

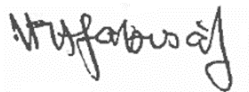
DEPARTMENT OF CO-OPERATIVE GOVERNANCE

NO. 5542

15 November 2024

**CONSOLIDATED ANNUAL LOCAL GOVERNMENT PERFORMANCE REPORT
2020/2021**

I, Mr Velenkosini Hlabisa, 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 2000), hereby publish the Consolidated Annual Local Government Performance Report 2020/2021, in the Schedule hereto.

**MR VELENKOSINI HLABISA, MP****MINISTER OF COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS****DATE: 28/10/2024**



**cooperative
governance**

Department:
Cooperative Governance
REPUBLIC OF SOUTH AFRICA

SECTION 48 REPORT

CONSOLIDATED ANNUAL LOCAL GOVERNMENT PERFORMANCE REPORT FOR 2020/21

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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

IEC	Electoral Commission of South Africa
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
NQF	National Qualifications Framework
OSS	Operation Sukuma Sakhe
PPCC	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

This report represents the Consolidated Local Government Performance Report for the 2020/2021 financial year, in terms of Section 48 of the Local Government Municipal Systems Act. The report consolidates the reports submitted by the MECs responsible for local government as required by Section 47 of the Systems Act and includes other relevant information.

Over the past 20 years, we have built a solid foundation for a non-racial, non-sexist South Africa and provided the basic needs to citizens and advanced in key areas relating to social and human development. Unfortunately, democratic local government has not adequately fulfilled its developmental role, especially as it relates to economic development. This has largely been because of the horizontal and vertical silos which have defined all spheres of governance and departments.

Despite our complex legal framework to ensure integrated cooperative governance; coordination and intergovernmental relations have not fully delivered the intended outcomes. This has often led to substandard service delivery and the non-fulfilment of the aspirations of the people. Where delivery occurs, it is often not as sustainable as it should be, as seen by the gradually collapsing infrastructure in our municipalities and provinces. We will not succeed unless we improve service delivery and restore the confidence and trust of our communities in government in general and local government, in particular.

As a first step we have introduced the District Development Model as an all of Government and Society Approach with a method by which all three spheres of government and state entities work in unison in an impact-oriented way. However, without addressing underlying political, governance, administrative, finance and service delivery challenges we will make limited progress. We need to work towards sustainable solutions in breaking the stranglehold of political interference, signing up professional skills,

building institutional resilience and administrative capability in local government. The District Development Model (DDM) is an opportunity to mobilise all three spheres of government to plan together, implement jointly, monitor, and account to our citizens in the spirit of cooperative governance towards addressing the challenges facing local government.

This cooperation is especially essential in assisting municipalities to recover from the COVID-19 pandemic and continue on the positive trajectory towards the achievement of our developmental agenda. The pandemic has taught us that our government can and has worked in a more coordinated and integrated way thus showing that the three spheres are interdependent and interrelated and can be agile and responsive. We also need to deepen our initiatives that are aimed at building resilience, cohesion and prosperity in our communities so that they can survive future pandemics, disasters and calamities.

The COVID-19 crisis has brought the coordination of and cooperation between the three spheres of government to centre stage. The National COVID-19 Command Council (NCCC) led by the President coordinated and guided government response to the pandemic by all spheres of Government and the society. The Department of Cooperative Governance played a central role to ensure a coordination of efforts and optimization of resources across the spheres of government for maximum benefit of communities especially the most vulnerable. The National Disaster Operations Centre coordinated the response to COVID-19 for local Government, interfacing with the National Joint Operational and Intelligence Structure (NATJOINTS) and provincial structures and interacting with the provincial and municipal disaster management centres. Lessons learned from this initiative should be institutionalised and adopted in the spirit of Intergovernmental relations and in realising the goals of the DDM.

All these endeavours must be seen as our commitment to the citizens of this country, which, if properly managed and implemented, can better the lives of our citizens.

FOREWORD BY THE DEPUTY MINISTER

Since the year 2000, a fairly stable, coherent and functional system of governance has been established within the local government sphere, which must be celebrated as a remarkable achievement. Also, in the two decades of local government, South Africa has built a comprehensive legislative and policy framework for local government, which has enabled municipalities to establish systems and processes that would strengthen their overall institutional capability and functionality.

Significant progress has been made in past 21 years to provide access to basic service, but despite significant gains, the performance of local government has regressed in recent years due to a variety of factors manifesting in structural and systemic challenges, as well as poor performance in key areas of leadership responsibility and accountability, resulting in the polarisation of communities and the widening of the gap between communities and municipalities.

We recognise the important task of strengthening intergovernmental relations at all spheres, including local government, to ensure its efficiency, effectiveness and accessibility of government. We have introduced some legislative amendments to local government legislation to strengthen municipal governance. We must continue to intensify our efforts to eradicate interference in the administration and supply chain processes, inappropriate placements, and the lack of consequence management in the municipalities. We must ensure that we send our most capable and capacitated to the local sphere, because it is the sphere closest and most important to our people.

In the local sphere of government, we must strive for viable, capable and capacitated local governments that can be at the forefront of renewal and recovery, required in a post-COVID-19 environment. The economic hardships exacerbated by COVID-19 has reduced the amounts and potential revenue sources of municipalities. This is partly due to increased unemployment and the declining income levels at household level. The

Ministry of Cooperative Governance and Traditional Affairs has developed the South Africa Economic Recovery Plan for Municipalities in Response to COVID-19. The plan recognizes that municipalities as engines of our national economy will be disproportionately exposed to the economic fallout occasioned by COVID-19 and focusses on a set of interventions that can harness the current crisis as an opportunity for change and transformation or restructuring of our urban and rural economies. The Department has supported the development of Economic Recovery Plans by both Districts and Metro municipalities.

The plan recognises that municipalities, as engines of our national economy, will be disproportionately exposed to the economic fallout occasioned by COVID-19 and focusses on a set of interventions that can harness the current crisis as an opportunity for change and transformation or restructuring of our urban and rural economies.

We have completed a number of milestones in the process of drafting the first generation One Plans, including profiles of all the 52 districts, the DDM implementation framework and implementation tools to guide the development of One Plans. As part of the institutionalisation of the DDM the President has also appointed Ministers and Deputy Ministers as political champions for each district and metro. Several strategic partnerships have been established to support the implementation of the DDM, including with the DBSA, the Public-Private Growth Initiative, the United Nations, the Water Research Commission, the CSIR and the National Business Institute, as well as other corporates, cooperatives and civil society organisations.

It is of vital importance to place the country on a new path of socio-economic development and spatial transformation, which would translate into a more developmental outcome at local level.

MESSAGE FROM THE DIRECTOR-GENERAL

The Consolidated Annual Local Government Performance Report of 2020/21 provides an overall perspective of the Section 47 reports on municipal performance consolidated by the Provincial Departments responsible for local government. By analysing municipal performance and comparing it across provinces and nationally, it is possible to identify good practices, as well as weaknesses that require more focused support and intervention.

The primary mandate of the Department of Cooperative Governance (DCoG) is:

- Developing and monitoring the implementation of national policy and legislation, seeking to transform and strengthen key institutions and mechanisms of governance to fulfil their developmental role.
- Enabling integrated service delivery and implementation within government through developing, promoting and monitoring mechanisms, systems and structures.
- Promoting sustainable development by providing support to and exercising oversight over provincial and local government.

Our interventions are informed by government priorities as outlined in the National Development Plan (NDP): Vision 2030, the Medium-Term Strategic Framework for 2019-2024 and our government wide District Development Model (DDM). DCoG can report the following developments under each Key Performance Area during 2020/21:

Municipal transformation and organisational development

During the 2020/21 financial year the Department continued with efforts to professionalise local public administration through the development of regulations and guidelines setting minimum competency requirements for staff below management echelon. The regulations have been approved for promulgation into law. The implementation of the

regulations will ensure fair, efficient, effective, and transparent human resource management in municipalities. The regulations will form the basis or skills audit as well as training and development programmes while ensuring that all municipal staff members participate in the performance management system.

Basic service delivery

Government is accelerating infrastructure investment and service delivery through the DDM. The DDM processes are bringing all three spheres of government to focus on key priorities and implementation of critical high impact projects. Innovative partnerships are being developed with stakeholders to improve and accelerate Implementation. The DDM is progressing in the 3 Pilot spaces, which demonstrates intergovernmental coordination in action. It is proving how projects and resources can be unlocked with the appropriate focus and how government can plan and prepare better for the future.

Local economic development

65% of District and Metro Economic Recovery Plans were collected and analysed and a report on the implementation of Economic Recovery Plans developed. Some municipalities were however struggling with the development of Economic Recovery Plans. These plans consists of eight (8) pillars and they are: designing and implementing social and solidarity economic reforms in municipalities; building a labour-intensive economy; introducing infrastructure financing that is developmental; creating a developmental agenda for local government; creating competitive economies that benefit local economies, SMME and cooperatives; creating a productive agrarian reform that is inclusive; building cohesive community through mining; and minimising the effects of COVID-19 on the local construction industry. We have also initiated a process of remodelling the Community Work Programme (CWP) with the aim of managing administrative issues and to reposition the CWP back to its intended purpose of contributing to poverty alleviation by providing an employment safety net.

Municipal Finance

Municipal budgets and expenditure were seriously impacted due to the COVID-19 pandemic. The National Treasury gave the Department approval for municipalities to reprioritise anticipated underspending from their 2019/20 MIG allocations, to deal with the impact of COVID-19. The reprioritisation of the MIG funds culminated in 343 projects valued at R1, 6 billion. As part of government's fiscal consolidation policies over the medium-term, transfers to local government were reduced by R20.2 billion, including R15.5 billion from the local government equitable share, R2.7 billion from the general fuel levy and R2 billion in direct conditional grants. It was also resolved at the Budget Forum in December 2020, that the municipal funding model must be reviewed, through collaboration by National Treasury, SALGA and DCoG

Good governance and public participation

During the past local government term, a number of governance issues have created disruption and discord in especially highly contested municipalities. As part of tightening municipal governance, revisions were made to the Municipal Structures Amendment Bill, which have been finalised by Parliament and submitted to the President for assent. Through this Bill, there will be tightening on governance and municipal operations will continue despite attempts to disrupt or stall the functioning of municipalities. These changes include strengthening the Code of Conduct, ensuring the independence of Municipal Public Accounts Committees, and ensuring that meetings can be chaired in the absence of the Speaker.

Cross-cutting issues

The NDMC (National Disaster Management Centre) Operational Centre was activated and reports on the implementation of Government COVID-19 Response Plans were regularly submitted to the Department of Planning, Monitoring and Evaluation (DPME). The pandemic also revealed some fault lines in the way government cooperates in

supporting local government to deliver on its mandate. DCoG was therefore compelled to maximise its coordination role, by directing more focus towards an all of government joint up action to tackle the pandemic.

