, except for Mogalakwena LM, were remunerating ward committee members for out-of-pocket expenses.

Mpumalanga reported that 76% of the 400 ward committees were functional in 2019/20, compared to 67% in 2018/19 and 81% in 2017/18. Four municipalities reported functionality of less than 65%: Bushbuckridge LM, Thaba Chweu LM, Dr JS Moroka LM and Emalahleni LM.

In the **Northern Cape**, all 205 ward committees in the 26 local municipalities were established and were reported as functional. Joe Morolong LM, Ga-Segonyana LM and Gamagara LM, were the only municipalities, which did not have Ward Operational Plans in place.

North West reported that in addition to COVID-19, municipal instability affected the functionality of ward committees in Tswaing LM and Lekwa-Teemane LM. Ward committees reported as not functional included Mahikeng LM (one ward), Lekwa-Teemane (one ward), Mamusa (all wards, as council was dissolved in October 2019), Maquassi Hills LM (one ward), City of Matlosana LM (two wards), JB Marks LM (one ward) Kgetlengrivier (one ward), Rustenburg LM (one ward) and Moses Kotane LM (one ward).

According to North West, local municipalities provided adequate administrative support to ward committees in general. Most municipalities were paying stipends for out-of-pocket expenses to ward committees, averaging at R1000. Some municipalities augmented stipends of ward secretaries with an additional R500. Challenges in support have been experienced in Moretele LM, Naledi LM and Lekwa-Teemane LM.

As at end of June 2020, there were 402 wards across municipalities in the **Western Cape**, of which all had functional ward committees established, except for four wards (one in

Theewaterskloof LM and three in George LM). Due to COVID-19 very few ward committee meetings were held.

8.3 Community development workers

8.3.1 National overview

The Community Development Worker (CDW) programme was launched as a presidential project in 2004. It involves the deployment of CDWs in wards to assist in strengthening the democratic social contract, advocating an organised voice for the poor and improving Government-community social networks.

Communities, especially in impoverished areas, are often unaware of their basic minimum service rights related to grant applications, service cuts and school enrolments. CDWs play a crucial role in this regard, informing local communities about government services and assisting in the clearing of service delivery backlogs. This means that these workers form an important communication link between government and communities to mobilise their communities to become active participants in government programmes.

8.3.2 Provincial reporting

The **Eastern Cape** reported that there was a lack of commitment and responsibility by some municipalities to support CDWs and there were no monitoring mechanisms in place for the CDW Programme.

CDWs were deployed in 306 of 529 wards of **Gauteng** municipalities in 2019/20. The CDW programme referred 37 464 cases to different government departments in 2019/20, which represents an increase from the previous two years. The programme assisted communities with applications for social grants, linking indigent households with access to free basic services and identification of title deeds beneficiaries. The CDW programme also participated on campaigns to inform and capacitate communities.

There were 426 CDWs in **Mpumalanga**, but there was a vacancy rate of 65 due to attrition. The province reported that all CDWs were performing their duties as expected, however in some wards CDWs have not been replaced.

The **Northern Cape** reported the involvement of CDWs in various campaigns in their wards, referrals of community needs to various government departments and referrals of service delivery matters to municipalities, and identification of vulnerable households in need of assistance together with the Department of Social Development.

Collaboration between CDWs and ward committees in **North West** was described by the province as not ideal, with some CDWs participating in ward committees, whilst others never engaged with them.

The **Western Cape** highlighted the important role of CDWs in establishing and maintaining relationships between communities and government services. CDWs played a crucial role in mobilising local communities in accessing a range of services (including free services) and the required application processes. CDWs also continued to provide support to small scale initiatives aimed at improving access to economic opportunities across the province, including food security and local economic development.

8.4 Complaints management and service delivery protests

8.4.1 Complaints management and customer satisfaction

The Municipal Systems Act Section 17(2)(a) makes provision that a municipality must provide for “the receipt, processing and consideration of petitions and complaints lodged by members of the local community”.

A municipal complaints management system facilitates the communication between the municipality and its community. It provides community members with the ability to register

their grievances about service delivery and other issues. It is therefore critical for municipalities to have a functional complaints management system that allows the community members to lodge the complaints and for the municipalities to receive, investigate and ultimately resolve the complaints.

As part of the B2B monthly indicator reporting, it was measured whether a municipality has a complaints management system in place to address service delivery concerns. In some instances, there was not consistency over the months in the way municipalities reported about the existence of the complaints management system (CMS). The functionality and effectiveness of CMS are still open to debate. The improvement of such systems will therefore contribute to positive community experiences.

All the municipalities in the **Free State** were reported using manual systems to capture complaints of communities, with only three municipalities using web-based systems. Seven municipalities have established formal Complaints management committees. Most municipalities have assigned dedicated officers to manage memoranda.

During 2019/20 customer satisfaction surveys were conducted in eight municipalities in the **Western Cape**, while four municipalities conducted surveys in 2018/2019. The City of Cape Town has indicated that customer surveys are conducted as an ongoing project in the municipality.

8.4.2 Service delivery protests

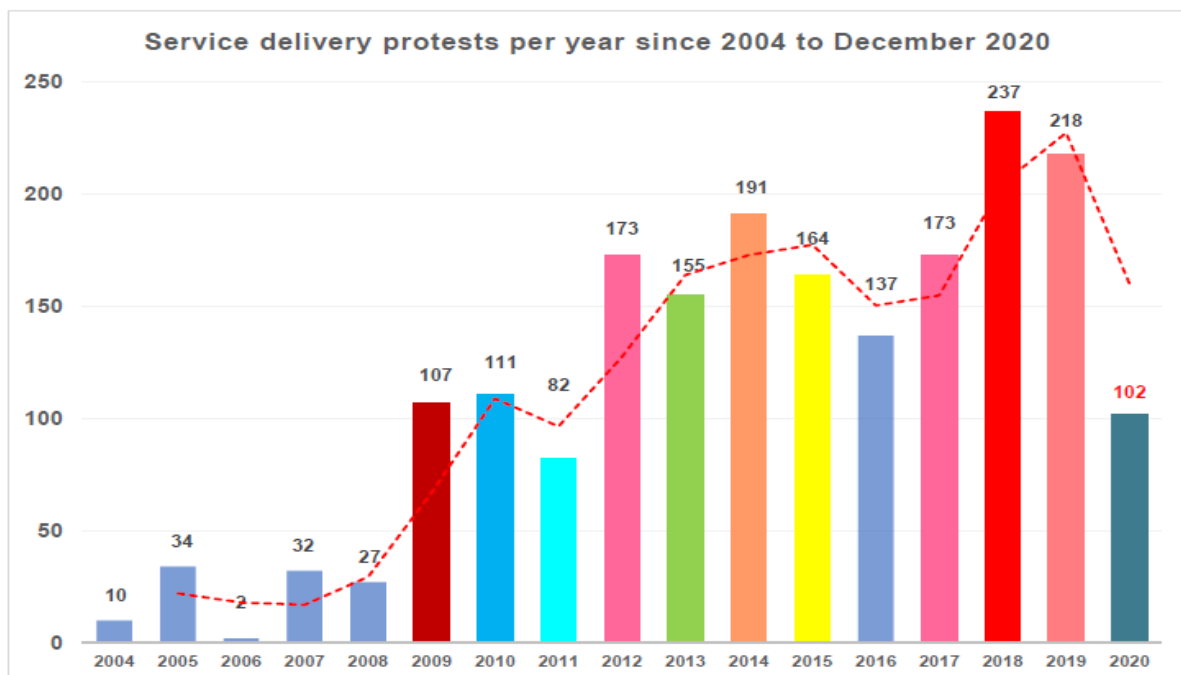
When community complaints are not dealt with timely, communities resort to protest action. Common community concerns about service delivery have been widely reported and include:

- Safe and reliable water supply, high level of water loss, non-functional water treatment plants and high-water service backlogs;

- Sanitation (sewer spillages, undesirable bucket, and chemical toilets, full and/or unsafe pit latrines, non-functional sewer treatment plants); Housing (shortage, incomplete projects, poor workmanship, disputes in allocation);
- Misalignment of human settlement versus municipal plans (Service plans not available from municipalities, e.g., water);
- Misalignment of bulk and reticulation;
- Cost of electricity and its reliability, Illegal and unsafe electricity connections.
- Worsening Potholes on roads;
- Unclean and dirty precincts (uncollected refuse, uncut grass, illegal dumping).
- Prevalence of Crime and violence;
- Corruption and fraud; and
- Unemployment.

The following figure illustrates the trend in protests since 2004:

Figure 18: Service delivery protests per year 2004 - 2020



Municipal IQ Hotspots Monitor – www.municipaliq.co.za

The figure above shows a significant decline in the number of service delivery protests in South Africa in 2020. This is however not linked to sudden improvements in service delivery but can be attributed to the lockdown months when public gatherings were outlawed, and policing was rigorously enforcing the State of Disaster regulations.

Municipal IQ argues that there is no reason to believe that the fall in the number of protests recorded against recent years represent an endorsement of municipalities. The lower number of service delivery protests in 2020 Municipal IQ argues “... *belie the unhappiness seen on social media, with many citizens raising their unhappiness with municipalities misappropriating Covid-support measures, as well as other more furtive action like land invasions. The low figure for 2020 is attributable to a dip in protests from March to August when the lockdown was most pronounced in South Africa. Normally service delivery protests spike during the South African winter months.*”

According to the B2B reporting system, less service delivery protests were reported in 2019/20, compared with the previous two years. Most of the protests occurred in the first quarter of the year, but the percentage of protests turning violent was higher in quarter 4 (43%), which was during the lock down period, compared to the other quarters (30%). Main reasons for the protests were indicated as issues related to “water” followed by “electricity” and “housing.

The highest number of protests occurred in the metropolitan municipalities, and in the secondary cities to a lesser extent. The cause of service delivery protests is a complex issue, and there are a range of factors causing protests. The effectiveness of municipal public participatory feedback mechanisms remains one of the critical issues to be addressed.

The **Free State** province reported a decline in the number of protests in its Section 47 report, especially violent protests, in municipalities compared to previous years. This was ascribed to the establishment of open communication between organisers of protests and municipalities. There has also been a more coordinated approach between the province

(Office of the Premier and provincial CoGTA) and municipalities in responding to community concerns.

8.5 Functionality of Council Structures

8.5.1 National overview

In terms of the Municipal Structures Act, No. 117 of 1998, Section 18(2), a municipal council must meet at least quarterly. Political governance in municipalities is vested in the municipal council and its committees. The municipal council performs both legislative and executive functions.

According to the B2B report, less municipal council meetings were held in 2019/20, compared with the previous year. However, municipalities overall still managed to hold more than the expected minimum number of meetings for the year. This is despite the lockdown period during the 4th quarter of the financial year, and probably because of virtual meetings that could take place during this period. More council meetings (1463) were held, than the expected minimum number of 1 028 meetings for the year (if one meeting per quarter).

The number of meetings held in the Free State (83%) was below the expected number for 2019/20. Municipalities in the Eastern Cape, Free State, North West and Northern Cape, reported that the number of meetings held in both the 3rd and 4th quarters, was below the expected number. Gauteng, KwaZulu-Natal and Limpopo municipalities also reported that the number of meetings held in the 4th quarter, was below the expected number.

8.5.2 Provincial reporting

According to the Section 47 report of **KwaZulu-Natal**, council structures were functional during 2019/2020. All council meetings were held quarterly complying with the mandatory quarterly meeting requirement. Executive committee meetings were held in all municipalities. There were increases in executive committee meetings, due to the need of managing the COVID-19 pandemic. Although municipalities reported that portfolio committees were functional during the financial year, the national lockdown affected the holding of meetings in the last quarter of the year. Amajuba LM and Mfolozi LM reported that no portfolio committee meetings were held in the last quarter.

There appears to be an improvement in the attendance of traditional leaders in council meetings in KwaZulu-Natal, compared to the previous year. Only four local municipalities (Inkosi Langalibalele, Abaqulusi, Umhlabuyalingana, Big Five Hlabisa) reported no attendance by traditional leaders in council meetings in comparison to the twelve municipalities which reported no attendance in the previous financial year.

Mpumalanga reported that all 20 municipalities adopted their delegations, defined the role of political office bearers and committees and adopted the code of conduct for councillors and staff. All municipalities had their councillors and staff declare their interest. Mpumalanga reported that council meetings were held less frequently in some municipalities due to COVID-19 restrictions, but many municipalities held their meetings virtually. Dr JS Moroka LM struggled to meet the legislative targets for meetings. Mpumalanga reported inconsistency of participation of traditional leaders and councils in the three districts.

Troikas were functional and meeting on a regular basis in all municipalities in Mpumalanga. The province reported that although less meetings were held, there was a stronger focus on adhering to the Troika Guidelines and focusing on governance and service delivery issues.

8.6 Anti-corruption and fraud prevention

8.6.1 National overview

Anti-corruption measures are an integral part of ensuring good governance at municipalities and promotes whistleblowing for corrupt activities. To reinforce efforts to fight against corruption, DCoG revised the Local Government Anti-Corruption Strategy and introduced the Integrity Management Framework, with the emphasis on the promotion of integrity. The Strategy sets out the strategic objectives to be pursued by municipalities in terms of preventing and combating corruption.

Fewer instances, disciplinary cases and dismissals for fraud and corruption in municipalities were reported through B2B in 2019/20 than the previous year. This needs to be viewed against the background of a decreased municipal response rate, and the lockdown during the 4th quarter. The instances of fraud and corruption reported in 2018/19 were 2080, compared to 810 instances in 2019/20. The number of disciplinary cases decreased over the same period from 700 to 583, while the number of dismissals was down from 149 to 72.

The highest instances, disciplinary cases and dismissals for fraud and corruption were reported by metropolitan municipalities, which is expected given the high numbers of employees in these municipalities. There is currently a challenge to establish the significance of a high or low number of reported instances, disciplinary cases, and dismissals for fraud and corruption. Generally, there seems to be low reporting by municipalities, which does not automatically translate to a low prevalence of fraud and corruption. There is a need to drastically improve reporting on this issue.

8.6.2 Provincial reporting

The adoption of anti-corruption and fraud strategies and plans are important at local level, but even more vital is the need for effective implementation. Section 47 reports provided only limited information on the impact of initiatives against corruption and fraud.

The **Eastern Cape** classified 18 municipalities as weak when it comes to corruption prevention mechanisms, indicating that no fraud prevention policy has been adopted. A further six municipalities did not submit any information. Only Winnie Madikezela-Mandela LM and Amathole DM had their policies adopted by council, held staff awareness workshops and had reporting mechanisms of fraud cases in place.

Six **Gauteng** municipalities reported that they had an anti-corruption strategy, while five municipalities reported the existence of draft strategies. Only six of these strategies were approved by the municipal council and only three of these strategies were reviewed by provincial CoGTA.

KwaZulu-Natal highlighted the failure by municipalities to address maladministration, corruption and fraud. The province took steps to monitor disciplinary action.

North West reported that Fraud and Anti-Corruption Policies were in place in 17 municipalities and drafts were existing in three municipalities. Mahikeng LM and Ditsobotla LM did not have policies in place. Only three of the municipalities in North West had Implementation Plans, namely Moses Kotane LM, Naledi LM and Dr Ruth Segomotsi Mompati DM.

In **Limpopo**, it was reported that during 2019/20, 26 municipalities have compiled adopted and implemented anti-corruption plans. The only exception was Collins Chabane LM which did not have an approved plan.

In **Mpumalanga**, it was reported that in 2019/20, 16 municipalities compiled an anti-corruption plan and in 11 municipalities the council adopted the anti-corruption plan.

All municipalities in the **Western Cape** have adopted anti-corruption and fraud prevention plans, which have been implemented.

8.7 Oversight

8.7.1 Internal Audit Units and Audit Committees

8.7.1.1 National overview

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. According to the MFMA's section 165(2), the internal audit unit of a municipality and municipal entity must:

- Prepare a risk based and audit program for each year; and
- In terms of sub-sections (i-vii) advise the accounting officer and report to audit committee on matters relating to internal audit, internal control, accounting procedures and practices, risk and risk management, performance management, loss control and compliance with MFMA, DoRA and any other applicable legislation (E.g. Water Services Act, Electricity Regulation Act, Municipal Fiscal Powers and Functions, Disaster Management Act etc.).

The Audit Committee is a committee of the Council and performs the statutory responsibilities assigned to it by the MFMA (sections 165 and 166), and other relevant responsibilities delegated to it under its charter by the Council. Section 166 of the MFMA requires that each municipality and municipal entity must have an Audit Committee. The Audit Committee is an independent advisory body that must:

- a) Advise the municipal council, the political office-bearers, the accounting officer and the management of the municipality or municipal entity on matters relating to:
- Internal financial control and internal audits;
 - Risk management;
 - Accounting policies;
 - The adequacy, reliability and accuracy of financial reporting and information;
 - Performance management;
 - Effective governance;
 - Compliance with the MFMA, the annual division of revenue act and any other applicable legislation;
 - Performance evaluation;
 - Any other issues referred to it by the municipality or municipal entity;
- b) Review the annual financial statements to provide the Council of the municipality or, in the case of a municipal entity, the council of the parent municipality and the board of directors of the entity, with an authoritative and credible view of the financial position of the municipality or municipal entity, its efficiency and effectiveness and its overall level of compliance with this Act, the annual Division of Revenue Act and any other applicable legislation;
- c) Respond to the council on any issues raised by the Auditor-General in the audit report;
- d) Carry out such investigations into the financial affairs of the municipality or municipal entity as the Council of the municipality, or in the case of a municipal entity, the Council of the parent municipality or the board of directors of the entity, may request; and
- e) Perform such other functions as may be prescribed.

8.7.1.2 Provincial reporting

In the **Eastern Cape**, 29 municipalities reported the existence, responsibilities and functionality of an Audit Committee, and provided a report as well. This was a decrease from 33 municipalities, which reached the same standard in the previous year. Three municipalities provided no information and the information provided by three municipalities was considered inadequate.

The Internal Audit Units in all municipalities in **Gauteng** were reported to be functional in 2019/20. The units in Lesedi LM and Merafong City LM did not conduct investigations, due to capacity constraints. It was reported that all municipalities in Gauteng had functional Audit Committees and held online meetings during the financial year.

Thirteen municipalities in **KwaZulu-Natal** indicated that the statutory requirement of at least four Audit Committees held per year was not adhered to in the 2019-2020 financial year.

In **Limpopo**, all municipalities have established Audit Committees and Internal Audit Units and the Audit Committees were reported as effective and functional.

Mpumalanga reported that Audit Committees were established and were functional in all municipalities.

Thirteen municipalities in the **Northern Cape** reported that they had Internal Audit Units. Ten local municipalities have a shared service with their District municipality, while four local municipalities received support services from their District municipality. Karoo Hoogland LM, Khai-Ma LM, Kamiesberg LM and Richtersveld LM did not have Internal Audit Units. Eighteen municipalities in the Northern Cape have established Audit Committees, while eight municipalities had shared service arrangements with their District municipality. Two municipalities received support services by their District municipality. Khai-Ma LM, Kamiesberg LM and Richtersveld LM did not have Internal Audit Units.

In the **Western Cape**, 27 municipalities reported to have established Internal Audit Units and 27 municipalities prepared their 2019/20 risk-based audit plan. It was reported that 26 municipalities had their Internal Audit Personnel appointed, 24 municipalities prepared their 2018/19 internal audit programme and 22 municipalities operated according to the Internal Audit charter. In the Western Cape, Audit Committees were fully functional in all municipalities, with at least three members serving on the committee. Seventeen municipalities had at least four meetings during 2109/20, while the number of meetings of other municipalities were affected by COVID-19 restrictions.

8.7.2 Municipal Public Accounts Committee (MPAC)

8.7.2.1 National overview

The Municipal Public Accounts Committee (MPAC) is one of the oversight mechanisms in municipalities. According to the *MPAC Guide and Toolkit*, developed by GIZ, in partnership with the DCoG, National Treasury and SALGA, “MPAC meetings shall be held as necessary in accordance with the approved plan/programme and shall not be less frequent than once per quarter”.

According to the B2B report, the number of MPAC meetings in 2019/20 was below the expected number of meetings, with only 819 meetings or 80% of the expected meeting reported. The frequency of meetings was the lowest in municipalities in the Northern Cape (49%) and Free State (28%) provinces. An average of only 19% of expected meetings were reported in the 4th quarter, compared with 93% and 62% in the 3rd and 2nd quarters of 2019/20, respectively.

The Auditor-General found that while the guidelines for MPACs are clear about the mandate, roles and responsibilities of these committees, they lack the legal mandate to enforce their recommendations on municipalities. The lack of capacity in MPACs and councils therefore contributed to municipal officials not being held accountable.

8.7.2.2 Provincial reporting

In the **Eastern Cape** it was reported that the province monitored the functionality of MPACs, as well as providing capacity building. GIZ in collaboration with the provincial Department, through the Rhodes University has trained members of MPACs on Essentials of Municipal Public Accounts Committee Course.

In the **Free State**, the functionality of MPACs were reported to vary among municipalities. Sixteen municipalities approved the Terms of Reference for MPACs and 11 municipalities have approved Workplans. Ten MPACs investigated unauthorised, irregular, fruitless and wasteful expenditure. Only six MPACs monitored the Municipal Audit Action Plan and advised the Council. In the case of nine municipalities, councils adopted and implemented MPAC recommendations. Only eight MPACs have full-time Chairpersons and in the case of seven municipalities the MPAC did not meet at all.

There is still inconsistency in the functioning of MPAC structures across **KwaZulu-Natal**. Of the 54 Municipalities, 14 Municipalities did not hold quarterly MPAC meetings. The non-sitting of the committees could possibly be attributed to the national lockdown, except in instances where only one or two meetings were held in the year.

In **Limpopo**, MPACs were established in all municipalities. Provincial and district MPAC forums were also established and convened on a quarterly basis.

In **North West**, challenges in some of the municipalities included that MPACs were slow to produce annual work plans, close out reports, process investigations, and hold regular meetings.

In **Mpumalanga**, it was reported that MPACs were established in all twenty municipalities and they were reported to be functional.

8.8 Intergovernmental relations

8.8.1 National overview

For municipalities to succeed in their developmental role, proactive cooperation between all the spheres of Government is critical for efficient and effective service delivery. Each sphere of Government has a role in the development planning, prioritisation and resource allocation. The Intergovernmental Relations Framework Act was passed in 2005. The Act provides a framework for cooperation among the three spheres of Government as distinctive, interdependent and interrelated, and it defines the responsibilities and institutional structures to support closer cooperation. It is important that formalised relations are established with municipalities for the purpose of alignment in terms of planning, information sharing, and many other aspects of good governance.

The COVID-19 pandemic facilitated strong IGR co-operation and this could provide lessons for improving struggling IGR structures at municipal level. The establishment of COVID-19 governance structures across the three spheres of government was crucial to ensure that there was an integrated and coordinated approach to deal with the COVID-19 challenges across the three spheres of government. The National, Provincial and District Coronavirus Command Councils (NCCC, PCCC and DCCC) and all their supporting structures were useful in making sure that activities and processes were coordinated at all levels of government.

In addition to the Coronavirus Command Councils and their supporting structures, the establishment of the NATJOINTS and the PROVJOINTS, which were advisory bodies to the Command Councils, enhanced inter-governmental and inter-sectoral, allowing different departments an opportunity to engage and debate issues of mutual interest and then develop informed and coordinated response to the challenge.

8.8.2 Provincial reporting

There was limited feedback on IGR in the Section 47 reports:

In the **Eastern Cape**, most municipalities have not yet developed an IGR strategy. Only two municipalities had developed an IGR strategy, adopted it by council and had an operational unit in place. Sarah Baartman DM was the only district where the functionality of District Mayors' Forums (DIMAFOs) and Technical District Mayors' Forums were considered excellent by the province.

In the **Free State**, it was reported that most District IGR Forums failed to convene their quarterly meetings during 2019/20. The substructures of the District IGR Forums (e.g. District Energy Forum, Water & Sanitation Forums) did meet on a quarterly basis in Fezile Dabi, Lejweleputswa and Thabo Mofutsanyana districts.

KwaZulu-Natal reported poor functionality of municipal IGR structures at District level.

Limpopo stated that it championed cooperative governance and intergovernmental relations in the province with special focus on the alignment of IGR structures and facilitation of engagements between sector departments and municipalities. IGR structures were functional in the province and all municipalities had functional websites.

During the financial year 2019/2020, the **Mpumalanga** provincial CoGTA established a Provincial IGR Technical Steering Committee which was chaired by the Senior Manager: Municipal Administration and was composed of representatives from the three District Municipalities and SALGA. The Provincial IGR Technical Steering Committee was tasked with the responsibility of driving the development of the Provincial IGR Framework. A concept document for the Proposed Draft Provincial IGR Framework was finalised for circulation to all stakeholders. It proposes the direct involvement of grassroot structures and communities in government planning through the Ward Based Planning (WBP) process as well as the Asset Based Community Development (ABCD) model.