A total of 8 municipalities were supported with the assessment and analysis of disaster management plans to ensure that they are addressing the hazards (disaster risks) that the municipalities are vulnerable and exposed to including COVID-19 pandemic. The supported municipalities are eThekweni, Nelson Mandela, City of Cape Town, Ekurhuleni, City of Johannesburg, Westrand and John Taolo Gaetsewe District Municipality. The two district municipalities together with the above-mentioned metros were also supported in responding to COVID-19 pandemic through reprioritisation of funding and release of disaster relief grants. The priority areas were sanitation, waste management, decontamination of specific selected public spaces, PPE, and hygiene packs. The District One Plans will incorporate infrastructure plans readiness for climate change and disasters. MISA, NDMC and other Sector departments will be engaged to mainstream climate change and disaster risk mitigation measures in the planning processes.

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 (KPA's), 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.

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 2020/21 Section 47 reports to the Department of Cooperative Governance, with the last provincial report submitted in November 2023.

KPA 1: Municipal transformation and organisational development

Provinces reported that employment equity targets were not met. Increasing vacancies were reported, and posts are remaining vacant for longer than legislated time frames. Vacancies in senior management and technical departments are impacting on service delivery. The implementation of the Performance Management System is still a challenge. Various provinces supported municipalities with recruitment and secondment of staff. With regard to the challenges of scarce technical skills, MISA has deployed technical experts to support municipal officials, particularly in low to medium capacity municipalities.

Recommendations

- The existing framework for capacity building must be reviewed and a single integrated approach involving all key role-players should be advanced, focusing on competency shortfalls particularly in the professional and senior management sectors.
- Professionalisation of local government administration must be completed through involving professional associations and institutions.
- Municipal consultation and participation in the design of support programmes is needed to ensure that it meets the diverse requirements of municipalities.
- The content of all existing competency courses should be reviewed to make them more relevant.
- The capacities and competencies of provincial treasuries and COGTA departments need to be reviewed to ensure they have the requisite experience to monitor, support and, where necessary, manage interventions in municipalities.

KPA 2: Basic service delivery

Provinces identified major impediments to service delivery, including ageing infrastructure failing due to a lack of maintenance, a lack of technical skills, poor planning which delayed implementation of projects, disruption of projects by business forums and poor performance by service providers. There were also challenges with institutional

arrangements in providing Free Basic Services. Poor performance in water services were highlighted by most provinces, including high water losses due to deterioration of infrastructure, vandalism and illegal connections. MISA continued to provide technical capacity through the deployment of skilled personnel in municipalities in a number of provinces. Provinces proposed more attention be given to SCM processes in municipalities and that timeous project registration prior to project implementation should take place. Support to municipalities should include assistance with programme management systems, the establishment of dedicated technical platforms to engage on infrastructure planning, expenditure and service delivery enhancement and the provision of direct engineering support and technical advisory services. New planning and funding models for bulk infrastructure should be developed.

Recommendations

- The current challenge is to ensure that the quality of service provision improves, including addressing water and energy outages, sanitation spillages and solid waste collections. This requires improved maintenance, governance and monitoring systems for infrastructure and service delivery.
- There is a need for a fully planned and funded ongoing maintenance system for all infrastructure with multi-year budgets provided and regular oversight. This must prioritise areas of the municipality which have high usage, are key to economic growth or are most in need.
- The Local Government Equitable Share provides funding for operations and maintenance of infrastructure, however it appears that many municipalities are not using this as intended. Therefore the performance of municipalities on operations and maintenance should be part of each performance audit.
- The existing provisions in law should be used for the sharing of municipal services with other adjacent municipalities, as this could also assist with savings costs, budgetary and expenditure control. Current legal provisions for alternative service delivery should be made more flexible and easier to use.
- There is a need for greater innovation in the provision of services to reduce costs and provide contextually appropriate solutions. Municipalities should work together

with research institutions or higher education facilities to develop new approaches to service delivery.

- The free basic services system and indigent support systems play a vital role in supporting households who cannot pay for municipal services. However, there is a lack of credible verification of the validity of indigent citizens who qualify for this service and there are many instances of non-indigent households receiving the subsidy and indigent households not receiving the subsidy. The system therefore requires improved indigent register management and verification systems to ensure that indigent requests are valid.
- The lack of basic services and poor living conditions in many informal settlements is a significant cause for concern, and municipalities must formally recognise informal settlements as priority areas in which to achieve developmental objectives.

KPA 3: Local economic development

Provinces highlighted challenges with LED, including capacity constraints within LED Units, due to a lack of human resources, budget and understanding of LED. There was also poor planning on the implementation of local economic development due to outdated LED Strategies. In some cases, municipalities did not report adequately on municipal capital expenditure on LED and did not disclose the types of projects that were implemented with LED budgets. In response to COVID-19, DCoG has initiated a process of developing an Economic Recovery Plan for Municipalities. Provinces proposed that there should be better LED coordination with national government, provincial government and government entities and better alignment of strategies with the Reviewed National LED Framework. Municipalities should create a conducive environment for building and attracting investor confidence, improve the economic state of regions through entrepreneur development programmes and develop partnerships with business.

Recommendations

- LED units are vital to coordinate economic development within a municipality and should therefore be capacitated, however economic development must be the responsibility of the entire municipality, and not just a single department.
- One of the most critical roles of local government in building its local economy is in the provision, upgrading, and maintenance of infrastructure to meet the requirements of businesses and industry. This includes providing specialised infrastructure to facilities to deal with, for example, hazardous waste and effluent. Investment in connective and transport infrastructure is vital to ensure the efficient and effective movement of people and goods to, from and within the local area. This should be the core of local government's economic development role.
- Municipal economic planning must be based on objective empirical evidence which informs the role that municipalities need or can do to grow the economy within their boundaries. This should include research into municipal processes that hinder local business growth.
- Employment initiatives should prioritise the employment of women, youth and marginalized groupings through employment that pays a decent wage. This also includes improved skills levels to equip young people with skills needed for future employment.
- The accessibility of senior officials and leadership to local businesses is an important factor in ensuring that their problems are addressed, but rent seeking should not be entertained.
- Municipalities should exercise their powers and functions in a manner which maximises their impact on social development and economic growth. The mainstreaming of economic development should be led from the very top by the Mayor and Municipal Manager in that it becomes an integral component of all municipal departments. Each department should report regularly on what it has done to ensure small, medium and micro enterprises (SMMEs) get the largest share of all procurement opportunities, stimulate and create employment, build transparency, focus on empowering the poor and marginalised, reduce red tape and fast-track initiatives, build partnerships and improve communication.

KPA 4: Municipal financial viability and management

Provinces reported various challenges with financial management in municipalities, including poor revenue collection, non-implementation of debt management, credit control policies and by-laws, as well as poor billing of consumers. Low expenditure on capital budgets and insufficient cash balances to finance monthly financial obligations were a concern. Provinces also reported non-compliance with laws and regulations, particularly supply chain management and reoccurrences of unauthorised, fruitless and wasteful expenditure in municipalities. Provinces proposed the prioritisation of revenue collection by municipalities, but also support to municipalities with revenue enhancement initiatives. Monitoring of oversight structures, as well as political and administrative buy-in should ensure better implementation of audit actions plans and compliance with legislation on supply chain and contract management .

Recommendations

- Financial Management Rooting out corruption in local government should be the major focus for municipalities and all related role-players. This requires a diverse range of actions including greater transparency in the workings of a municipality – particularly in all areas related to supply chain management and procurement.
- SCM processes and regulations must be simplified and must include sanctions to be implemented when SCM processes are not completed within legislated time frames. SCM related appeals should be heard by independent committees at either provincial or national level.
- Decisive consequence actions should be implemented where irregular expenditure is not regularised, and unfunded budgets are passed by councils. Whilst the legal framework is sufficient in this regard, implementation remains the major challenge.
- Fraud should be reported separately from fruitless and wasteful expenditure.
- The effectiveness of Revenue Management systems must be improved. This includes ensuring that billing systems and credit control are effective. The high levels of non-revenue water should be reduced.

KPA 5: Good governance and public participation

Provinces reported ongoing challenges with the ward committee system, including inadequate resources, a lack of appropriate skills and understanding of the role of ward committee members, insufficient administrative support and non-implementation of ward operational plans. Various challenges were noted in the Section 47 reports on IGR, oversight structures in municipalities, and the combat of fraud and corruption. High vacancies in internal audit units were identified by some provinces, while there were also cases of non-implementation of Audit action plans and Audit Committee resolutions by municipalities. The effectiveness of oversight structures such as MPAC was raised, as well as a lack of commitment by leadership in municipalities to deal with corruption. Provinces proposed that ward committees should be adequately resourced, ward councillors and ward committee members should be capacitated, and Offices of the Speaker should be resourced to support ward committees. In terms of oversight, it was recommended that there should be improved relationships and communication between Audi Committees, Council, MPAC and management. Consideration should be given to provision of National Quality Framework (NQF) level training for MPACs.

Recommendations

- Good local governance requires approaches which are participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive and following the rule of law. The empowerment of communities is therefore a key responsibility of local government.
- It is critical that trust in local government as an institution be restored. Community engagements must have meaningful outcomes that are implemented by municipalities, and this must include the use of technology in this process, including improving citizen-government communications channels which are user-friendly, streamlined, integrated and most importantly responsive.
- There is a need for a far more effective customer complaints management system and a means through which communities can engage around specific work being done in their area.

- Smart technologies should be introduced wherever possible to improve engagement with citizens, such as e-services, citizen portals, but these technologies must empower and engage citizens, without excluding those who are not able to participate electronically.
- There is a need for increased engagement between municipalities and the private sector. This should include formal regular engagements as well as ongoing communication. These should provide the basis for the development of plans and programmes to identify ways in which jobs and businesses can be retained and expended, and new business can be developed.
- Ward committees must be representative of the diverse interests at a ward level. Overall, a properly established ward committee must be one which is seen by the ward community as a whole as a structure representing their interests. In addition, too, municipalities should ensure that ward committees are made more functional with decentralised powers and resources provided to them.
- Some of the mechanisms that would help promote and strengthen public participation in local governance, include: the creation of an enabling environment for citizen participation; building strong social capital; promoting collaborative engagements; increase capacity in the local community; holding regular public meetings and building strong ward committees.

KPA 6: Cross-cutting interventions

On planning and spatial development, provinces reported that IDPs were not adequately aligned to the priorities of the other spheres of government. The alignment of IDP projects and programmes to the Spatial Development Framework remain a problem in some cases. SDF strategies and projects are not always fully implemented, and it is a challenge in areas previously excluded. Some provinces indicated a lack of planning capacity at municipal level. On disaster management, provinces indicated insufficient budget allocations for the disaster management function, a lack of adopted disaster management plans, operation below the minimum required standards by municipalities and the absence of the required institutional arrangements.