8.9 Section 139 Interventions

8.9.1 National overview

The Constitution of the Republic of South Africa allows in Section 139 for the relevant provincial executive to intervene should a municipality not be able to fulfil an executive obligation in terms of the Constitution or legislation.

The manual for the application of Section 139 of the Constitution states: *“Provincial government has the duty to take an active interest in ensuring the development of strong local government, capable of fulfilling its constitutional mandate. Provincial government must not only monitor and support local government by legislative or other measures, it must also exercise provincial supervision in terms of section 139 when necessary”*.

As of January 2020, financial recovery plans were in place in 33 municipalities with nine of these being voluntary recovery plans. More and more municipalities are requesting voluntary financial recovery plans.

There have been 161 invocations of Section 139 interventions in municipalities averaging seven interventions per annum, since 1998 to date. Since 2016, over 65 municipalities have been placed under Section 139 interventions and the reasons given for such interventions included:

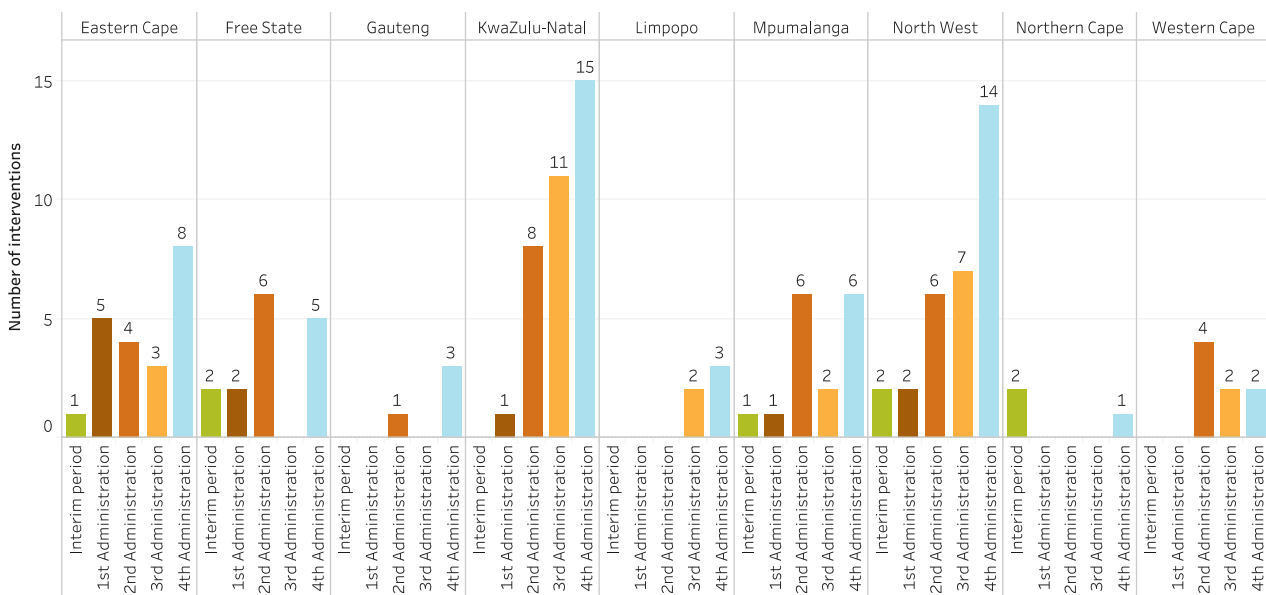
- Service delivery reasons: 24 (37%) municipalities;
- Governance reasons: 48 (74%) municipalities;
- Administration reasons: 33 (51%) municipalities; and
- Financial reasons: 52 (80%) municipalities.

Research conducted on behalf of the National Treasury into the efficiency of Section 139 interventions, revealed that triggers for Section 139 interventions have not usually been informed by a careful review of the problems in municipalities. Since 1998 to 2018, 140

interventions have been invoked in municipalities. 15 of these interventions have subsequently been set aside. Of the remaining interventions, most were invoked in terms of Section 139(1) of the Constitution, even though in many cases conditions existed for invoking a Section 139(5) intervention. Only 11 interventions were initiated using other subsections of Section 139 and 4 of these were invoked in combination with Section 139(1). Of these 11 interventions, six interventions were in terms of Section 139(4) (failure to pass a budget) and five were in terms of Section 139(5) (as a result of a financial crisis in the municipality).

Whilst there have been almost 170 Section 139 interventions since the interim municipalities post-1996, in some cases a single municipality may have had more than one Section 139 intervention in a single five-year electoral period. Overall, there have been almost 140 interventions in municipalities in the five electoral periods and the number of these interventions is disaggregated by province in the following figure:

Figure 19: Section 139 interventions by electoral period



Overall, most interventions have occurred in KwaZulu-Natal followed by the North West, Eastern Cape, Mpumalanga and Free State. These five provinces have had over 85% of

all Section 139 interventions. Some evidence that interventions do not appear to have improved things is borne out by the fact that of the 138 interventions occurring in municipalities in different electoral periods, 83 (61%) of these were in municipalities which have had more than one intervention in the past four electoral periods since the election of democratic local government in 2000. The following table indicates that nine municipalities had Section 139 interventions in three out of the four electoral periods since 2000 and 28 municipalities had interventions in two out of the four electoral periods.

Table 5: Electoral periods with Section 139 interventions

Municipality	Municipal name	#Electoral periods with S139 interventions
DC24	uMzinyathi District	3
DC38	Ngaka Modiri Molema District	3
EC122	Mnquma	3
KZN263	Abaqulusi	3
MP312	Emalahleni (MP)	3
MP321	Thaba Chweu	3
NW372	Madibeng	3
NW382	Tswaing	3
NW384	Ditsobotla	3
DC23	uThukela District	2
DC27	uMkhanyakude District	2
DC5	Central Karoo District	2
EC104	Makana	2
EC139	Enoch Mgijima	2
EC153	Ngquza Hills	2
FS181	Masilonyana	2
FS201	Moqhaka	2
FS205	Mafube	2
KZN223	Mpofana	2

Municipality	Municipal name	#Electoral periods with S139 interventions
KZN225	Msunduzi	2
KZN237	Inkosi Langalibalele	2
KZN238	Alfred Duma	2
KZN253	Emadlangeni	2
KZN275	Mtubatuba	2
KZN436	Dr Nkosazana Dlamini Zuma	2
LIM367	Mogalakwena	2
MAN	Mangaung	2
MP305	Lekwa	2
NW383	Mahikeng	2
NW393	Mamusa	2
NW396	Lekwa-Teemane	2
NW403	City of Matlosana	2
NW404	Maquassi Hills	2
NW405	J B Marks	2
TSH	City of Tshwane	2
WC041	Kannaland	2
WC045	Oudtshoorn	2

Several high-profile interventions have taken place during 2019/20 financial year, of which a few led to further litigation. In October 2019 the Mamusa Municipality in the **North West** Province was dissolved. The municipality was accused of mal-administration, financial mismanagement and councillors who neglected their legislative duties.

The **Free State** Provincial Executive Council resolved on 19 December 2019 to invoke Section 139 (5) (a) and (c) of the Constitution and to appoint an Intervention Team composed of provincial and national government officials, to assist with the development and implementation of a mandatory Financial Recovery Plan in the Mangaung Metro, after the failure of previous recovery plans.

In the **Eastern Cape**, the High Court granted the demand of the Unemployed Peoples Movement (UPM) that Makana be put under administration and have its council dissolved. The High Court in Makana ordered on the 14th of January 2020 that the Makana Municipality be dissolved and placed under administration for violating its constitutional mandate by failing to provide basic services to the community. The Court found that Makana Municipality violated Section 152(1) and 153(a) of the Constitution in failing to ensure the provision of services in a sustainable manner and, in failing to promote a safe and healthy environment for its community. The UPM judgment establishes a jurisprudential trend that local communities can through mandatory interventions, hold provinces accountable for failing to supervise municipalities in line with the Constitution.

The judgment sets the following precedent: If a municipal council fails to implement a financial recovery plan, a Court may instruct a provincial executive to dissolve a municipal council in terms of Section 139(5)(b) of the Constitution. Furthermore, provinces, as demonstrated in the UPM case must, before exercising their mandatory intervention powers, establish why previous financial plans failed. This is necessary, particularly in the case of repeated interventions instances where municipalities are subject to more than one intervention over a period without yielding success.

The **Gauteng** Premier has taken the step in the beginning of March 2020, of enacting Section 139(1)(c) of the Constitution - placing the City of Tshwane under administration until a new council is elected within a period of 90 days. This followed the inability of the Council to meet since November 2019, without having a Mayor or Mayoral Committee, and unable to appoint a City Manager. This intervention was taken on appeal by the Democratic Alliance.

The above case law might prove to have far-reaching implications for government. The Minister for Cooperative Governance and Traditional Affairs has stated that there is a need to establish an early warning system that will allow for detection of red flags and act through co-operative government mechanisms provided by Section 154, and only use

Section 100 and 139 as a last resort. In instances where the mechanisms of last resort are applied, it must be ensured that those interventions are sustainable by always including capacity building as a non-negotiable part of the intervention.

8.9.2 Provincial reporting

There was very limited information on section 139 interventions in the Section 47 reports, especially in the case of provinces with a high number of interventions like North West and KwaZulu-Natal.

Gauteng intervened in Emfuleni Local Municipality, with the province taking over certain functions and the City of Tshwane was placed under administration.

Municipalities in **North West** was impacted by the decision to invoke Section 100 of the Constitution in the entire North West provincial government. Five provincial departments were subjected to interventions in terms of Section 100 (1) (a) of the Constitution, providing for a “Directive” issued to those departments to undertake certain corrective measures within those departments, just short of assumption of responsibilities for those obligations. On the other hand, the other remaining five provincial departments were subjected to Section 100 (1) (b) of the Constitution, effectively assuming the responsibilities and obligations of those departments in the province.

The **Northern Cape** Provincial Executive Council intervened in terms of section 139 (1) (b) and section 139 (5) of the Constitution in Phokwane Municipality. Due to the non-cooperation of the Council, the province dissolved the Council in terms of section 139(1)(c). Mr Bamba Ndwandwe was appointed as Administrator from 19 May 2020. The province seconded acting municipal managers to three local municipalities during 2019/20: Ubuntu LM, Siyancuma LM, and !Kheis LM.

Mpumalanga reported that the province took a decision to place Dr JS Moroka LM under administration in terms of section 139 of the Constitution. The province has intervened in

terms of Section 106 (1) (b) of the Municipal Systems Act in Govan Mbeki LM, Dr JS Moroka LM and Dr Pixley Ka Isaka Seme LM. The municipal council in Lekwa LM was dissolved following the section 139 (7) intervention by national government.

Kannaland LM was the only municipality in the **Western Cape** whereupon a Section 139 (5) Intervention was instituted. This intervention was imposed due to serious governance and administrative challenges experienced by the municipality.

8.10 Challenges in good governance and public participation

Provinces reported ongoing challenges with the ward committee system, complaint management systems and CDWs:

The **Free State** identified the functionality of ward committees, Customer Complaints and Complement Management System for municipalities as challenges. In cases where municipalities have not established complaint management structures and processes, the response time to community complaints is a challenge. The province had to intervene in situations in Tokologo LM and Nala LM to facilitate responses to community concerns.

Municipalities in the Free State indicated financial constraints for capacity building of ward committees. There was also a high vacancy rate of ward committees in some municipalities with no indication of when positions will be filled. There was also a reported lack of resources and staff in the Offices of Speaker and non-submission of quarterly reports to the province. Most municipalities indicated difficulty in accessing the Ward Committee Data Management System.

Limpopo reported the effectiveness of ward committees were affected by inadequate resources and incentives for ward committee members and lack of appropriate skills.

The **Northern Cape** reported that despite capacity building, some ward committee members do not understand their role, which leads to conflict with the Councillor. The

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secretarial position in the ward committee is a challenge, as the recording of minutes and forwarding of recommendations to council is required. There is a lack of funds within the provincial department for training and capacity building.

The Northern Cape identified the following challenges with CDWs:

- A lack of supervision of CDWs at municipal level, due to lack of funding to appoint full-time CDW Supervisors;
- Vacant CDW posts not filled, due to lack of operational funding; and
- Tension and conflicts at ward level between some CDWs and councillors on their roles.

In **North West**, there are strained relations between CDWs and councillors or ward committees, as well as non-cooperative relations between CDWs and Offices of the Speaker. North West province reported that although most ward committees are functional, there should be more emphasis on effectiveness to ensure they have a meaningful impact on their communities. Some of the key challenges in 2019/20 on ward committees were: the impact of COVID-19; not engaging ward committees meaningfully in government programmes; and not sufficiently resourcing ward committees in training, skills, development and the execution of the portfolio functions of members.

Mpumalanga reported that the non-performance and functionality of ward committees were a result of the following reasons:

- Lack of commitment and ineffectiveness of ward committees which has a negative impact on the functionality of ward committees;
- Non-attendance to issues raised and lack of disciplinary steps by municipalities against those that do not adhere to ward committees code of conduct; and
- Failure to implement corrective measure by Municipal Speakers to councillors who fail to convene ward committee meetings or community meetings as per schedule 1 of the Municipal Systems Act.

Various challenges were noted in the Section 47 reports on IGR, oversight structures in municipalities, and the combat of fraud and corruption:

The **Free State** identified challenges with the functionality of District IGR Forums. There was no commitment from District Mayors to convene meetings and municipal managers did not support their Mayors by convening technical support structure meetings. Due to the absence of mayors and senior municipal officials, sector departments also did not commit to participation in the Forums. The Free State highlighted the lack of budget allocation and support staff to MPACs, a lack of commitment amongst MPAC members, lack of legislated guidelines, and political interference.

Mpumalanga identified various challenges with MPACs, including a lack of continuity and loss of institutional memory as MPAC members, especially the chairpersons get deployed into different portfolios by their political parties. There are no dedicated staff members and insufficient tools of trade to assist MPACs with administration. There is a lack of capacity building programmes for MPACs members on financial issues and understanding the roles and responsibilities of MPACs. Mpumalanga reported staff shortages in internal Audit units and non-implementation of Audit action plans and Audit Committee resolutions by municipalities.

In Mpumalanga, it was reported that Anti-Corruption measures are not fully effective in Municipalities. Municipalities are silent in reporting the implementation of those approved Anti-corruption measures as well as submitting the approved implementation plans and progress made.

The **Northern Cape** referred to the concerns raised by the Auditor-General that MPACs of municipalities are ineffective and thus creating an environment that does not encourage accountability and consequence management.

In **North West**, most municipalities had challenges in dealing with fraud and corruption, with the province reporting a lack of commitment by administrative and political leadership

of municipalities to deal with corruption strategies, difficulties to acquire co-operation from municipalities in submitting requested information and non-allocation of anti-corruption functions to appropriate components in the municipalities.

8.11 Support, interventions, trends and recommendations

8.11.1 Provincial support and interventions

Provinces reported the following initiatives to improve public participation:

Seven municipalities in the **Eastern Cape** were supported to maintain functional ward committees. Training of ward committees of Great Kei Local Municipality was done on ward operational plans. Seventeen municipalities were supported to respond to community concerns and 11 municipalities were supported with community participation and citizen empowerment partnerships. Municipalities were also supported through the establishment of Local Rapid Response Task Teams.

In the **Free State**, the provincial Department and SALGA in the Free State conducted Inclusive Governance Dialogue Engagements in four local municipalities in Fezile Dabi DM during the third quarter of 2019/20. The purpose of the dialogues was to strengthen capacity of Offices of Speakers of Municipalities, Ward Councillors, ward committees and municipal officials responsible for Public Participation and Inclusive Governance.

The Free State provincial Department developed templates to support municipalities in profiling wards and to facilitate reporting by ward committees. Municipalities were also provided with a database to register community concerns with an indication of remedial action and a reporting template was developed for the Office of the Speaker to report quarterly on these issues to the Department.

Gauteng province held 28 civic awareness campaigns to build an interactive and meaningful citizen engagement. Twenty councillors from Emfuleni LM and 13 from the

Rand West City LM were trained on newly developed qualifications, NQF level 3, 4 and 5.

KwaZulu-Natal conducted a workshop with ward committees to improve functionality and implemented further interventions through the District Public Participation Forum meetings and Speakers Forum meetings.

Limpopo conducted capacity building session for all appointed ward committee members.

Mpumalanga provided capacity development to non-functional ward committees. Mpumalanga recommended the enforcement of policies and legislation that compel ward councillors to convene ward committees and community meetings. The office of the Speaker in municipalities should ensure compliance of ward committee members to their code of conduct. Mpumalanga reported that the information sharing platform created by national DCoG is assisting all provinces to learn and share experiences on the functionality of MPACs.

North West provincial CoGTA provided support to Offices of the Speaker and ward committees through monitoring, assessing functionality and providing on site assistance where needed. The province reported that of the districts only Dr Kenneth Kaunda DM and Bojanala Platinum DM offered meaningful support to issues affecting ward committees

Provinces reported very few initiatives on IGR, oversight and anti-corruption in their Section 47 reports:

North West provided training on the Fraud and Anti-Corruption Strategy and Ethics Management to municipal councillors and officials in Dr Kenneth Kaunda DM, Ramotshere Moiloa LM, Madibeng LM and Moretele LM. Public participation and

awareness raising campaign on anti-corruption was facilitated in Moses Kotane LM in Seolong and Mopyane village.

In **Mpumalanga** anti-corruption awareness was conducted at the local municipalities of Thaba Chweu, Victor Khanye, Mkhondo, and Dr JS Moroka. A monitoring tool has been developed to assist municipalities to align the Local Government Anti-Corruption Strategy and the Municipal Integrity Management Framework. The tool is aimed at monitoring the implementation of the Strategy and the Framework by municipalities. The tool will also assist municipalities to assess their capacity to ensure the implementation of anti-corruption measures in general.

8.11.2 Provincial recommendations

The following recommendations were made to improve public participation in municipalities:

Gauteng identified the need for hands-on support to build, sustain and strengthen the functionality of ward committees across municipalities. The province proposed that municipalities should improve the functionality through measurement of outputs and not only monitoring activities such as meetings.

North West recommended that the element of effectiveness should be promoted in ward committees, so that they move beyond mere functionality. The province described the characteristics of effective ward committees as follows:

- They fully and meaningfully participate in activities stated in sections 16-22 of the Municipal Systems Act and are empowered to do so;
- The concerns they raise on behalf of the community are resolved by municipalities or government departments;
- They are involved by municipalities/government departments in the roll-out of service delivery programmes;

- They initiate or engage stakeholders to initiate developmental programmes in their communities;
- They assist communities to access government services; and
- They assist to hold municipalities accountable in terms of performance and service delivery.

North West proposed that to remedy ward committee functionality and effectiveness, ward committees should be adequately and appropriately resourced, ward committee coordinators should be capacitated and skilled, and Offices of the Speaker should be resourced to support ward committees. A framework should be developed to guide ward committees to function in COVID-19 conditions, so that they can adapt to different severity levels of a pandemic.

The following measures on IGR, oversight and anti-corruption were proposed by some provinces:

KwaZulu-Natal proposed to engage with the Chairpersons to revise the terms of reference of IGR structures that are not functional and to develop strategic agendas for the forums.

Mpumalanga proposed ongoing training on the roles and responsibilities for section 79 and section 80 committees and capacity building for MPACs on financial issues. Municipalities should include MPAC support staff and Internal audit units when reviewing their organograms. Mpumalanga recommended that all municipalities should align their current Anti-corruption plan and strategies with the reviewed Local Government Anti-Corruption Strategy of 2016 which is inclusive of the Municipal Integrity Framework.

8.11.3 Emerging trends

- Poor communication between citizens and the state has been found as a major catalyst of service delivery protests. While in the past government has solely

focused on “fixing” Ward Committees, there is a growing realisation that the solution is two-fold, strengthening current mechanisms, but also considering some alternatives;

- While the data shows that municipalities do have complaint management systems, the question remains about the functionality and effectiveness of the systems; and
- There are concerns about the effectiveness of provincial interventions, arising from failure to undertake the necessary steps to implement the interventions as well as a concern that interventions commonly appear to be motivated by political reasons. There have been many successful challenges to interventions through the courts, which have struck down a number of interventions for not following due process.

Some of the reasons posited for the lack of success with Section 139 interventions includes:

- They are not supported by municipal councils;
- Improvements are short-lived and are lost after the administrators leave;
- Intervention actions are taken too late as funds have already been spent. There are also no funds to sustain the municipal turnaround plan;
- Some administrators lack technical expertise or experience of local government;
- Lack of regulatory framework or legislation to give effect to Section 139 of the Constitution;
- Except in very few instances, the vast majority of interventions were conducted in terms of the general Section 139(1)(b) of the Constitution, and far much less on financial provisions, pointing to mainly failures of governance;
- Some of the interventions could have been prevented if early warning systems were in place, leading to proper monitoring, oversight and support;
- The NCOP seems to have played a key role in providing objectivity, mediation, and on-site investigations. This question is whether this could have been done by the provincial legislatures as part of their oversight, monitoring and assistance role; and
- The limitation of Section 139(1) of the Constitution to failures to fulfil an “executive obligation” leads to difficulties when the provinces interpret (a) what constitutes an

“executive obligation”; and (b) and what powers and functions may not be usurped by the intervention processes.

8.11.4 National recommendations

- DCoG should continue to update and strengthen its database for misconduct. This database is used by municipalities as a clearing house to “blacklist” staff members dismissed for serious misconducts from being employed in any municipality until after a certain period of rehabilitation has expired;
- Support should be long-term, systemic and structural, rather than short-term and crisis-driven. Support should not be “parachuted” in and then withdrawn outside of an evaluation of whether the problems have been resolved or not. The focus thus shifted from ad hoc deployments of emergency capacity to ensuring that weaker municipalities had the necessary fiscal and other resources to recruit and appoint appropriate personnel;
- Support programmes must be co-ordinated, and this is best undertaken within the context of a framework with clear targets; and
- There should be a consideration of ‘national’ interventions where provincial interventions are seemingly unable to turn councils around.

SECTION 9: CROSS-CUTTING INTERVENTIONS

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- 9.2 Integrated Development Planning (IDP)
 - 9.2.1 National overview
 - 9.2.2 Provincial reporting

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9.1 Introduction

Cross-cutting interventions are specific issues that are not addressed directly by the five key performance areas. Progress in municipal performance in this KPA was assessed in the focus areas of integrated development planning, spatial initiatives and disaster management.

Some provinces did not provide any information on cross-cutting issues in their Section 47 reports, while other reports only provided information on one of the three areas.

9.2 Integrated Development Planning (IDP)

9.2.1 National overview

The Municipal Systems Act, 2000 (Act No. 32 of 2000) entrenched the integrated development planning process as a legislated requirement for all municipalities to engage in and develop IDPs. The IDP is a municipality's five-year strategic plan that must be reviewed on an annual basis to track progress in implementation of the development programmes and inform future years' development planning. It has become the central pillar for development planning in South Africa as it seeks to integrate development planning and programmes across all the three spheres of Government into one document.

During the first years of the implementation of Chapter 5 of the Municipal Systems Act, many municipalities failed to submit their five-year IDPs, and others submitted very late. However, the main deficiency of early IDPs was the lack of integration and credibility in the strategic plans. DCoG developed a credibility framework and facilitated an intergovernmental IDP engagement process that was intended to improve the submission rate and credibility of IDPs.

DCoG developed the Revised IDP Framework for municipalities outside metros and secondary cities in 2012. The Revised IDP Framework focuses on assisting municipalities to produce IDPs that are credible and implementable, which focus on planning for the delivery of critical basic services and assist municipalities to achieve provincial and national priorities. The Revised IDP framework seeks to:

- Provide guidelines for determining priority services and project prioritisation;
- Provide for the integration of sector plans approach and processes;
- Provide guidelines, mechanisms and tools to link planning, budgeting, implementation, monitoring and reporting;
- Improve the layout, structure and overall packaging of the IDP; and
- Provide an approach to ensure that support to municipalities is provided in an integrated manner.

The COVID-19 pandemic and subsequent lockdown restrictions had an impact on the finalisation of the 2020/21 IDP processes as well as the assessment of the draft and final IDPs across provinces. All provinces were unable to convene physical sessions with municipalities and sector departments, these were replaced by virtual sessions in some instances. In other provinces, the assessments were conducted internally within provincial CoGTAs with limited participation from sector departments.

The declaration of the National State of Disaster on 26 March 2020 resulted in a number of municipalities being unable to adopt their draft IDPs before the end of March 2020 as prescribed. Given the fact that no council meetings and no public participation processes were permitted during the National Lockdown, municipalities had to cancel these meetings and no community engagements could take place.

Furthermore, the amended Directions issued by the Minister on 07 May 2020, provided for municipalities to only convene virtual council meetings and to use media platforms and alternative methods of consultation in consulting communities on the draft IDPs and Budgets. This had an impact on the quality of public participation process due to availability and access to these platforms particularly in the more rural municipalities.