Recommendations

- Mechanisms to ensure other spheres of government participate in local government planning processes must be strengthened as well as ensure that their planned future activities are known to municipalities. IDPs and other strategic plans must be known and owned by all spheres of government.
- There must also be a strengthening of national and provincial oversight towards municipal planning systems to ensure that the planning systems used (e.g. town planning schemes) reflect the aspirations and principles of policies and legislations such as SPLUMA.
- Spatial transformation should be an all-of-government goal, not just the responsibility of local government and an agreed and focussed spatial transformation strategy must be included in the development agenda of all spheres of government.
- There is a need to focus on building climate resilience, ensuring infrastructure is adequately climate change safe, to deal with at least some of the most critical hazards increasingly facing municipalities: flash/surface flooding, heat waves, rainstorms, extreme heat and drought. Local regulations should be tailored to increase the use of energy efficiency and resource-efficient technologies.
- There is an urgent need to build capacity for mitigation and adaptation in municipal governance. Funding and the profile of disaster management and disaster risk reduction must be increased.

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. INTRODUCTION

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.

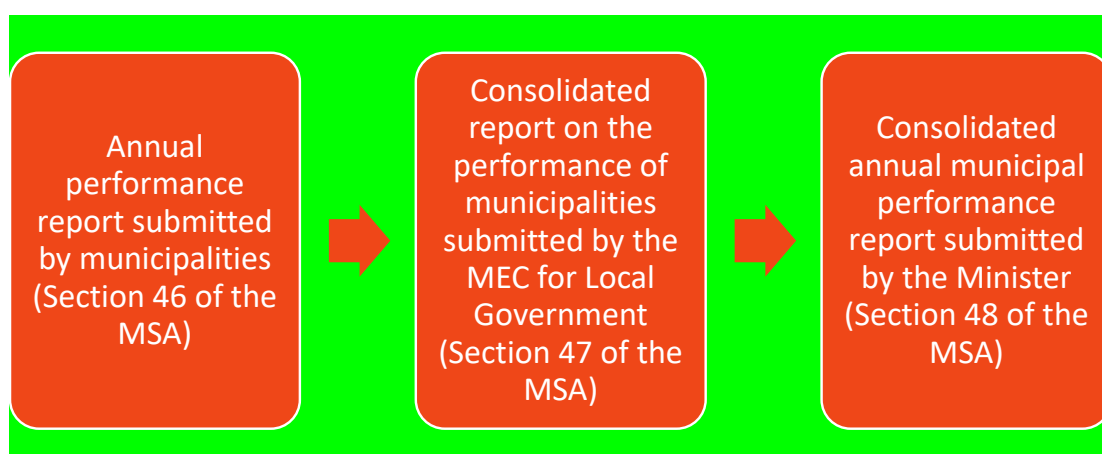
1.2 Purpose of the report

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 the following on the submission of Section 46 reports for 2020/21:

- All municipalities in the Eastern Cape submitted their reports, improving on two municipalities that did not submit in 2019/20.
- Only 17 of the 23 municipalities in the Free State submitted the 2020/21 Section 46 reports to CoGTA. Kopanong, Mohokare, Lejweleputswa, Maluti-a-Phofung, Nketoana, and Mafube municipalities did not submit Section 46 reports for the 2020/21 financial year.
- In Gauteng, the City of Tshwane and Emfuleni LM did not submit reports, both of which also did not submit in 2019/20;
- KwaZulu-Natal did not indicate non-submission of reports by municipalities;
- In Limpopo, Lephalale LM did not submit reports;
- Mpumalanga reported that due to limited information in the section 46 reports, information was included from other sources, but did not indicate non-submission of reports;
- North West indicated that the information in the section 47 report was consolidated after extensive consultation with all 22 municipalities. It indicated that not all municipalities submitted sufficient information, but did not indicate that any reports were not submitted;
- The Northern Cape indicated that 23 municipalities tabled their annual reports, but did not clearly identify which municipalities did not submit reports to the province.
- In the Western Cape, the province reported that all annual reports were tabled.

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 2020/21 municipal financial year, all nine provinces had submitted their reports to the Department of Cooperative Governance, with the last report submitted during the second quarter of 2023.

A Section 47 report should be comprehensive, and set out the five performance areas (KPA's) 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 from municipalities in terms of Section 46 of the Municipal Systems Act. The information was further 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 Eastern Cape Section 47 report was compiled in accordance to 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. Five departmental assessment teams comprising officials with relevant knowledge and insight into the five KPAs of local government were established to assess the Section 46 reports using the proposed key performance indicators.

The Free State indicated that the report was based on Section 46 reports and where applicable other relevant information sourced from within provincial CoGTA and other government departments.

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. Additional information used, included quarterly performance information from municipalities, monthly municipal infrastructure grant reports, as well as reports from independent sources. Gauteng structured the report according to the five KPAs, as well as cross-cutting issues.

The primary source of data for the compilation of this Section 47 report in KwaZulu-Natal was the individual audited Section 46 Annual Performance Reports that municipalities have compiled in terms of Section 46 of the Municipal Systems Act. In addition, the department supplement the information by making use of the audit reports of individual municipalities for the year under review, the state of Local Government report for the corresponding year in as far as it relates to support which the department rendered to municipalities, report on the Municipal Infrastructure Grant expenditure for the year under review and IDP credibility assessments. The province developed 38 indicators to measure whether municipalities are performing in terms of their core National Key Performance Areas (KPA's).

The Section 47 report of Limpopo was compiled primarily from the 2020/2021 Limpopo Municipal Annual Reports. A total of 26 municipalities submitted their reports to the province in time for completion of the Section 47 report. The province also used secondary data 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 cross-cutting issues and disaster management were not included in the report.

Mpumalanga stated that there were delays in the issuing of audit reports for municipalities, in the tabling and adoption of Oversight Reports and in the verification of information due to the COVID-19 pandemic. Due to limited information on the Section 46 reports, some data was sourced from different units within the department and other

government departments. The Mpumalanga Section 47 report covered all the KPAs and cross-cutting issues, although it was organised in 12 separate sections.

The Northern Cape Section 47 report was largely based on information contained in the tabled Annual Reports of municipalities and the information obtained by the department in its oversight responsibilities. The Northern Cape stated that the Section 46 reports of municipalities were generally poorly populated. The province also questioned the credibility of information submitted and indicated that limited information was provided on performance challenges and interventions. Monitoring data from provincial sector departments were used to fill some gaps. The Northern Cape Section 47 report was structured according to the five KPAs and included cross-cutting issues such as spatial planning and IDPs, but did not report on disaster management.

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, which includes MSA Section 46 reports, AFS and audit reports. The information was consolidated after an extensive consultation with the 22 municipalities in the province. As not all the municipalities provided sufficient information for the province to assess their performance, secondary resources were also used, including section 71 reports and departmental monitoring reports and information requested from municipalities. The North West report included information on the five KPAs and cross-cutting issues.

The Section 47 report of the Western Cape was compiled with information collected from municipalities by means of their annual reports, audit reports, IDPs and additional information obtained from provincial sector departments. All Annual reports and Oversight reports of the municipalities in the province were adopted in accordance with Section 129(1) of the MFMA. However, there were 4 municipalities whose information could not be obtained at the time of drafting the report. 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 2020/2021. The last provincial report was submitted to DCoG during the second quarter of 2023.

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 2020/21 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.

- **Section Three (District Development Model)** This section reports on progress with the DDM, which was adopted in August 2019 by Cabinet to solve the issues that exist at a horizontal and vertical level of government, both within planning and implementation of programmes
- **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 (including audit outcomes from the Section 134 report) ; 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 2021 Mid-year population estimates.

Table 1: Total population by province, Census 2011 and Mid-year estimates 2021

Provinces	Census 2011	% of total population	2021 mid-year estimate	% of total population
Eastern Cape	6 562 056	12.7	6 676 590	11.0
Free State	2 745 591	5.3	2 932 441	4.9
Gauteng	12 272 262	23.7	15 810 388	26.3
KwaZulu-Natal	10 267 305	19.8	11 513 575	19.1
Limpopo	5 404 869	10.4	5 926 724	9.9
Mpumalanga	4 039 935	7.8	4 743 584	7.9
Northern Cape	1 145 862	2.2	1 303 047	2.2
North West	3 509 952	6.8	4 122 854	6.9
Western Cape	5 822 736	11.3	7 113 776	11.8
Total population	51 770 568	100%	60 142 978	100%

Source: Statistics South Africa, Census 2011 and Mid-year population estimates, 2021

Table 1 indicates that the most significant population increases between 2011 and 2021, were in Gauteng and the Western Cape. North West and Mpumalanga experienced a moderate increase, while the Northern Cape had a small increase, however retaining the same proportion of the total population. The increases in population in the Eastern Cape, KwaZulu-Natal, Limpopo and the Free State was not sufficient to prevent a decline in the proportion of the total population, as expressed in the percentage of the total national population. Overall, the total population has increased by some 8.37 million people from Census 2011 to 2021.

The 2021 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.

Gauteng and the Western Cape received the highest number of in-migrants between 2006 and 2021. The Eastern Cape, Limpopo and Gauteng experienced the largest

number of outflow of migrants. Gauteng, Mpumalanga, Northern Cape, North West and Western Cape provinces received positive net migration between 2006 and 2021.

According to the General Household Survey, 2021 of Stats SA, more than one-fifth (23,3%) of South African households consisted of a single person in 2021. These households were most common in North West (33,4%) and least common in Western Cape (18,7%). Households that comprised six persons or more were most common in KwaZulu-Natal (20,0%), and more generally in rural areas (20,5%) compared to urban areas (11,0%). More than four-tenths (42,1%) of the households in South Africa were headed by women. Female-headed households were most common in provinces with large rural areas such as Eastern Cape (50,6%), KwaZulu-Natal (48,3%), and least common in the most urbanised province, Gauteng (33,9%).

1.6 Municipal Demarcation

In March 2021, 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

In preparation 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 formulae. These determinations enabled the Municipal Demarcation Board to delimit ward boundaries in local and metropolitan municipalities.

Cabinet established the Inter-Ministerial Committee on Municipal Elections and the Technical Inter-Ministerial Committee on Municipal Elections to oversee the arrangements for the preparations of the 2021 Local Government Elections. These structures have been meeting since June 2020 in considering progress on the IEC preparations, safety and security matters, and a communication strategy.