Based on the table below, all municipalities managed to adopt their final reviewed IDPs. However, Phokwane Local Municipality in the Northern Cape Province adopted their IDP on 29 July as this municipality is currently under administration. In addition, the City of Joburg (Gauteng province) and Emadlangeni (Kwazulu Natal province) municipalities adopted their IDPs on 09 July and 01 July respectively. In the North West province, JB Marks adopted the final IDP On 03 July 2020.

Over the years, the IDP assessments have played a crucial role in facilitating and allowing for greater involvement of sector departments and other stakeholders in municipal planning processes. However, there have also been a number of challenges that have been identified. These challenges include:

- Differentiated approaches adopted by provinces to conduct IDP assessments;
- Some provinces assess draft IDPs and others only focus on the adopted IDPs and others assess both the draft and adopted IDPs;
- Different assessment tools utilised by provinces in line with the approach adopted by that province;
- Limited participation of some sector departments; and
- Lack of clear action plan/support plan by provinces to support municipalities on the identified challenges.

Table 6: Issues identified in IDP assessments by province, 2020

IDENTIFIED ISSUES	PROVINCES
Review of Spatial Development Frameworks	Eastern Cape, Free State
Lack of infrastructure Operations & Maintenance plans	Eastern Cape, Gauteng, Limpopo
Lack or outdated sector plans (Electricity, Waste Management, Transport plans, WSDPs)	Free State, Limpopo, Eastern Cape
Integration of disaster management plans into the IDPs	Free State, Western Cape

IDENTIFIED ISSUES	PROVINCES
Use of reliable and updated statistics particularly economic data	Mpumalanga, Free State, Eastern Cape
Outdated LED strategies and identification of economic potential	Mpumalanga
Development of public participation strategies and complaints management systems	Mpumalanga, Free State, Eastern Cape, Limpopo
Implementation of Performance Management Systems	Eastern Cape
Filling of key posts and development of key institutional plans	Limpopo
Development of financial related strategies and plans	Limpopo
Alignment of municipal plans with provincial and national plans and priorities	Western Cape

North West province did not conduct IDP assessments due to the provincial capacity challenges. The last assessment was conducted in 2017 on the 5-year IDPs (2017-2021). Northern Cape province also did not conduct IDP assessments due to capacity challenges and the challenges with regards to the COVID-19 pandemic.

9.2.2 Provincial reporting

The **Gauteng** Department of CoGTA reported that all municipalities in Gauteng have been consistent in their approval and submission of IDP frameworks to the province over the past three financial years (2017/18 to 2019/20). The IDPs were described by the province as compliant, credible and implementable. The alignment of IDPs with government priorities remains a persistent challenge since participation of sector Departments in the IDP process is voluntary. The Gauteng Department of CoGTA is currently exploring various ways of institutionalising IDPs.

In **KwaZulu-Natal**, 15 municipalities improved on its IDP credibility assessment in 2019/20 as compared to 2018/19, while seven municipalities regressed, and 32 municipalities remained unchanged. Two municipalities, (Zululand DM and Alfred Duma LM) scored less than 50% on its IDP credibility rating. The following reasons were identified for regressing scores:

- Non-compliance with IDP related legislative requirements;
- Lack of strategic, logical, systematic approach and professional quality;
- Lack of technical and institutional feasibility of proposed interventions and implementation plan; and
- Lack of harmonisation of plans across all spheres of government.

In **Limpopo**, all 27 municipalities approved and submitted their IDP frameworks to the provincial department in 2019/20. The IDPs of all 27 municipalities were rated as having high credibility in 2019/20. In the previous year 15 municipalities were rated as having high credibility, six as having medium credibility and six as having low credibility.

Nine municipalities (Polokwane LM, Lepelle-Nkumpi LM, Greater Tzaneen LM, Thulamela LM, Musina LM, Makhado LM, Molemole LM, Blouberg LM Mopani DM) in Limpopo did not have their SDBIPs aligned with their IDPs in 2019/20. This non-alignment had implications in performance auditing in terms of measuring predetermined objectives.

Despite the challenges posed by COVID-19 on the municipal planning processes in 2020, all 20 municipalities in **Mpumalanga** adopted their final IDPs. Many councils made use of virtual conferencing platforms to convene council meetings and had to revert to alternative public participation mechanisms, including social media, SMS, email, municipal websites, drop boxes, dedicated telephone lines, voice-notes and radio interviews. Only Dr JS Moroka LM was unable to adopt a process plan to guide the review of its IDP during 2019/20.

In terms of IDP credibility and legal compliance, 78% of municipalities in Mpumalanga were compliant, while 73% of municipalities complied with responsiveness to community needs. Solid waste removal was still a major concern as there were no strategies to extend the service to areas which are not served by municipalities and no budget was allocated in most municipalities. All municipalities were required to adjust their 2020/21 reviewed IDPs in to address the following key service delivery issues: illegal land occupation, infrastructure maintenance, extension or development of new cemeteries, addressing Gender-Based Violence and Femicide and responding to the effects of the COVID-19 pandemic.

In the **Northern Cape**, Tsantsabane LM tabled its budget and IDP after the legislated time frame, while the province approved the budget and IDP for Phokwane LM in terms of MFMA section 26 (10 (b)), as the municipal council failed to quorate for its adoption.

In **North West**, all 22 municipalities submitted their IDPs to the provincial Department as per legislative requirements. According to the province, most municipalities in the province were struggling to differentiate between the three municipal planning processes, namely: The formulation of the municipal strategic plan (five-year IDP), the performance review of the IDP based on its implementation through the Service Delivery Budget and Implementation Plan (SDBIP) and the Review of the IDP based on changing circumstances.

9.3 Spatial Development Frameworks (SDF)

9.3.1 National overview

As set out in the MSA, the IDPs of municipalities must include Spatial Development Frameworks (SDFs). The Spatial Planning and Land Use Management Act (SPLUMA) provides a framework for all spatial planning and land use management legislation in South Africa and was implemented in July 2015.

The mechanisms provided by SPLUMA provide a good starting point for aligning spatial plans and development. The municipal Spatial Development Frameworks (SDFs) should therefore be recognised as the dominant planning and land use management framework, to which all other public landowners must align their strategies at the local level.

9.3.2 Provincial reporting

The **Eastern Cape** reported although SPLUMA has been developed and would be adopted as a standard tool for Land-Use Management Systems (LUMS) and Spatial Planning, municipal SDFs still need to be reviewed and aligned to the SDF SPLUMA Guidelines.

In the **Free State**, the Municipal Planning Tribunals (MPTs) in four local municipalities: Letsemeng LM, Nketoana LM, Phumelela LM and Ngwathe LM were not fully functional. The provincial Department supported Mohokare LM and Thabo Mofutsanyana DM with the drafting of SDFs. Four local municipalities (Kopanong, Tokologo, Setsoto and Nketoana) were supported with the drafting of Land Use Schemes.

One other challenge identified in the Free State, was the lack of capacity in the municipalities. To assist municipalities that lack capacity in terms of town planners, land use administrators and Geographic Information System (GIS) practitioners, the Department has dedicated Town Planners, Administrators and GIS technicians to each municipality in the province.

Some municipalities in **Gauteng** have indicated that the current revision of the SDF will address the natural resource scarcity and impacts of climate change within their jurisdictions. Metropolitan municipalities have emphasised public transport as a key lever towards spatial transformation and inclusive access.

All municipalities in **Mpumalanga** have maintained a good record in having approved Spatial Development Frameworks for the past three financial years. Mpumalanga province has assisted Dipaleseng LM, Msukaligwa LM and Dr Pixley Ka Isaka Seme LM

during 2019/20 with the review of their SDFs. Only five municipalities adopted SPLUMA compliant Land Use Schemes in 2019/20. All other municipalities have initiated processes to prepare land use schemes.

In the **Northern Cape**, all municipalities adopted and gazetted their SPLUMA By-Law or municipal ordinance that will give direction on how to submit and decide on land use applications in the municipalities. In 2019/20 Gamagara LM gave notice of their intention to review their SDF, while Siyathemba LM had prepared a Draft SDF for public comment. The local municipalities of Hantam, Kareeberg and Karoo Hoogland approved their SDFs through council resolutions during 2019.

Eight of the 26 local municipalities in the Northern Cape were compliant with SPLUMA in adopting and approving a Land Use Management System, three other municipalities were in the procurement process to appoint service providers. All the other municipalities required funding assistance.

North West reported that there are five local municipalities in the province, which do not have Town planners: Ratlou, Mamusa, Kagisano-Molopo, Maquassi Hills and Tswaing. All municipalities in the province were supported with the review of SDFs, Land Use Schemes and establishment of Municipal Planning Tribunals. Most of the municipal SDFs were under review in 2019/20, but only Mahikeng LM, Ngaka Modiri Molema DM, Tswaing LM and Lekwa-Teemane LM managed to adopt and promulgate their SDF adoption notice.

There is 100% compliance regarding the adoption of SPLUMA by-laws in North West. Three local municipalities (Kagisano-Molopo, Lekwa-Teemane and Mamusa) have not yet adopted their SPLUMA complaint tariff structures and Lekwa-Teemane and Mamusa have not finalised their delegations. All municipalities have appointed their Appeals Authority, however four local municipalities (Kgetlengrivier, Mamusa, Moses Kotane and Moretele) must still establish their Municipal Planning Tribunals. Only three local

municipalities (Maquassi Hills, Kagisano-Molopo and Kgetlengrivier) managed to review and adopt their SPLUMA compliant Land Use Scheme during 2019/2020.

9.4 Disaster Management

9.4.1 National overview

There are sections in the Constitution of the Republic of South Africa that provide for disaster management. Further provisions are included in the Intergovernmental Relations Framework Act, 2005 (Act No. 13 of 2005), the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000), the Disaster Management Act, 2002 (Act No. 57 of 2002) and the National Disaster Risk Management Policy Framework of 2005.

The aim of the Disaster Management Act, 2002 (Act No. 57 of 2002) is to ensure a uniform approach to disaster risk management in each sphere of Government. The Disaster Management Act provides for disaster prevention and risk reduction, mitigation of severity and consequences of disasters, emergency and preparedness, and a rapid and effective response to disasters leading to restoration of normal conditions.

The Disaster Management Amendment Act, 2015 (Act No. 16 of 2015) commenced on 1 May 2016. The Disaster Management Amendment Act makes provision for the expansion of the contents of disaster management plans to include conducting risk assessments and mapping of risks, allocation of disaster management responsibilities to local municipalities, as well as the strengthening of the representation of stakeholders in Disaster Management Advisory Forums amongst others. The legislation provides for:

- The establishment, implementation and maintenance of an integrated rapid and effective disaster response system, post-disaster recovery and rehabilitation;
- The identification, assessment, classification and prioritisation of hazards and vulnerable elements;

- The development, implementation, monitoring and evaluation of disaster risk reduction (prevention, mitigation and preparedness) programmes, projects and measures; and
- The establishment, implementation and maintenance of systems and structures through and across the three spheres of Government, state-owned enterprises, the private sector, non-governmental organisations, communities and individuals.

Disaster Management policies require that metropolitan and district municipalities:

- Establish a fully functional disaster management centre;
- Appoint a head of the centre;
- Establish disaster management forums; and
- Finalise disaster management plans.

In responding to the COVID-19 pandemic, the focus of **DCoG** was to mitigate against the impacts of the outbreak, to enable the provision of additional resources through a reprioritisation process and provide allocations from disaster grants to supplement intervention measures. DCoG activated the Disaster Operations Centre (DOC) located within the National Disaster Management Centre (NDMC) to coordinate its response to COVID-19. The key functions of the DOC included:

- a) Obtain and maintain situational awareness on COVID-19 response from provinces for each district;
- b) Obtain and analyse reports on COVID-19 response across the spheres of government;
- c) Monitor and report on implementation of COVID Regulations, Directions, etc;
- d) Identify and escalate COVID-19 related service delivery challenges;
- e) Liaison and interfacing with the NATJOINTS structures on COVID-19 and related matters;
- f) Liaison with all spheres of government on the implementation of the CoGTA COVID-19 Plan of Action;
- g) Provide guidance to local government sector on COVID-19 response; and

- h) Contribute to the national report on CoGTA post COVID-19 response for approval by the Minister of CoGTA.

The DOC interfaced with all Provincial Disaster Management Centres (PDMCs), Metro and District Disaster Management Centres, NATJOINTS, government departments as well as the private sector. A Situational Reporting System (SRS) was activated for COVID-19 reporting requirements. Provinces submitted their daily reports on the SRS and a consolidated report was submitted to NATJOINTS and the executive leadership of DCoG. The report provided basic information on the establishment of Provincial and District Disaster Operations Centres. The report also provided information on:

- Specific incidents reported by the Provincial Disaster Operations Centres;
- Identified service delivery hotspots;
- Progress provided by the provinces on the provision of basic services;
- Compliance with implementation of the regulations; directions and guidelines issued in terms of the declared national state of disaster and challenges experienced on the local level; and
- Interventions to address these challenges.