The IEC has already indicated that the 2021 elections would be among the most challenging yet faced by the Electoral Commission, political parties, candidates, and all other stakeholders. Campaigning and mobilising citizens and conducting registration and elections in-person as required by the legal framework presents unique challenges under COVID-19 conditions. However, due to successful municipal by-elections held in South Africa under these conditions and international examples of successful elections, the IEC has expressed confidence in overcoming any challenges.

On 11 November 2020, the IEC successfully conducted by-elections across 55 municipalities in all nine provinces. These elections were postponed previously by the Electoral Court due to the lockdown and were the first elections held under COVID-19 conditions. The average turnout was 37.83% compared to an average of 38.73% over the past four years. A further 24 by-elections were held across 17 municipalities in all nine provinces on 9 December 2020 with an average turnout of 34.56%.

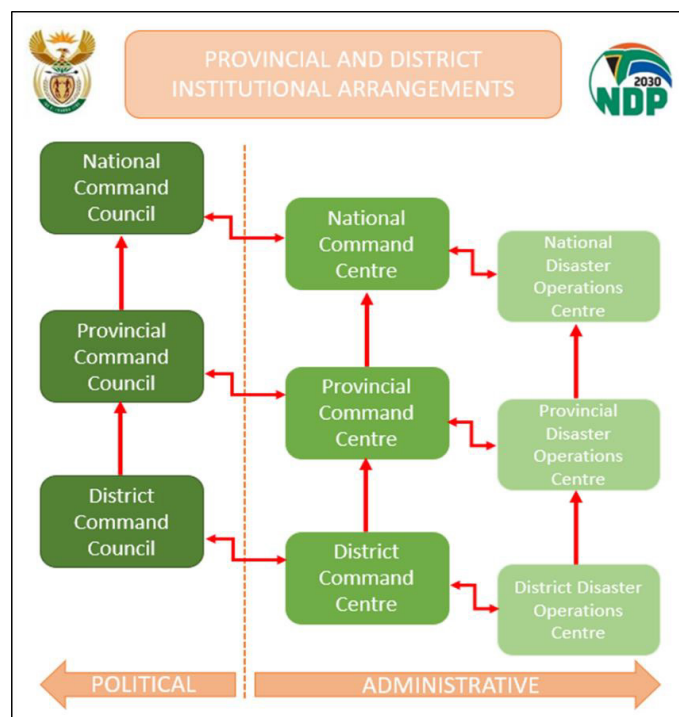
1.7 COVID-19 Pandemic

The CoGTA Minister is designated to administer the Disaster Management Act, 2002 (Act No 57 of 2002). Since 15 March 2020, following the declaration of the national state of

disaster, the Minister of COGTA issued a number of Regulations and authorised Cabinet members to issue Directions within the areas of their mandate. These were continuously reviewed in line with the implementation of the risk adjusted approach.

South Africa's response to COVID-19 required functional and fit-for-purpose institutional structures across all spheres of government. These structures played a critical role in coordinating the country's response to COVID-19. The President established a National COVID-19 Command Council (NCCC). The NCCC, led by the President coordinated and Guided the government response to the pandemic by all spheres of government and the society. The NCCC was supported by a technical committee comprising the respective Directors-General of the Ministries serving in the NCCC, known as the National Command Centre.

Figure 2: COVID-19 Provincial and District Institutional Arrangements



The COVID-19 pandemic has led to a global reconsideration of the role of governments, not only in the implementation of relief efforts, but also in addressing climate change and economic recovery. In the South African context, the pandemic has underscored the need to address poverty, inequality, and rising unemployment.

The SA Technology Network identified a few key pillars of the South Africa government's COVID-19 response strategy, which show the way for successful governance going forward, including making use of evidence-based policy; establishing effective coordination within government; regular communications to citizens; and partnerships with the private sector, civil society groups, and small businesses.

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 Medium Term Strategic Framework 2019-2024

2.4 National Development Plan

2.5 National Support Programmes

2.5.1 Project Consolidate

2.5.2 Local Government Strategic Agenda

2.5.3 Local Government Turnaround Strategy

2.5.4 Back to Basics

2. BACKGROUND

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.

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.

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.

Outcomes of developmental local government

Four developmental outcomes are contained within the White Paper on Local Government, namely:

- Provision of household infrastructure and services;

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

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.

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 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).

2.4 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.

2.5 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.

2.5.1 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.

2.5.2 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.

2.5.3 Local Government Turnaround Strategy

In 2009, the Department of Cooperative Governance undertook a major assessment of municipalities nationally, which resulted in the preparation of the Local Government Turnaround Strategy. All municipalities were required to submit a turnaround strategy as part of their IDP addressing basic service provision; deepening participatory democracy; and improving financial management and administrative capacity. The Local Government Turnaround Strategy was completed by 2013/14, at the end of the five-year term of national government.

2.5.4 Back to Basics

In 2014, an assessment by the Department of Cooperative Governance 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.

The programme is built on five pillars:

1. **Putting people and their concerns first:** Put people and their concerns first and ensure constant contact with communities through effective public participation platforms;
2. **Good governance:** 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
3. **Basic service delivery:** 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;
4. **Sound financial management:** Ensure sound financial management and accounting, and prudently manage resources to sustainably deliver services and bring development to communities; and
5. **Building capabilities:** Build and maintain sound institutional and administrative capabilities, administered and managed by dedicated and skilled personnel at all levels.

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 2020/21 municipal financial year (June 2021), a total of 1 249 or 40% of the completed B2B templates were received from municipalities. This represents a much weaker response than the 56% of 2019/20 and 71% of 2018/19.

Table 3: B2B submission rate for 2018/19, 2019/20 and 2020/21

Prov	Nr municipalities	Expected nr of submissions per year	2018/19 FY		2019/20 FY		2020/21 FY	
Prov	Nr municipalities	Expected nr of submissions per year	Total Nr of B2B submissions 2018/19	% submission rate 2018/19	Total Nr of B2B submissions - 2019/20	% submission rate 2019/20	Total Nr of B2B submissions 2020/21	% submission rate - 2020/21
EC	39	468	251	54%	203	43%	133	28%
FS	23	276	200	72%	125	45%	85	31%
GP	11	132	106	80%	89	67%	86	65%
KZN	54	648	430	66%	348	54%	252	39%
LP	27	324	260	80%	182	56%	134	41%
MP	20	240	229	95%	171	71%	118	49%
NC	31	372	231	62%	186	50%	109	29%
NW	22	264	159	60%	126	48%	72	27%
WC	30	360	327	91%	298	83%	260	72%
Total	257	3 084	2 193	71%	1 728	56%	1 249	40%

Source: B2B Report on Selected Indicators, September 2021

The highest submission rate was from Western Cape municipalities (72%), followed by Gauteng(65%) and Mpumalanga (49%). The lowest response rate was by municipalities in North West (27%), Eastern Cape (28%) and Northern Cape (29%). There were 22 municipalities that submitted templates for each of the 12 months during the 2020/21 financial year. In contrast, there were 14 municipalities that only submitted information once and 11 municipalities that only submitted information twice during the twelve months. DCoG analysed monthly municipal B2B performance information and identified key performance trends.

B2B Reporting Trends

The following trends were observed during the 2020/21 municipal financial year:

- Less Ward Committee and Ward Councillor report back meetings were reported in 2020/21 compared with the previous year. An overall average of 90% of the

expected number of Ward Committee meetings were held in the year, but only an average of 42% of the expected number of Ward Councillor report back meetings;

- Only 61% of the required number of MPACS meetings were reported in the 2020/21 FY, compared with 84% in the previous year;
- More tenders (3956) of over R200 000 and were awarded in 2020/21 compared with the previous year. Municipalities, which reported the highest number of tenders, were the category A municipalities (1006) and the category B1 municipalities (904).
- A total number of 7 809 section 36 awards (where the Accounting Officer has deviated from SCM regulations and reasons must be given) were reported in 2020/21 (compared with 10 445 in 2019/20). The highest number of section 36 awards were reported by Western Cape municipalities with 2 652, and the second highest number was reported by KwaZulu-Natal with 2 061.

There are currently no agreed standardised definitions for the indicators or questions contained in the B2B monthly reporting. This matter will be addressed with the new set of national key performance indicators for local government, with agreed standardised definitions. This is part of the current Planning, Budgeting and Reporting Reforms process underway in government and the pilot process in terms of MFMA Circular Nr 88, which has commenced in Intermediate Cities, District Municipalities and local municipalities in the 2021/22 municipal FY.

SECTION 3: DISTRICT DEVELOPMENT MODEL

- 3.1 Introduction
- 3.2 Implementation progress
- 3.3 DDM Pilots
- 3.4 Provincial initiatives

3. DISTRICT DEVELOPMENT MODEL

3.1 Introduction

Cabinet approved the District Development Model (DDM) in August 2019 as a government approach to improve integrated planning and delivery across the three spheres of government with district and metropolitan spaces as focal points of government and private sector investment. The envisaged integrated planning and delivery in the district and metropolitan sites will be enabled by joint planning, budgeting and implementation process.

The DDM is anchored on the development of the “One Plan”. The One Plan is an intergovernmental plan setting out a long-term strategic framework to guide investment and delivery in the 52 district and metropolitan space. This plan is meant to be jointly developed and agreed to by all spheres of government.

3.2 Implementation progress

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

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.

During the 2020/21 financial year, the Department had led a process of -

- Establishing and resourcing DDM Hubs in the 3 pilot sites.
- Developing of DDM implementation framework to guide the implementation of the DDM.

- Developing the DDM implementation tools including guidelines for the development of One Plans.
- Facilitating strategic partnerships with several organisations such as the Public-Private Growth Initiative (PPGI), the United Nations (UN), etc. to support the implementation of the DDM.

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.

The main areas of implementation include:

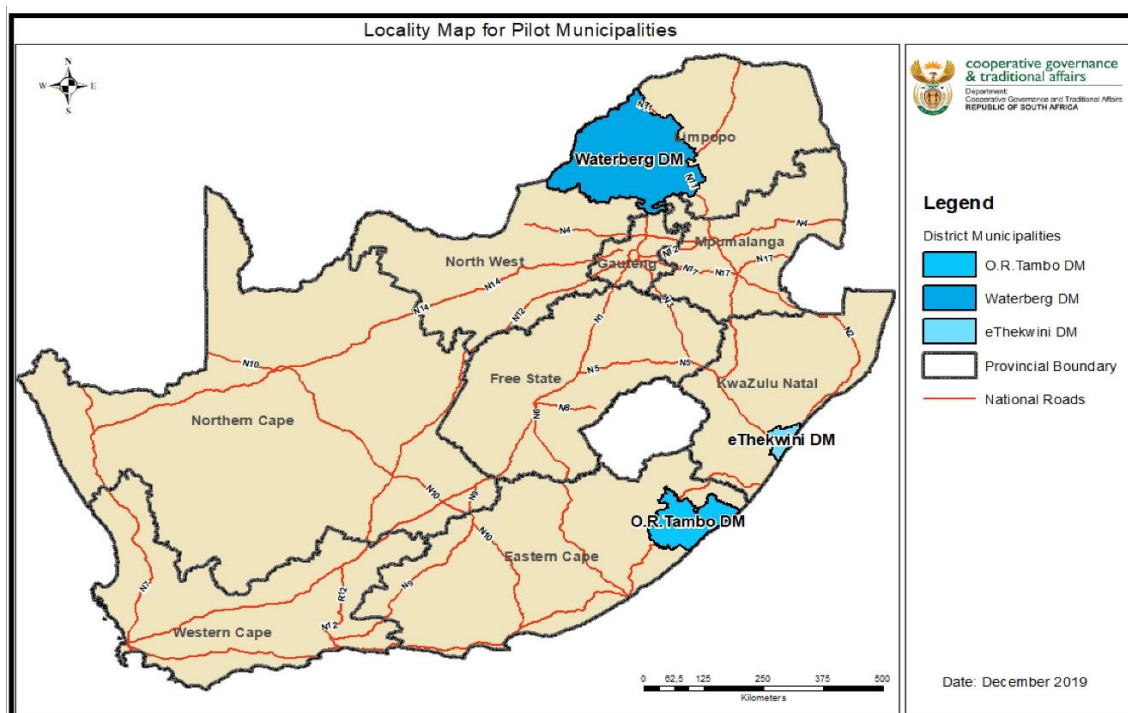
- **conducting a skills gap analysis:** this process entails an assessment of the required skills that would be critical to implement the DDM in the districts,
- **establishing district and metro hubs:** to assist with the coordination of government planning, budgeting and implementation within the district/regional space.
- **development of the One Plan:** which is a long-term intergovernmental plan of government in the district that is compiled by the three spheres of government through a collaborative process.
- **implementation of any urgent programmes** that would address challenges in the pilots.

- **DDM Implementation Framework** outlining key aspects for the institutionalization of the DDM concluded.
- **Guidelines** for the development of One Plans have been developed.
- **Circular on the implementation** of the DDM has been issued to provinces and municipalities.
- **DDM Political Champions** appointed.
- Guidelines for DDM Political Champions developed.
- **Draft Section 47(1)(b) Regulations Framework for the Intergovernmental Relations Framework Act (IGRFA) developed** for discussion.
- **IDP Guidelines and Circular** aimed to link with the One Plan has been developed.
- **DDM launches** in KZN and Limpopo provinces.
- **On going support and guidance** on how to mainstream DDM national sector departments provided.
- **Strategic partnerships** to implement the DDM currently underway.

3.3 DDM Pilots

The piloting phase comprised of the following areas of work:

- a. The development of profiles for the three pilots,
- b. Soliciting government (national, province and local) and parastatal projects, programmes and expenditure in the three pilots,
- c. Soliciting private sector investment where possible,
- d. Hosting an event where the pilot is launched,
- e. Implementing post launch programmes such as, conducting a skills gap analysis, establishing district and metro hubs, developing the one,
- f. Establishing district hubs, and
- g. Development of the One Plan



The lessons from the piloting phase can be this be categories into three key areas; namely:

i. ***Intergovernmental coordination and institutional arrangements lessons***

- During the pilot phase, it became clear that the partnership between the provincial Departments of Cooperative Governance and Traditional Affairs, the Offices of the Premier and Provincial Treasures are critical to any intergovernmental programme of government.
- The establishment of intergovernmental task teams led by national COGTA resulted in an efficient and effective process to manage the implementation of the pilot process.
- Coordination took place through the Inter-Ministerial Committee (IMC) on Integrated Service Delivery. The Minister for DCOG played a very active role to personally ensure that national sector departments cooperated and provided information that was required.
- Intergovernmental planning and coordination is informed by a set planning and budgeting processes across the three spheres. During the pilot phase,

we learned that in order for national and provincial sector departments to speedily/immediately respond to pertinent challenges on the ground, the current cycle of planning does not always permits this to be done. Where the synchronization process is incorrect and budgets are already committed to specific projects, there is little room in the system to reprioritize.

This lesson is important because in some instances there was no link between the challenges that communities have in districts and the programmes that national and provincial sector departments are implementing.

ii. **Content lessons**

- Most of the trends that regarding content issues from the three pilots were similar, however, the eThekweni metropolitan municipality was slightly different. The metropolitan municipality was able to provide additional content information based on research and studies that they had conducted, i.e. human settlement, tourism, etc. The fact that the metropolitan municipality is part of the City Support Programme (CSP) in the National Treasury, contributed to setting the metro apart, especially with the development of the Built Environment Performance Plan (BEPP) that metros were required to prepare. This lesson lay a good foundation for **a differentiated approach** on how some aspects of the DDM roll out would need to be approached.
- In the collation of all national, provincial and local projects and budgets to cost government investment in each pilot site, it was found that **leadership**, starting with the political head, accompanied by persistence, and dedication, enables the achievement such challenging tasks. Given the scale of this exercise and the fact that it was being done for the first time at this scale within such a short period of time, it was encouraging to see the overwhelming response, especially from national sector departments.

- One of the main concerns on content issues was **access to and the reliability of some of the statistical data**. There were instances where some of this data and information was outdated.
- It was also found that there is **weak integration and coordination of programmes and projects both vertically and horizontally potentially** because some sector departments do not collaborate when developing and implementing their projects and programmes leading to potential duplication and diluted impact at district level. In some instances, it was challenging to determine a rationale of the projects that government was implemented in the districts, e.g., schools built in villages with no enrolment of learners.
- During the pilot phase, there were some national projects that were not spatially mapped. While this is also a fairly new practice in government, it became clear that **spatial mapping of national and government projects is critical** and would need to be enhanced as the DDM is rolled out.
- For the first time, the whole of government was able to jointly agree and obtain an appreciation of the challenges facing local communities. This step of the DDM laid a solid foundation and proved to be a valuable lesson to anchor an intergovernmental approach to planning, budgeting and implementation.

iii. ***Lessons learned from stakeholder engagement***

- Engagement sessions demonstrated the willingness of all stakeholders to collaborate with and support government and in particular the DDM roll out process. While there were concerns raised, most **stakeholders were eager to provide support and partner with government** as it implements the DDM.
- The majority lessons learnt from the piloting process points to a greater need for collaboration across the three spheres of government. The lessons from the piloting process exposes faultiness of how government plans, budgets and

implements. The lessons also demonstrate challenges on some of the tools that are critical to enable the roll out of the DDM.

- The leadership provided by the President and the Minister for Cooperative Government and Traditional Affairs was one of the areas that set the piloting of the DDM apart from previous programmes. This leadership was critical in mobilizing all of government and all of society towards a journey that will improve the lives of poor communities, especially women, children and young people.

3.4 Provincial initiatives

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

The **Eastern Cape** was of the view that the support packages through the DDM approach would ensure challenges are unblocked through the implementation of Municipal Support and Intervention Plans adopted by Councils.

Mpumalanga has supported the three districts in developing their District Development Model (DDM) profiles. These profiles serve as baseline data for integrated planning, budgeting, implementation and reporting across the three spheres of government through the One Plan. To strengthen local government, Cabinet Ministers and Deputy Ministers have been appointed to serve as District champions, working with Provincial and District political leaders. We will continue to prioritize rural communities that are still unable to access basic services and other government amenities. This will be accomplished by ensuring the development of DDM-aligned IDPs that respond directly to the needs of communities. As a result, our traditional leaders must be at the forefront of community development, with their participation in municipal planning serving the best interests of their traditional communities.

KwaZulu-Natal has indicated that remedial actions in the Section 47 report are premised on the District Development Model which sought to breakdown the silos at a horizontal and vertical level within government, maximise impact and align plans and resources at

the disposal to local government through the development and of District, One Plan and One Budget”.

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.

In the five districts, the JDMA Interface Teams make use of District Coordinating Forums (DCFs) and their Technical committees (DCF Techs) as governance instruments to:

- Identify municipal strategic and planning priorities and address them through the development and implementation of a single implementation plan per district.
- Monitor the implementation of projects identified in the JDMA Implementation Plans.
- Identify and address any service delivery challenges through collaboration.

Since its establishment the JDMA has been used to implement several provincial projects such as: Drought Response Plan (DRAP) in Central Karoo, Humanitarian support coordination, COVID-19 hotspots coordination in the five districts and the Western Cape Recovery Plan: Safety, Jobs and Wellbeing

All five districts have commenced with the implementation of projects outlined in their respective JDMA Implementation Plans. All JDMA structures have been established and are stable and functional. The Interface Teams have convened and has been preparing progress reports and presentations that are tabled to the DCF T and DCF regularly.

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
- 4.4 Employment equity
 - 4.4.1 National overview
 - 4.4.2 Provincial reporting
- 4.5 Human resources management
 - 4.5.1 National overview
 - 4.5.2 Provincial reporting
- 4.6 Skills development
 - 4.6.1 National overview
 - 4.6.2 Provincial reporting
- 4.7 Disciplinary cases
 - 4.7.1 National overview
 - 4.7.2 Provincial reporting

4.8 Challenges in municipal transformation and organisational development

4.9 Support, interventions, and recommendations

4.9.1 Provincial support and interventions

4.9.2 National support and interventions

4.9.3 Provincial recommendations

4.9.4 National recommendations

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”.

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.

Most municipalities experience capacity constraints. However, within and across municipalities there are significant disparities in terms of location (urban versus rural),

performance and capacity (either human resource, financial and institutional). These constraints cause growing concerns over the capability of the state to deliver services to its constituents. Vacancy rates for municipal managers and CFOs are critical vacancies and the average of almost 25% municipal manager vacancies is of major concern. The premature departure of municipal managers and chief financial officers, many of whom do not even serve their five-year appointments, is a significant problem leading to administrative instability. Many municipalities find it difficult to attract, hire, and retain skilled staff. This is a significant problem in many of the more rural municipalities where their location and salary offerings fail to attract skilled technical staff. However, it is also a problem in municipalities which are more centrally located where skilled technical staff are locally accessible. Problems with recruiting in these municipalities appear to be related to concerns that municipal working environments may be over-politicised, subject to instability and beset with corrupt activities. In recruiting individuals with scarce skills, LGSETA found that the main difficulty faced by municipalities was the slow recruitment process (Urban-Econ. 2019. State of staff turnover & retention in municipalities of South Africa. Final Report. Prepared for LGSETA)

While several capacity-building initiatives have been implemented to support municipalities, poor coordination and duplication of efforts remain a key challenge. In this regard, CoGTA is currently in the process of finalising the Integrated Capacity Building Strategy. It has also developed an on-line skills audit system, which is accessible to all municipalities. In order to introduce uniform staffing standards and procedures regulations for senior managers and municipal staff have been promulgated. These Regulations will be linked with competency requirements for each individual occupational level.