DCoG has allocated an amount of R466 million to the Departments of Health in all provinces by the end of 2019/20, for response measures to address the effects of COVID-19 pandemic. The funding to the Health Sector was primarily for Personal Protective Equipment (PPE) and Ventilators. A guideline on the utilisation of the Municipal Disaster Relief Grant was shared with all the provinces for preparation of funding requests and business plans. The following areas were prioritised for funding: sanitation, waste and refuse removal, decontamination of selected public spaces, PPE and Hygiene packs.

9.4.2 Provincial reporting

Provinces reported the following progress with structures responsible for disaster management at municipal level, as well as the coordination and support from provinces:

Most municipalities in the **Free State** have adopted disaster management plans, but these plans still had to be reviewed. Municipalities did not budget for the implementation of these plans and for fire management within their municipalities. Municipalities did not reflect different disaster management programmes in their IDP's. Most municipalities only have a focal person for disaster management and not a dedicated unit, which makes it difficult to manage all disaster management functions and activities.

The Free State PDMC established a Drought Relief Task Team to monitor the drought situation in all the municipalities of the Free State. It conducted an impact assessment and provided emergency and disaster relief to households affected by flooding in Mangaung Metro, Xhariep DM, Lejweleputswa DM and Thabo Mofutsanyana DM.

Gauteng supported the three metros and two DMs in the province to maintain functional Disaster Management Centres. A disaster capacity assessment was conducted by the Provincial Disaster Management Centre (PDMC) in these five municipalities. The assessment showed the absence of funding frameworks to fund all disaster management activities in the City of Johannesburg, City of Tshwane, West Rand DM and Sedibeng DM.

All the metros and districts in Gauteng had disaster management plans in place by the end of 2019/20, however the plans were only partially compliant and require development of level 2 and 3 elements to align with national guidelines. All metros and districts had disaster management frameworks in place, except for West Rand DM.

In **Mpumalanga**, all three districts had disaster management frameworks in place and all municipalities in the province had disaster management plans. Nkangala DM and Ehlanzeni DM had established Disaster Management Centres. Gert Sibande DM was in the process of establishing its DMC to comply with legislation. The three districts responded to the National Drought Disaster (4 March 2020), with Dr JS Moroka LM, Thembisile Hani LM and City of Mbombela LM affected the worst by the drought. The

District Disaster Management Centres also supported the Provincial Disaster Management Centre in responding to the National COVID-19 disaster (15 March 2020).

North West has reported that all district disaster management centres have produced annual reports, that Municipal Disaster Policy Frameworks were implemented and District Disaster Management Advisory Forums were functional. The functionality was affected by COVID-19 regulations towards the end of 2019/2020.

All municipalities in the **Western Cape** have been supported with the provision of Disaster Management Chapter guidelines and hands-on support was provided to Mossel Bay LM and Swellendam LM during 2019/20 by the province. All DMs in the Western Cape and the City of Cape Town have established Disaster Management Advisory Forums and committees. The Provincial Disaster Management Centre supported the strengthening disaster management functionality and stakeholder partnerships in Oudtshoorn LM and Drakenstein LM.

9.5 Challenges in cross-cutting interventions

Various challenges were raised in the Section 47 reports on cross-cutting issues.

9.5.1 Development of IDPs and spatial development

Gauteng reported that IDPs demonstrated a limited spatial expression of the municipality in relation to the Gauteng City Region (GCR). A spatial expression and analysis stretching beyond municipal boundaries is imperative to advance planning for a functional GCR. According to Gauteng province, IDPs in Gauteng were not adequately aligned to the priorities of the other spheres of government.

In the **Free State**, the lack of capacity in some municipalities posed a serious challenge in drafting of Land Use Schemes. There was also a lack of funding to support

municipalities with the review of their SDFs and developing of LUMS and GIS systems. The state of disaster also impacted on the completion of some of the review projects.

Alignment of IDP projects and programmes to Spatial Development Framework strategic interventions and projects remained a problem in **Mpumalanga**. SDF strategies and projects were also not fully implemented. The staff component of municipalities to implement SPLUMA is insufficient and lack the necessary skills. Municipalities have been slow to adopt Land-Use Schemes and in processing SPLUMA applications.

The **Northern Cape** stated that provincial intergovernmental integration remains a challenge due to minimum participation of sector departments during the municipal review process. Most municipalities do not have planning departments and the IDP is driven by junior officials. The leadership of municipalities do not champion the IDP processes.

9.5.2 Disaster management

The **Free State** reported the following challenges:

- Establishment of fully functional disaster management centres at provincial and district levels;
- Most municipalities do not budget for disaster risk reduction programmes in their IDPs;
- Municipalities are unable to conduct scientific disaster risk assessment on the prevalent hazards in their areas. Most municipalities depend on previous experience in identifying risks that may impact on the communities;
- Local municipalities perceive disaster management as district competency and do not take disaster management function seriously. Where there are draft disaster management plans, municipal councils are generally reluctant to adopt those plans and budget for the implementation of the plans;
- Non-appointment of disaster management focal personnel by sector departments and local municipalities; and
- Non-existent fire services in most municipalities and ill-equipped fire stations.

North West identified the following challenges:

- Existing municipal disaster management plans did not address developmental issues;
- Lack of integrated institutional capacity for disaster management at municipal level;
- Lack of sufficient and qualified personnel;
- Lack of community participation in disaster management at ward level; and
- Non-integration of disaster risk reduction into municipal IDPs.

In **Mpumalanga**, there was insufficient budget to fund disaster management recourses such as personnel, humanitarian relief and equipment. There was also a lack of proper coordination of external interventions to prepare and counter act the pandemic.

9.6 Support, interventions, trends and recommendations

The following interventions, support and recommendations were provided by National and Provincial Government:

9.6.1 Provincial support and interventions

Development of IDPs and spatial development

The **Free State** supported municipalities through provincial town planners, administrators and GIS technicians, and provided ongoing training on the processing of applications to local municipalities.

Gauteng CoGTA supported 11 municipalities with development of IDPs and infrastructure planning. It was recommended that Gauteng CoGTA should intensify one-on-one engagements with municipalities ensure alignment of IDPs with plans of sector departments and other spheres of government.

Mpumalanga provided technical support to municipalities to finalise and adopt their SPLUMA land use schemes. Provincial CoGTA, SALGA and the Department of Rural Development and Land Reform provided training of Appeal Authorities and trained Councillors on land use management and spatial planning.

Disaster management

Gauteng CoGTA supported municipalities with disaster risk reduction, response to disasters, and the maintenance of functional Disaster Management Centres. To improve the management of disaster incidents, the **Gauteng** Provincial Disaster Management Centre trained municipal fire services officials and disaster management volunteers were equipped with basic firefighting and first aid skills.

In **North West**, the Provincial Disaster Management Centre conducted a workshop for municipalities in partnership with SALGA on the development of disaster risk reduction in IDPs. The PDMC supported and guided municipalities to develop COVID-19 Disaster Management Preparedness and Response Plans.

9.6.2 National support and interventions

Disaster management

DCoG, through the National Disaster Management Centre (NDMC), entered into a Service Level Agreement with the North West University. The purpose of this project is to enhance knowledge sharing and exchange of best practices in the disaster management fraternity through the publication of the journal. In the 2019/2020 financial year, more than 47 articles were published. The NDMC Disaster Management Bursary Programme, which is aimed at contributing towards building the capacity and enhancing disaster risk management skills through advanced education and training, was implemented during 2019/20 and a total of 38 students were awarded bursaries.

The NDMC assessed 12 municipalities on their capacity to implement the National Fire Safety and Prevention Strategy. A specialised skills-based training course was provided to all the provinces, benefiting a total of 153 officials across the country.

The 2019 International Day for Disaster Reduction was held at the Central University of Technology in the Mangaung Metropolitan Municipality and awareness workshops were conducted at the following municipalities: Lejweleputswa DM, Waterberg DM, Capricorn DM, Mogalakwena LM and Ephraim Mogale LM.

9.6.3 Provincial recommendations

Municipalities in **Gauteng** were advised to do the following to improve IDPs and SDFs:

- Utilise the Gauteng Spatial Development Framework (GSDF) to ensure that IDP demonstrate a spatial expression and analysis beyond municipal boundaries and relates to the Gauteng City Region;
- Municipal SDFs reviews should consider the revised policies, legislation and planning tools available provincially and nationally in liaison with the Gauteng Planning Division;
- Develop a single Gauteng Environmental Management Framework to advance a uniform approach to environmental management, climate change, resource scarcity and waste output reduction in liaison with the Gauteng Department of Agriculture and Rural Development; and
- Metros should integrate densification targets along public transport routes as described in the Gauteng Integrated Transport Master Plan 2025.

Some provinces emphasised the need to capacitate the disaster management function.

The **Free State** emphasised the need for sufficient financial and human resources to ensure successful disaster management activities.

North West proposed the following to improve disaster management:

- Establishment and strengthening municipal disaster risk governance structures in line with the DDM;
- Capacity building within municipal disaster management centres (including additional personnel and disaster management information systems);
- Forging partnership with the private sector, NGOs, FBOs, as well as communities;
- Making funding available for pro-active and reactive disaster management; and
- Involving local communities in disaster management at ward level.

The Technical Integration Municipal Engagements (TIME) in the **Western Cape** recommended that in terms of Water Security and Climate Change, the 15-year Integrated Water and Drought Response Plan calls for a move away from short term disaster responses towards sustainable long-term responses in sustainable water usage and reducing the dependence on surface water. IDP/ Spatial Development Framework (SDF) need to start considering this, as it paves the way for the next 5-year cycle. To comply with the legal requirement and in the interest of improving spatial performance, the municipalities must develop a Capital Expenditure Framework (CEF) as part of their SDF, which would then provide better guidance to the IDP budget allocations.

9.6.4 Emerging trends

Despite a well-developed system of Integrated Development Plans (IDPs), detailed sectoral plans and local spatial plans in terms of SPLUMA, local development initiatives remain compartmentalised and fragmented, and the overall trajectory of development continues to replicate spatial apartheid patterns.

The possibility of increased disaster risk is one of the most concerning and potentially costly impacts of future climate change in South Africa and globally. Understanding these risks and identifying key areas of concern is critical for developing suitable and sustainable adaptation policies. Due to climate change, rainfall is often accompanied by thunderstorms and heavy downpours, localised flooding, strong damaging winds,

especially in the KwaZulu-Natal area (Harry Gwala DM) and Gauteng (City of Tshwane, Sedibeng DM and Emfuleni LM), with reports of extensive damage to infrastructure and loss of life. Droughts have also become more commonplace in South Africa in recent years

9.6.5 National recommendations

DCoG has stated that performance indicators for intergovernmental cooperation between spheres and across sectors need to be monitored to improve the impact collaborative focused government investment in spaces. Public transport and housing investments should also be aligned with municipal infrastructure and land use management plans.

As far as disaster management and climate change is concerned, the following recommendations should be taken forward:

- Establishment and strengthening municipal disaster risk governance structures in line with the DDM;
- Capacity building within municipal disaster management centres (including additional personnel and disaster management information systems); and
- The 15-year Integrated Water and Drought Response Plan calls for a move away from short term disaster responses towards sustainable long-term responses in sustainable water usage and reducing the dependence on surface water. IDP/ Spatial Development Framework (SDF) need to start considering this, as it paves the way for the next 5-year cycle.

10. CONCLUSION

10.1 Municipalities that underperformed and remedial action

In terms of Section 47(2) (a) of the MSA, the MEC must identify municipalities that underperformed and in terms of Section 47(2) (b) the MEC must propose remedial action. Underperforming municipalities were identified, however provinces did not follow a uniform approach. In some cases, specific remedial action was identified, but in many cases, only generic solutions were provided. The process of developing standardised local government indicators, would assist in future to identify underperformance in a more comparable way.

10.1.1 Eastern Cape

The Eastern Cape report evaluated the overall performance achievement per KPA on an aggregate district and metropolitan municipality level. Each KPA, however, was broken down in Key Performance Indicators (KPI), scored per municipality. The weak performing municipalities were identified per KPI and support interventions summarised at KPA level. However, with some KPIs, information from many municipalities were outstanding. The province was thus not in a position to evaluate the performance of municipalities that did not submit information. For example, in the case of percentage of female employees, a majority of 23 municipalities in the Eastern Cape did not submit information. The province indicated that it renders it impossible to portray a true picture of the situation in municipalities in the area of employment equity. In some KPAs the province only identified the worst performing districts on aggregate, while in other cases, the specific municipalities were identified per KPI.