With regard to the challenges of scarce technical skills, CoGTA, through MISA, is implementing multi-pronged strategies to address technical capacity constraints in municipalities. The initiatives include understanding the extent of the problem from an infrastructure management point of view. This requires a national skills audit across the infrastructure management value chain, from planning, through delivery, and operations and maintenance. There is deployment of MISA technical experts to handhold, coach and

mentor municipal officials, particularly in low to medium capacity municipalities. Municipal officials are also offered opportunities to attend technical skills training courses to refresh and share knowledge and new technologies in their respective fields.

The National Assembly has accepted the Local Government Municipal System Amendment Bill with amendments as effected by the Portfolio Committee on CoGTA and referred it to the National Council of Provinces (NCOP) on 4 December 2020 for concurrence. The enactment of the Amendment Bill is an important milestone in building a capable local government, professionalising local public administration through the setting of uniform standards, and strengthening governance in municipalities.

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 four municipalities in the **Eastern Cape** (Umzimvubu LM, Mnquma LM, Sarah Baartman DM and Joe Gqabi DM) have fully implemented PMS in 2020/21, representing a decline from five municipalities in 2019/20. Another 20 municipalities have partially implemented PMS. Five municipalities did not submit any information: Buffalo City MM, Sakhisizwe LM, Nyandeni LM, Walter Sisulu LM, O.R. Tambo DM. The report also indicated that municipalities are struggling to cascade the PMS to lowest levels of staff.

Gauteng municipalities have the mechanisms to monitor and review its performance, however according to the province, municipalities have been inconsistent in reporting on performance. The use of SMART indicators have not been embedded in the planning and reporting processes. Data reported per KPI do not always reflect accurate baselines and targets.

Limpopo reported compliance with the signing of performance agreements of senior managers, and functional PMS units. The submission of performance assessment reviews declined from 41% in 2018/19 to 30% in 2019/20 and 26% in 2020/21. Most municipalities did not conduct individual performance reviews.

In **Mpumalanga**, there has been a steady cascading of PMS to lower staff levels. In 2020/21, eight municipalities cascaded PMS to lower levels than section 54 and 56 managers.

Although 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 in Karoo Hoogland LM, Emthanjeni LM and Ga-Segonyana LM.

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.

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 2021* by Stats SA, there were 250 vacancies out of 1562 managerial positions according to

Section 57 of MSA in 2021. This compares to 287 vacancies out of 1562 in 2020. That would indicate a decrease in the vacancy rate from 18.4% in 2020 to 16% in 2021.

4.3.2 Provincial reporting

In the **Eastern Cape**, 27 municipalities reported that they have filled all their senior management posts in 2020/21, which represents an 12% improvement from 2019/20. Three municipalities have filled at least 85% of these posts. Three municipalities filled 69% or less of these posts, while only Walter Sisulu LM did not submit information.

The **Free State** reported on the vacancy rate in senior management and identified 34 vacancies in 14 municipalities. The vacancies include two Municipal Manager posts, five CFO posts, five Corporate Services Director posts, five Technical Service Director posts and five LED and Planning Director posts. The most senior management vacancies were in Metsimaholo LM (five), Maluti-a-Phofung LM (four) Matjhabeng LM (four), Masilonyana LM (three), Nala LM (three), Fezile Dabi DM (three).

In the 2020/21 financial year, there were 113 approved municipal senior management positions in the **Gauteng province**, 84 of these positions were filled and 29 positions remained vacant. The highest vacancy rate at senior management level was recorded in Merafong City LM (71%), Sedibeng DM (67%), and Emfuleni LM (37%). The City of Ekurhuleni MM, City of Tshwane MM and Mogale City LM managed to fill over 90% of these positions. The vacancy rate for senior management has increased from 19% in 2019/20 to 34% in 2020/21. The vacancies in critical management positions have the potential to impact on service delivery. Eight of the 11 municipalities in Gauteng were operating without a Municipal Manager or Chief Financial Officer.

In 2020/21, **KwaZulu-Natal** reported a 17% vacancy rate in senior management positions in municipalities, which was a slight increase on the 16.3% recorded in 2019/20. The

province indicated that the filling of priority positions such as Municipal Manager and CFO should be prioritised as it can impact negatively on service delivery.

CFO vacancies were reported in Ugu DM, Ray Nkonyeni LM, uMdoni LM, Edumbe LM and Okhahlamba LM. There were vacancies in the post of municipal manager in Edumbe LM and Amajuba DM. Vacancies in Technical Services Director were reported in uMzinyathi DM, uThukela DM, Okhahlamba LM and uMgungundlovu DM.

In **Limpopo**, the filling of municipal manager posts declined from 81% in 2018/19 to 67% in 2019/20, but improved to 70% in 2020/21. The filling of CFO posts improved to 81% in 2020/21 from 70% in 2019/20. The filling of technical services manager posts declined from 74% in 2019/20 to 67% in 2020/21. Filled posts in corporate services decreased from 85% in 2019/20 to 67% in 2020/21. In community services and development planning the filled posts remained at 78%.

In **Mpumalanga**, the total vacancy rate in senior management posts increased slightly from 14% in 2019/20 to 22% in 2020/21. Across the province, there were the following vacancies: five municipal managers, four CFOs, six Community Services Directors, four Corporate Services Directors and four Technical Services Directors.

The **Northern Cape** reported 145 senior management posts at municipalities in the province, of which 119 were reported to be filled.

In **North West**, municipalities with a high vacancy rate at senior management level included: Ratlou LM, Ditsobotla LM, Tswaing LM and Madibeng LM.

The **Western Cape** reported that 20% of municipalities in the province reported vacant municipal manager positions at June 2021. Acting municipal managers were in place in nine municipalities as at June 2021: Cederberg LM, Matzikama LM, George LM, Kannaland LM, Knysna LM, Oudtshoorn LM, Mossel Bay LM, Beaufort West LM, Central Karoo DM. Due to COVID-19 and increased political and administrative instability across

municipalities in the province, there were several senior management vacancies and acting arrangements.

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 2020/21 remained 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 2021* by Stats SA, there were 412 females out of 1312 full-time filled managerial positions in terms of Section 57 of MSA. That would indicate a female employment rate of 31.4% in 2021, compared to 31.2% in 2020.

4.4.2 Provincial reporting

Eight municipalities in the **Eastern Cape** had 50% or more female staff, which represent a decline from 10 municipalities in 2019/20. Fourteen municipalities had at least 20% of its employees aged 35 or younger, compared to 11 in the previous year. Six municipalities

reported at least 2% of disabled staff members against the total number of staff, compared to four municipalities in the previous year. However, 19 municipalities in the Eastern Cape did not provide any information on employment equity.

In the **Free State**, women held 27 (28.42%) of the 95 filled positions at senior management level, improving from 23% in the previous year.

In 2020/21, only 33% of municipal senior management positions in **Gauteng** were filled by women, which is slightly lower than the 35% recorded in 2019/20. Sedibeng DM and Lesedi LM recorded 50% occupation of senior management positions by women. Municipalities did not report on the employment of youth and people living with disabilities at senior management level.

KwaZulu-Natal reported that nine municipalities reported 50% or more female representation at senior management level. Nine municipalities indicated that there was no female representation. Four of these municipalities were in the Zululand District, including Zululand DM, Edumbe LM, Uphongolo LM and Nongoma LM. Three of these municipalities were in uMgungundlovu District, including Mpofana LM, Impendle LM and Richmond LM. The other two municipalities without female representation were KwaDukuza LM and Big Five Hlabisa LM.

Limpopo province reported that the proportion of women in senior management posts have been below 50% for the past three years: 34% in 2018/19, 27% in 2019/20 and 28% in 2020/21. In Sekhukhune District, 43% of senior management in 2020/21 were women.

In **Mpumalanga**, there were 27 women out of 98 filled senior manager posts, which represents a regression from 36 women in 2019/20. Mpumalanga was one of the few provinces that reported on employment of people living with disabilities. In total, 144 people living with disabilities were employed across all municipalities. Mpumalanga

reported that people aged 35 and younger occupied 15% of the posts in 2020/21 which was at the same level in 2019/20.

In the **Northern Cape**, women occupied only 28 of 145 positions of the senior management positions in 2020/21. The province indicated that there was a shortage of women at senior management level.

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.

The municipal staff complement has according to the *Non-financial census of municipalities for the year ended 30 June 2021* by Stats SA, increased to 282 286 (269 763 full-time and 12 523 part-time) in 2021, compared to 280 685 (270 312 full-time and 10 373 part-time) in 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**, 21 municipalities maintained a vacancy rate of less than 15% in 2020/21, which represents an improvement on 13 municipalities in 2019/20. Overall there was an increase in the filling of vacancies in most municipalities.

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. 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.

Gauteng reported that 20% of the approved positions in municipalities were vacant in 2020/21, representing a slight decrease from 22% in 2019/20. High vacancies were reported within basic service delivery units, including water, electricity, sanitation and waste management. Mogale City LM (68%) recorded the highest vacancy rate, followed by Emfuleni LM (64%), while vacancy rates between 45% to 48% were recorded at West Rand DM 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. Merafong City LM did not have the HRM, HRD and EE plan in place.

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.

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 Merafong LM, have invested in the training and development of its workforce. About 23% of employees in Gauteng received some form of training and development.

In **KwaZulu-Natal**, most municipalities have indicated that that councillors or officials had completed training in line with the WSP. uMshwathi LM, Umngeni LM and Mpofana LM did not provide information of did not have any officials participating in skills development.

In **Mpumalanga**, out of 4460 staff members approved for training, only 2553 staff members (57.42%) were trained in 2020/21.

All municipalities in the **Western Cape** have submitted workplace skills plans for the past three financial years. Various capacity and skills development initiatives were provided by municipalities, which include training through LGSETA, Municipal Minimum Competency, Learnerships, Short Courses such as Project Management Training, End User Computing, Supply Chain Management and the Local Government Accounting Certificate. During 2020/21, municipalities in the Western Cape spend an average of 67% of their personnel skills budget, which is a decline from 77% in the previous two years.

Municipalities in the Western Cape trained 39 470 employees in 2020/21, representing an increase from the previous two financial years.

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.

The **Free State** reported that the historical cases of three municipal managers in Nala LM, Dihlabeng LM and Moqhala LM were still pending. The suspension of the municipal manager in Metsimaholo LM was lifted by the Court, the municipality should reinstate disciplinary process in line with regulations.