Municipal Transformation and Organisational Development

The aggregate performance of the municipalities in Joe Gqabi District and Alfred Nzo District were the worst. The province reported support in the areas of filling of vacancies, WSPs, employment equity, HR plans, labour disputes and employment contracts of senior management.

Service Delivery

The aggregate performance of the municipalities in Joe Gqabi District, Chris Hani District and OR Tambo District were the worst. The province reported deployment of skilled personnel through intervention of MISA and support to municipalities struggling to spend infrastructure grants, through the Cost Reimbursement strategy.

LED

The following municipalities were identified by the province as performing weak on the following indicators:

- Effective LED unit (Great Kei LM, Blue Crane Route LM, Sunday's River Valley LM, Intsika Yethu LM, Sakhisizwe LM)
- Credible LED Strategies (Amahlathi LM, Raymond Mhhaba LM, Blue Crane LM, Sunday's River Valley LM, Koukamma LM, Enoch Mgijima LM, Inxuba Yethemba LM and Walter Sisulu LM)

The five worst performing municipalities in LED overall were Ingquza Hill LM, Alfred Nzo DM, Sakhisizwe LM, Blue Crane Route LM, Enoch Mgijima LM, Sunday's River Valley LM, Koukamma LM. The province indicated support offered to municipalities to develop LED strategies and training municipalities in reviewing their strategies.

Municipal Financial Viability and Management

The following municipalities were identified by the province as performing weak on the following indicators:

- Audit opinion: Sakhisizwe LM regressed to an adverse opinion, while four municipalities received disclaimers: Ingquza Hill LM, Makana LM, Sunday's River LM, Chris Hani DM.
- Capital expenditure less than 70%: Nelson Mandela Bay MM (55%), Alfred Nzo DM (69%), Amahlathi LM (31%), Ngqushwa LM (60%), Sarah Baartman DM(35%) Koukamma LM (68%), Emalahleni LM (39%), Ingquza Hill LM (51%), Port St Johns LM (60%) and Senqu LM (60%)
- Salaries more than 45% of operational budget: Alfred Nzo DM (46%), Amahlathi LM (60%), Mnquma LM (59%), Ngqushwa LM (57%), Emalahleni LM (51%), Engcobo LM (50%), Enoch Mgijima LM (50%), Intsika Yethu LM (50%), Ingquza Hill LM (65%) and Nyandeni LM (54%).
- Trade creditors more than 80% of municipal own revenue: Alfred Nzo DM, Ntabankulu LM, Umzimvubu LM, Amathole DM, Amahlathi LM, Great Kei LM, Mnquma LM, Raymond Mhlaba LM, Sarah Baartman DM, Dr Beyers Naude LM, Chris Hani DM, Engcobo LM, Enoch Mgijima LM, Intsika Yethu LM, Inxuba Yethemba LM, Sakhisizwe LM , Mhlontlo LM, Ingquza Hill LM, Port St Johns LM, Elundini LM and Walter Sisulu LM.
- Own revenue less than 40% of total municipal budget: Alfred Nzo DM (7%), Matatiele LM (26%), Ntabankulu LM (8%), Umzimvubu LM (14%), Winnie Madikizela-Mandela LM (24%), Amathole DM (25%), Great Kei LM (32%), Mbhashe LM (7%), Mnquma LM (28%), Ngqushwa LM (32%), Sarah Baartman DM (21%), Sundays River Valley LM (38%), Chris Hani DM (27%), Emalahleni LM (24%), Engcobo LM (8%), Intsika Yethu LM (5%), Sakhisiswe LM (19%), Mhlontlo LM (10%), Ingquza Hill LM (23%) Nyandeni LM (11%), Port St Johns LM (8%), Elundini LM (31%).
- Increase in municipal consumers debtors: Nelson Mandela MM (32%), Buffalo City MM (12%), Matatiele LM (14%), Ntabankulu LM (53%) Umzimvubu LM (1%),

Winnie Madikizela Mandela LM (35%), Great Kei LM (4%), Mbhashe LM (4% Mquma LM (25%)) Ngqushwa LM (2%), Raymond Mhlaba LM (24%), Blue Crane LM (18%) Koukamma LM (34%), Makana LM (47%) Ndlambe LM (15%), Chris Hani DM (6%), Engcobo LM (31%) Enoch Mgijima LM (18%)), Intsika Yethu LM (14%), Inxuba Yethemba LM (41%), Sakhisizwe LM (16%) Mhlontlo LM (43%), Ingquza Hill LM (30%) King Sabata Dalindyebo LM (17%) Nyandeni LM (11%), Elundini LM (9%), Walter Sisulu LM (5%) and Senqu LM (17%).

- Less than 80% of MIG budget spent: Amahlathi LM (31%), Great Kei LM (64%), Ngqushwa LM (72%), Kouga LM (67%), Makana LM (79%), Engcobo LM (70%), Enoch Mgijima LM (33%), Ingquza Hill LM (77%) and Port St Johns LM (69%)
- Non-provision of audit committee reports: Ndlambe LM, Ingquza Hill LM and Elundini LM.

Joe Gqabi DM and OR Tambo DM performed the poorest, below 50%, in overall financial management and viability performance and failed to submit annual reports. The province reported assessment of adequacy of audit action plans, monitoring of implementation of audit improvement plans, capacity building for international auditors and MPACs, and assisting some municipalities with revenue management enhancement.

Good governance and public participation

The following municipalities were identified by the province as performing weak on the following indicators:

- Less than 80% of ward committees established: Kouga LM and Makana LM.
- No written proof of tabling resolutions by ward committees and no minutes of feedback meetings: Makana LM.
- No effective monitoring of CDWs: Blue Crane Route LM, Koukamma LM, Nyandeni LM and Walter Sisulu LM.
- No IGR strategy developed or adopted: Matatiele LM, Umzimvubu LM, Winnie Madikizela-Mandela LM, Amahlathi LM, Raymond Mhlaba LM, Kouga LM, Koukamma LM, Makana LM, Ndlambe LM, Sunday's River Valley LM, Emalahleni

LM, Intsika Yethu LM, Inxuba Yethemba LM, Sakhisizwe LM, King Sabata Dalindyebo LM, Port St Johns LM and Senqu LM.

- No adopted Terms of Reference for District IGR Forums: Amathole DM and Chris Hani DM.
- No fraud policy adopted by council or no awareness workshops or reporting mechanism for fraud: Nelson Mandela Bay MM, Alfred Nzo DM, Ntabankulu LM, Great Kei LM, Mbashe LM, Blue Crane Route LM, Dr Beyers Naudé LM, Kouga LM, Koukamma LM, Makana LM, Sunday's River Valley LM, Engcobo LM, Intsika Yethu LM, Inxuba Yethemba LM, Sakhisizwe LM, Ingquza Hill LM, King Sabata Dalindyebo LM and Port St Johns LM.

The province reported that the performance in this KPA decreased in all districts and metros and was generally not satisfactory. Municipalities in OR Tambo DM and Chris Hani DM were the lowest performing. The province reported support on functionality of ward committees and support to municipalities to respond to community concerns, as well as assistance to public participation units, community participation and citizen empowerment.

The province was able to assess the performance of 37 municipalities, but noted that with the exception of Service Delivery, the performance in all other KPAs regressed for 2019/20. Through interaction with the Office of the Premier, the provincial CoGTA has initiated action to ensure better coordination of the development initiatives of sector departments in municipalities. The province has adopted a Municipal Support and Intervention Framework through which all municipalities that have obtained a very weak or weak performance will receive intensive support in specific areas.

10.1.2 Free State

The draft Section 47 report of the Free State did identify areas of poor performance, but did not specifically identify individual non-performing municipalities per KPA.

In certain specific instances underperforming municipalities were reported on:

- The audit opinion of Thabo Mofutsanyana DM regressed from unqualified to qualified.
- Twelve municipalities underspending on MIG: Letsemeng LM (61%), Kopanong LM (71%), Mohokare LM (47%), Masilonyana LM (73%), Tokologo LM (92%), Tswelopele LM (69%), Matjhabeng LM (63%), Nala LM (96%), Metsimaholo LM (67%), Setsoto LM (88%), Mantsopa LM (66%), Ngwathe LM (87%).
- The LED Units within Moqhaka LM and Phumelela LM were not functional.
- The Municipal Planning Tribunals in four local municipalities were not operational: Letsemeng, Nketoana, Phumelela, Ngwathe.
- Eleven local municipalities and one metropolitan municipality did not yet establish a process and structure for the management of complaints through Complaints Management Committees (Setsoto, Nketoana, Phumelela, Maluti-a-Phofung, Mafube, Ngwathe, Kopanong, Masilonyana, Nala, Tokologo, Tswelopele, Mangaung Metro).
- Ward 17 in Mantsopa and Ward 5 in Maluti-a-Phofung did not have Ward Operational Plans.
- Nala LM, Masilonyana LM and Mafube LM were struggling with Service Delivery Charters and Service standards.
- Tokologo LM (4), Metsimaholo LM(5) and Maluti-a-Phofung LM(6) had high vacancy rates of critical senior manager positions.
- Matjhabeng LM and Nala LM did not have a PMS in place. Nala adopted a framework, but has not yet implemented it. Matjhabeng LM, Nala LM and Tokologo LM did not have the capacity in place to implement PMS.

The province reported support offered to municipalities through various MIG intervention meetings, MIG implementation sessions, monitoring meetings, one-on-one meetings with municipalities, MIG quarterly forum meetings, site visits, PMU evaluations and Ad hoc project appraisal meetings. There were also regular meetings with LED officials of municipalities to support them, as well as district capacity building workshops. The provincial CoGTA conducted training on the use of the complaints management system

and provided support to several municipalities. The province had specifically to intervene in Tokologo LM and Nala LM to facilitate responses to community concerns. All municipalities were assisted to develop Ward Operational Plans. The province seconded officials to seven local municipalities to fill the gap with vacancies in senior management, ranging from the position of Municipal Manager, CFO, Director: Technical Services, Director: Corporate Services.

The province reported that there has been a more coordinated approach between the province (Office of the Premier and CoGTA) and municipalities in responding to community concerns. The province noted that the COVID-19 pandemic showed the critical role of municipalities in service delivery, economic development, and infrastructure investments. The province recommended that more emphasis should be directed to the effective implementation of existing policies, programmes and plans to improve service delivery, revenue and debt management, and the financial viability and sustainability of municipalities.

10.1.3 Gauteng

Gauteng province identified challenges, as well as support interventions by national and provincial government for each KPA. In the recommendations of the Section 47 report, actions were identified for both the provincial CoGTA and municipalities to implement.

Institutional Transformation and Organisational Development: Emfuleni LM and Merafong LM (staff capacity in service delivery units).

The province supported Emfuleni LM with an organisational structure and institutional review and supported Emfuleni LM, Merafong LM, Rand West LM, Mogale City LM and Lesedi LM to institutionalise PMS.

Basic Service Delivery: Emfuleni LM (sanitation, waste management), Merafong LM (electricity losses, waste management), City of Johannesburg MM (electricity losses).

The province could not support Emfuleni LM with repairs and maintenance of sewer pump stations, due to inability to finalise the transfer of funds to the Implementing Agent.

Good Governance and Public Participation: City of Tshwane MM (establishment of ward committees).

The province identified the need for hands-on support to strengthen the functionality of ward committees across municipalities.

Gauteng acknowledged that municipalities across the province are taking strain under increased service delivery demands and that the functionality of municipalities is of concern. Municipalities continued to face challenges of water and electricity losses, cable theft, vandalism, illegal connections, ageing infrastructure, inadequate financial resources for repairs and maintenance of infrastructure. Provision of basic services to informal settlements remain a challenge, which require innovative ways to provide services. Districts and local municipalities are struggling to attract investments to stimulate local economies. The province indicated that the collection of revenue by municipalities should be prioritised to improve financial viability.

10.1.4 KwaZulu-Natal

In terms of the IDP credibility assessments performed by the province, the following seven municipalities regressed from 2018/19 to 2019/20: Nguthu LM, Uphongolo LM, Richmond LM, Umvoti LM, Umkhanyakude LM and Alfred Duma LM. Alfred Duma LM and Zululand DM scored below 50% on its IDP credibility rating for 2019/20, while Zululand DM had the same low score in the previous year. Poor results were mainly due to non-compliance with legislative requirements, lack of strategic or systematic approach, lack of technical and institutional feasibility of proposed interventions and lack of alignment of plans across spheres of government and sectors.

The municipalities that achieved the lowest percentage of predetermined objectives achieved in 2019/20 were Umkhanyakude DM (9%), Newcastle LM (37%) and Umuziwabantu LM (38%).

Eight municipalities regressed in audit opinions: Umdoni LM, Endumeni LM, Emadlangeni LM and Abaqulusi LM regressed from unqualified to qualified opinions, Nquthu LM regressed from an unqualified opinion to a disclaimer, Amajuba LM regressed from a qualified opinion to a disclaimer, Umkhanyakude DM regressed from a qualified opinion to an adverse opinion and Inkosi Langalibalele received a disclaimer compared to an adverse opinion in the previous year. Umzinyathi DM obtained a disclaimer in both 2019/20 and 2018/19.

The province will continue to provide appropriate support initiatives through the Departmental Audit Response Action Plan to address audit findings, including the monitoring of action plans quarterly.

The section 47 report of KwaZulu-Natal also identified the overall challenges and remedial actions in the areas of Political and Administrative Stability, Sound Financial Management and Delivery of Basic Services. The province further reported on the achievements to date with remedial actions taken. This included improvement in stability in municipalities, improved functional governance structures, improved participation of traditional leaders in council meetings, introduction and phasing in of the DDM through deploying senior managers and MECs per district, improvement in indigent registers, improvement of LED strategies, support for municipal recruitment processes, monitoring of UIFW, monitoring and supporting Audit Committees.

There was a continued focus by the province to strengthen intergovernmental relations and planning in a more proactive way. The provincial CoGTA has committed to continue to engage municipalities through various mechanisms, such as the state of local government assessments and resulting support. The province communicated formally areas of underperformance to municipalities.

10.1.5 Limpopo

The province identified three municipalities that achieved less than 50% of its targets: Fetakgomo-Tubatse LM (36%), Polokwane LM (46%) and Vhembe DM (47%).

Limpopo have identified underperforming municipalities in the following areas:

- MIG expenditure below 80% in 2019/20: Vhembe DM, Modimolle-Mookgopong LM, Bela Bela LM, Fetakgomo-Tubatse LM, Ba-Phalaborwa LM and Mopani DM.
- Not all ward committees in Mogalakwena LM were functional and one ward committee in Modimolle-Mookgopong LM was not functional.
- Collins Chabane LM did not have an approved anti-fraud strategy for 2019/20.

Some of the challenges identified by Limpopo were the need of improving audit outcomes, lower expenditure on MIG and a high vacancy rate for senior managers. The province reported that it has put plans in place to support municipalities with filling of vacancies, there was good performance with establishment of ward committees and council stability, and payment of debt owed by sector departments and state-owned enterprises has improved due to provincial support systems. The province also emphasised the need for hands-on support to all municipalities in resolving audit queries, consistent political oversight and monitoring progress of audit action plans.

The provision of water to communities, waste collection in rural areas and collection for revenue by municipalities remain outstanding challenges.

10.1.6 Mpumalanga

Mpumalanga identified key challenges and recommendations per KPA in its Section 47 report. In total 13 focal areas were identified for intervention under the five KPAs and cross-cutting interventions. The province stated that all municipalities in the province should improve in the following areas: filling of senior management vacancies, PMS cascading to lower levels, the provision of water and sanitation, poor implementation of

LED, improving audit outcomes and collecting government debt, improvement of public participation through capacitated ward committees and good governance, sufficient budget for disaster management, land use management administration.

In a number of areas, only specific municipalities were identified for intervention:

- IDPs (Dr JS Moroka could not adopt process plan to review IDP; placed under administration)
- Audit outcomes (Msukaligwa LM, Gert Sibande DM, Emakhazeni LM and Thaba Chweu LM have regressed; Audit Action Plan Templates were developed and all municipalities completed audit action plan)
- Eskom debt (Huge Eskom debts in Govan Mbeki LM, Lekwa LM, Mkhondo LM, Msukaligwa LM, Dipaleseng LM, Emalahleni LM, Victor Khanye LM, Thaba Chweu LM and City of Mbombela LM; It was recommended by the province that repayment plans for Eskom debts be developed and adopted).

Bulk infrastructure for water and sanitation remains a challenges faced by most municipalities in Mpumalanga. The provincial CoGTA will continue to explore technical and financial interventions with the Department of Water and Sanitation to support municipalities. The provincial CoGTA and the DBSA will support municipalities through the Provincial Project Management Unit with asset care, master planning, project preparation, revenue enhancement and spatial restructuring.

Provincial CoGTA, the Provincial Treasury, and SALGA will support municipalities who have received the disclaimed or adverse audit opinion to develop their audit action plans.

As part of improving the provincial CoGTA's capacity to respond to the challenges faced by municipalities, the department will re-establish a municipal finance directorate. The department will appoint a team of local government experts in finance, technical and administrative skills who can be dispatched to intervene in municipalities as and when the need arises.

The province has indicated that it has identified some weaknesses on the score card used to monitor the performance of municipalities and we will be improving it to ensure a strong monitoring mechanism.

10.1.7 Northern Cape

Annual Financial Statements

Five local municipalities submitted their AFS and performance reports after the extended legislated date of 31 October 2020: Gamagara, Magareng, Joe Morolong, Phokwane and Renosterberg.

Performance Management Systems

The AG identified some challenges with the PMS Frameworks of the following local municipalities: Richtersveld, Nama Khoi, Karoo Hoogland, Khai-Ma, Ubuntu, Emthanjeni, Thembelihle, Kai!Garib, !Kheis, Tsantsabane, Joe Morolong, Gamagara.

MIG expenditure

!Kheis LM reported expenditure below 50%, while the expenditure of four municipalities were unreported.

The Northern Cape stated that water scarcity has been identified in some areas of the province. To accelerate the number of households with access to water and sanitation services, government has introduced the Water Services Infrastructure Grant (WSIG). Fourteen municipalities in the Northern Cape were allocated R319,620 million in 2019/20 to implement projects under WSIG. Only 52.23% of the funds were spend, with less than 55% expenditure in Nama Khoi LM (14%), Kamiesberg LM (48%), Umsobomvu LM (54%), Sol Plaatje LM (54%) and Gamagara LM (38%).

Five municipalities in the Northern Cape received funding through the Regional Bulk Infrastructure Grant (RBIG) for access to bulk water and sanitation through regional bulk projects. A total of R116, 957 million was awarded to the municipalities through the budget

and adjustment budget. Hantam LM and Emthanjeni LM reported 100% expenditure of the grant, while no expenditure was reported in Karoo Hoogland LM, Kgatelopele LM and Gamagara LM

Municipalities in the Northern Cape received R200,092 million in the budget and adjustment budget for the Integrated National Electrification Programme Grant (INEP) to fund bulk infrastructure (substations and lines), of which 41.18% was spent. Seven municipalities spent 100% of the grant, one municipality 99% and one municipality 88%. The grant was mostly used for electrical connections in previously disadvantaged areas and for bulk infrastructure in some municipalities. However, the municipalities with the bigger allocations Ga-Segonyana LM (no reported expenditure), Gamagara LM (52.28%), Sol Plaatje LM (48.34%), Dawid Kruiper LM (70.23%), Umsobomvu LM (63%) and Phokwane LM (16.26%) did not perform so well.

In the Northern Cape, R35,139 million was allocated to 29 municipalities through the EPWP Integrated Grant. Fourteen municipalities spent 100% of their allocations, while Dawid Kruiper LM only spent 15.2% of the grant.

Joe Morolong LM, Ga-Segonyana LM and Gamagara LM did not have Ward Operational Plans in place.

Tsantsabane LM tabled its budget after the legislated timeframes, while the Provincial Executive Council approved the budget for Phokwane after the council failed to quorate for its adoption before the start of the financial year.

The province seconded officials to act as municipal managers in Ubuntu LM, Siyancuma LM and !Kheis LM as the municipalities were unable to fill the posts.

Although some improvement in audit outcomes were noted, more needs to be done and improved monitoring of performance is required. The province was of the view that

interventions and support given to municipalities in 2019/20 had limited improvement on the functionality of municipalities.

10.1.8 North West

North West have identified underperforming municipalities in the following areas:

- **Overall Underperformance in Service Delivery Access and MIG Expenditure:** Tswaing LM, Ratlou LM, Ramotshere Moilola LM, Moses Kotane LM, Madibeng LM, Naledi LM.
- **Municipalities with high vacancy rate in senior management:** Dr RS Mompoti DM, Ratlou LM, Ditsobotla LM, Madibeng LM.
- **Low capacity in implementing LED:** Tswaing LM, Kgetleng Rivier LM, Moretele LM, Ratlou LM, Mamusa LM, Lekwa-Teemane LM, Naledi LM, Maquassi Hills LM.
- **Municipalities receiving Adverse or Disclaimer of Audit Opinion for 5 years or more consecutively:** Ngaka Modiri Molema DM, Mamusa LM, Lekwa-Teemane LM, Madibeng LM.
- **Persistent negative cash flow balance:** All municipalities, with the exception of Ratlou LM, Mahikeng LM and City of Matlosana LM. Thirteen municipalities had persistent negative cash flow balances for 12 months, three municipalities for 11 months, 2 municipalities for 10 months and one municipality for nine months.
- **Revenue collection less than 60%:** Moses Kotane LM, Tswaing LM, Mamusa LM, Lekwa-Teemane LM, City of Matlosana LM, Maquassi Hills LM.
- **Ward Committee functionality:** Tswaing LM, Mahikeng LM (one ward), Lekwa-Teemane (one ward), Mamusa (all wards, as council was dissolved in October 2019), Maquassi Hills LM (one ward), City of Matlosana LM (two wards), JB Marks LM (one ward) Kgetlengrivier (one ward), Rustenburg LM (one ward) and Moses Kotane LM (one ward).
- **Challenges in administrative support to Ward Committees:** Moretele LM, Naledi LM, Lekwa-Teemane LM.
- **No Fraud and Corruption policy:** JB Marks LM and Ditsobotla LM.

Poor audit outcomes remained a challenge in North West, with 8 qualified opinions, 12 disclaimers, one adverse opinion and one unqualified opinion. The province identified a Plan of Action for Basic Services, LED, Municipal Financial Viability and Management and Good Governance and Public Participation. Key actions include:

- Support municipalities with development, adoption, review and alignment of IDPs;
- Appoint a service provider to assist municipalities with customer data cleansing to improve billing integrity;
- Supporting 18 municipalities to implement LED programmes in line with municipal LED strategies;
- Monitoring the performance of municipalities in delivery of infrastructure;
- Support municipalities with capacity development, programme management systems and project management in municipal infrastructure;
- Ensure proper coordination and planning for regional scale infrastructure between municipal infrastructure programmes and sector departments at the provincial level; and
- Develop the capacity of municipalities to effectively manage MIG and provide technical advice on MIG related to provincial infrastructure responsibility (e.g. roads).

10.1.9 Western Cape

The Western Cape identified six municipalities in the province to be assisted through the B2B programme: Cederberg, Beaufort West, Laingsburg, Prince Albert, Central Karoo DM, and Kannaland. Customised support plans were developed for all six municipalities and were in the process of being implemented.

MISA technical support was provided through the deployment of a professional engineer, professional planner, and graduate interns, as well as support with the revision of master plans in Cederberg, Prince Albert, Kannaland, Laingsburg and Central Karoo District.

Financial sustainability and recovery support was also provided to Central Karoo District, Kannaland and Beaufort West. Prince Albert was identified by CoGTA to be supported with a Revenue Enhancement Project. Kannaland Municipality has also been identified by the National Minister of CoGTA to receive focused support. MISA has established District Support Teams that form part of the B2B Support Plan focussing on Technical and Financial support.

The strengthening of Shared Services was attended to in Central Karoo District. Municipal capacity and filling of critical posts were identified as priorities in Beaufort West, and Kannaland. The establishment of an Inter Municipal Cooperation Agreement was established between Laingsburg Municipality and the Cape Winelands District Municipality in terms of the following functions: Disaster Management, Fire-fighting, Local Economic Development, Internal Audit, Human Resources, and Waste Management.

The Section 47 of the Western Cape also included the transversal governance and performance challenges identified in all municipalities through the Technical Integration Municipal Engagements (TIME) assessments. Transversal support initiatives were identified by the main participating departments: Provincial Treasury, Department of Local Government and Department of Environment and Development Planning.

The Western Cape reported that service levels in the province were maintained at an average of 90% access to water, sanitation, refuse removal and electricity. The lockdown had a negative effect on economy, employment and household income, which lead to a huge increase in demands for free basic services for indigents. MIG expenditure was also negatively influenced due to the lockdown. The province further reported improvement in audit outcomes, stability in council functionality, ward committee functionality through ICT solutions.

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