KwaZulu-Natal reported that disciplinary cases were finalised in uMdoni LM (municipal manager resigned) and uMkhanyakude DM (CFO dismissed). Eleven cases were still pending, but in the case of Ugu LM the municipal manager resigned and in the case of uPhongolo LM the Director: Technical Services was dismissed. In the case of uMkhanyakude DM, the municipal manager has re-assumed duties.

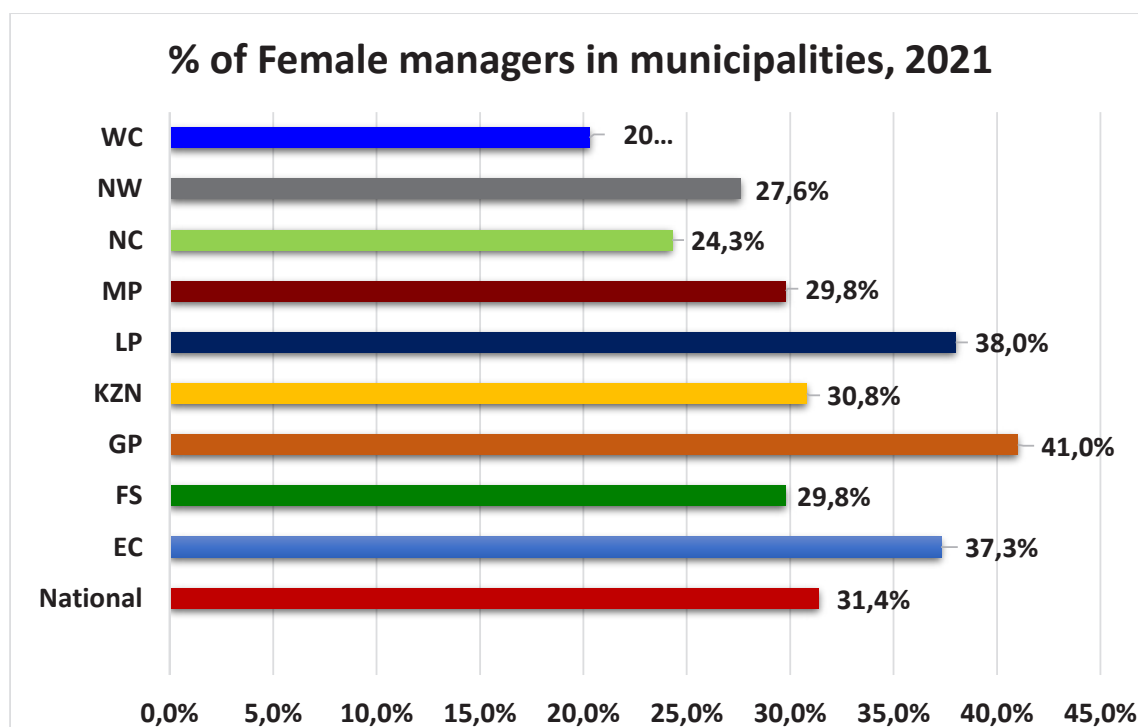
Limpopo reported that there were challenges with compliance of submission of quarterly reports on status of disciplinary cases in municipalities to the MEC.

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. By 2021 the share of female managers was as follows nationally and per province:

Figure 6: Female managers in municipalities, 2021



Source: Stats SA: Non-Financial Census 2021

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. Although there has been an improvement in the filling of senior management posts, political and administrative instability are contributing factors to delays in recruitment in various municipalities.

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;
- Compliance with regards to signing and submission of employment contracts and performance agreements as legislated;
- Alignment of performance agreements to the Service Delivery and Budget Implementation Plan (SDBIP) which defeats the purpose of performance management; and
- Development of municipal job descriptions.

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

- The majority of vacancies were reported in service delivery units, which has contributed to attending to burst water pipes, clearing of illegal dumps and general infrastructure maintenance;
- Increasing senior management vacancy rate; and
- Employment equity targets were not met.

In **KwaZulu-Natal**, the MEC issued final letters to municipalities with long outstanding vacancies, but posts had not been filled by 3 municipalities by 30 June 2021. Five

municipalities further received directives to fill vacant posts, and in the case of four municipalities progress was reported in various stages of recruitment.

In **Limpopo** there were delays in signing employment contracts and submission of performance agreements by some municipalities and the status of women in senior management positions remains a concern for the province.

In **Mpumalanga**, it was reported that municipalities were delaying the recruitment process of filling the posts of senior managers. There are delays in the finalisation of job evaluation, therefore job descriptions are not signed in most municipalities. There is a failure by some municipalities in reviewing their PMS policies and PMS is still not cascaded to lower levels in most municipalities.

The **Western Cape** indicated that the high number of senior management vacancies and acting arrangements destabilised the administration and directly impacted on service delivery. The province also reported concerning emerging trends on a lack of due diligence in the appointment of staff and the premature termination of employment contracts of senior managers.

4.9 Support, interventions 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 and national recommendations.

4.9.1 Provincial support and interventions

The **Eastern Cape** province assisted municipalities to resolve their labour disputes and assisted in analysis of employment contracts of senior managers in terms of municipal performance regulations and compliance with the Upper Limits of Senior Managers.

In the **Free State**, the provincial Department provided support on appointments to Setsoto LM and Tokologo LM and followed up with four municipalities on outstanding compliance documents. The province seconded municipal managers to Metsimaholo LM, Dihlabeng LM, Nala LM and Maluti-a-Phofung. Other senior officials were seconded to Mohokare LM (Director: Corporate Services), Kopanong LM (CFO) and Maluti-a-Phofung (CFO, Director: Technical Services and Strategic Support to MAP Water). FSPT seconded an Administrator and Acting Municipal Manager to Mafube LM.

Gauteng CoGTA placed four experts in regional teams to support municipalities to address service delivery challenges. Emfuleni LM was supported with its organisational structure and an institutional review.

In terms of addressing vacant senior management positions, a MEC directive was issued in **KwaZulu-Natal** that senior management posts were to be filled in five municipalities and final letters were issued to municipalities with long outstanding vacancies.

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. Mpumalanga reported that SALGA trained municipalities on TASK Job Evaluation and provided municipalities with relevant templates with the development of job descriptions.

North West provided support to municipalities on appointment and conditions of employment of officials.

The **Northern Cape** supported municipalities by secondment of officials, after municipalities were unable to fill posts. Acting Municipal Managers were seconded to Kareeberg LM, Siyancuma LM and Renosterberg LM. Officials were also seconded to act in the positions of Director: Technical Services, Director: Corporate Services and CFO in Renosterberg. 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

SALGA implemented seven capacity building programmes which capacitated 1116 councillors and officials.

Table 4: SALGA Capacity Building Programmes 2020/21

Programme	Number of councillors	Number of officials	Total trained
Senior Managers Development Programme	0	20	20
Local Government Women Leadership Development Programme: Masterclass	0	176	176
Integrated Councillor Induction Programme Phase 2	40	0	40
Local Government Women Leadership Development Programme: Module 1	19	55	74
3 rd Annual LG Labour Law Seminar	0	421	421

Accredited Performance Management Training	149	151	300
Local Labour Forum for Employer Representatives	0	85	85
	208	908	1116

Source: SALGA Annual Report 2020/21

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:

Gauteng indicated that municipalities must ensure they address staff capacity in service delivery units, including retraining and redirecting underutilised officials in other units. This must be prioritised at Emfuleni LM and Merafong City LM. Filling of vacancies in senior management should be prioritised in Merafong City LM, Sedibeng Dm and Emfuleni LM. There should also be prioritisation of filling of senior management positions and the employment of women, youth 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 improve the turn-around time for the consideration of appointment concurrence requests. Municipalities should implement gender equity plans.

Mpumalanga recommended that vacant post be filled within a reasonable period. Municipalities should review their PMS framework to include the requirements of MSA Municipal Staff Regulations and staff members should be involved in the review. COGTA should engage SALGA on the finalisation of the job evaluation process in municipalities.

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

The **Western Cape** recommended the monitoring of critical vacant senior management posts, providing legal guidance on appointments through the distribution of good governance practice notes and advice, and the enforcement of statutory prerequisites.

4.9.5 National recommendations

- The existing framework for capacity building must be reviewed and a single integrated approach involving all key role-players should be advanced, focusing on competency shortfalls particularly in the professional and senior management sectors.
- Professionalisation of local government administration must be completed through involving professional associations and institutions.
- Municipal consultation and participation in the design of support programmes is needed to ensure that it meets the diverse requirements of municipalities, These should also including municipality-to-municipality learning mechanisms to promote the transfer of skills.
- The content of all existing competency courses should be reviewed to make them more relevant.
- The capacities and competencies of provincial treasuries and COGTA departments need to be reviewed to ensure they have the requisite experience to monitor, support and, where necessary, manage interventions in municipalities.

SECTION 5: KEY PERFORMANCE AREA: BASIC SERVICE DELIVERY

5.1 Introduction

5.2 Access to basic services and infrastructure development

5.2.1 National overview

5.2.1.1 Water

5.2.1.2 Sanitation

5.2.1.3 Electricity

5.2.1.4 Solid waste removal

5.2.2 Provincial reporting

5.3 Indigent policy management and free basic service delivery

5.3.1 National overview

5.3.2 Provincial reporting

5.4 Municipal Infrastructure Grant (MIG) expenditure

5.4.1 National overview

5.4.2 Provincial reporting

5.5 Challenges in basic service delivery

5.6 Support, interventions and recommendations

5.6.1 Provincial support and interventions

5.6.2 National support and interventions

5.6.3 Provincial recommendations

5.6.4 National recommendations

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.

The White Paper on Local Government (1998), prescribes that 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, 2021 and the Non-Financial Census of Municipalities, 2021. 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.

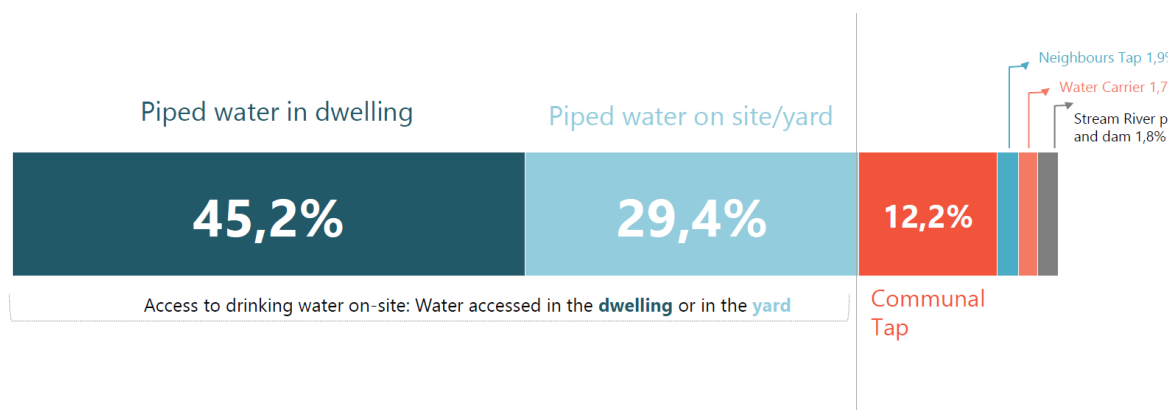
The Non-Financial Census of Municipalities of 2021 found that of the nearly 14 million domestic consumer units¹ that received water in 2021, 10.2 million units had access to water inside the yard, 2.9 million units had water within 200 metres from their yard and 876 000 units had access more than 200 metres from their yard.

According to the General Household Survey (GHS), 2021, the percentage of households with access to an improved source of water increased from 84,4% to 88,7% between 2002 and 2021. The increases were most notable in Eastern Cape (+14,9%) and KwaZulu-Natal (+11,6%). Despite these improvements, access to water declined in six provinces between 2002 and 2021. The largest decline was observed in Limpopo (-4,4%), Mpumalanga (-4,3%) and North West (-2,2%). Despite these declines, more households still had access to piped water in 2021 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 5: Percentage of households by selected main water source, 2021

Percentage of households by selected main water source (top 6 sources shown), 2021

*Source: Stats SA, GHS 2021*

Tap water inside their dwellings, off-site or on-site, was most common among households in Western Cape (99,4%), Gauteng (98,4%), and Free State (93,6%) and least common in Limpopo (69,4%) and Eastern Cape (71,0%). Since 2002, the percentage of households in Eastern Cape with access to water in the dwelling, increased by 14,9% and those in KwaZulu-Natal by 11,6%. Nationally, the percentage of households with access to tap water in their dwellings, increased by 4,3% during the same period.

An estimated 45,2% of households had access to piped water in their dwellings in 2021. A further 29,4% accessed water on-site, while 12,2% relied on communal taps and 1,9% relied on neighbours' taps. Although generally households' access to water improved, 2,7% of households still had to fetch water from rivers, streams, stagnant water pools, dams, wells and springs in 2021. In metropolitan areas, 98,6% of households had access to tap water. This type of access to water was most common in Cape Town (99,5%), Nelson Mandela Bay (99,2), and Johannesburg (99,1%). Mangaung (92,0%) and Ethekewini (97,7%) 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 North West (56,7%), Limpopo (56,0%) and Mpumalanga (55,8%) reported the most interruptions, while households in Western Cape (4,9%) and Gauteng (11,3%) experienced the least interruptions. Approximately one-third (30,8%) of South African households reported some dysfunctional water supply service in 2021. Compared to households nationally, a much smaller percentage of households in metropolitan areas reported water interruptions (14,2% compared to 30,8%). Water interruptions were most common in Nelson Mandela Bay (37,6%), eThekweni (28,1%), and Buffalo City (20,0%) and least common in Cape Town (4,8%) and Ekurhuleni (6,2%).

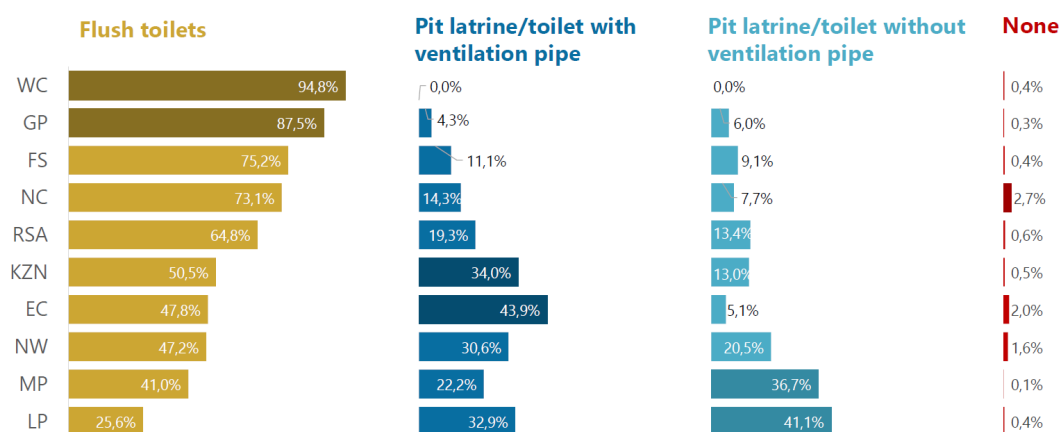
5.2.1.2 Sanitation

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 84,1% between 2002 and 2021. Households' access to improved sanitation was highest in Western Cape (94,8%) Gauteng (91,8%) and Eastern Cape (91,7%), and most limited in Limpopo (58,5%) and Mpumalanga (63,2%). The most improvement was noted in Eastern Cape where the percentage of households with access to improved sanitation increased from 58,3% to 91,7%, and Limpopo in which access increased from 31,6% to 58,5%. The installation of pit toilets with ventilation pipes played an important part in achieving the large improvements.

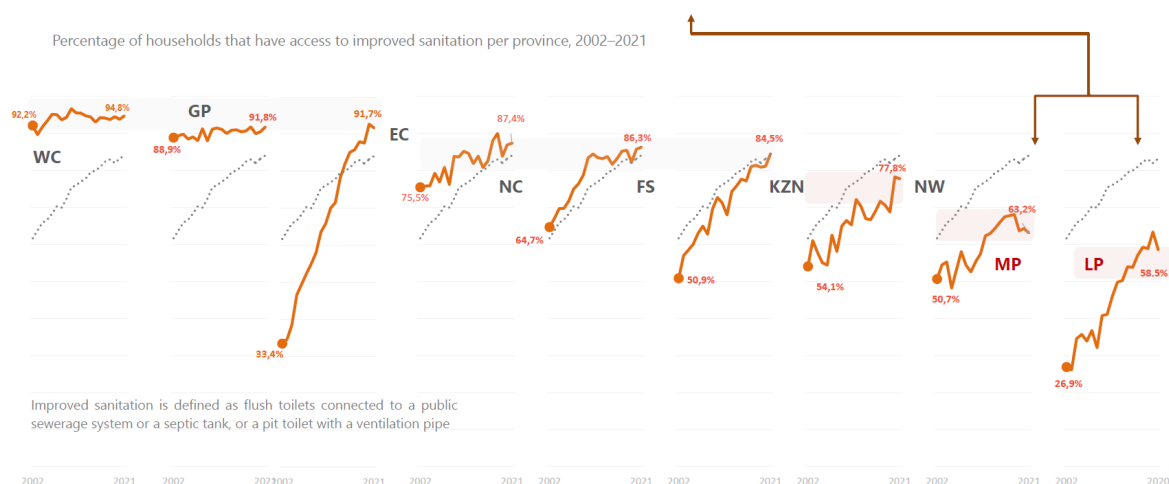
Figure 6: Percentage of households by type of toilet facility, 2021

Percentage of households by type of toilet facility and province, 2021



Source: Stats SA, GHS 2021

According to Stats SA, rapid household growth and urbanisation, as well as a preference for flush toilets have all contributed to slow progress over the reported period. 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.

Figure 7: Percentage of households that have access to improved sanitation per province, 2002-2021

Source: Stats SA, GHS 2021

Almost two-thirds (64,8%) of households nationally used flush toilets that were either connected to a public sewerage system or a septic or conservancy tanks, while another 19,3% 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 (13,4%). The use of flush toilets was most common in Western Cape (94,8%), Gauteng (87,5%) and Free State (75,2%), but only one-quarter (25,6%) of households in Limpopo used them. The largest percentage of pit toilets with ventilation pipes were observed in Eastern Cape (43,9%), KwaZulu-Natal (34,0%) and Limpopo (33,9%). In the absence of flush toilets, 74,0% of households in Limpopo used pit latrines, most (41,1%) without ventilation pipes. More than one-third (36,7%) 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 Buffalo City (99,2%) and Nelson Mandela Bay (98,4%) and least common in eThekweni (83,7%) and Tshwane (83,5%).

According to the Non-Financial Census of Municipalities 2021, over the period 2020 to 2021, Gauteng, KwaZulu-Natal and Limpopo were the only provinces that reported zero in the provision of bucket toilets by municipalities. Free State (53,4%) and Eastern Cape (6,1%) reported an increase in the provision of bucket toilets from 2020 to 2021. The largest percentage decrease in the provision of bucket toilets was reported in Mpumalanga (-100%), Northern Cape (-7,4%) and North West (-4,8%). 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.

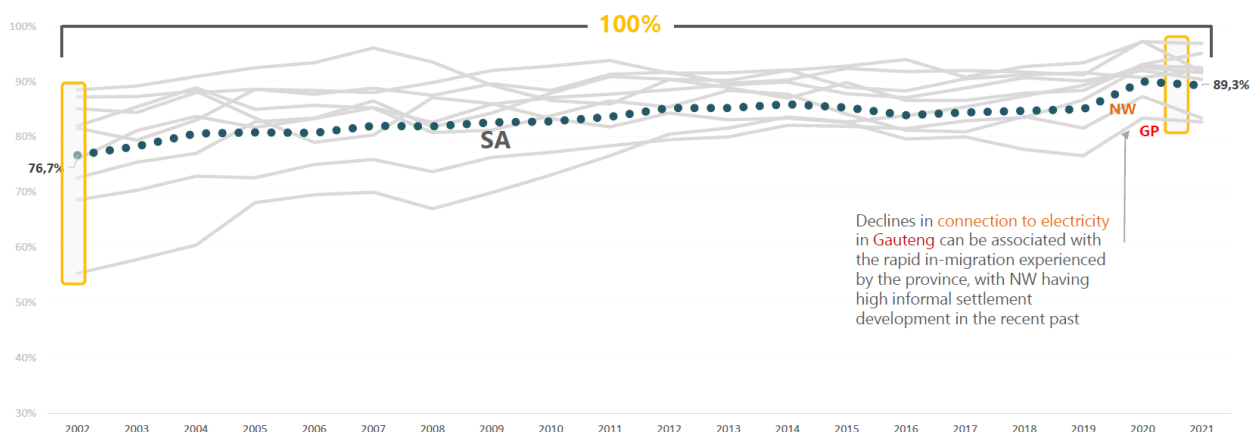
While the authority function includes the development of policies, drafting by-laws, setting tariffs, and regulating the provision of services in terms of the by-laws and other mechanisms, the service provider undertakes the actual service provision function. The Electricity Regulation Act (Act No. 4 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 89,3% in 2021, was accompanied by a decrease in the use of wood (20,0% to 7,7%) and paraffin (16,1% to 3,5%) over the same period. The common use of wood and coals for cooking purposes was still prevalent in rural provinces such as Limpopo (32,9%) and Mpumalanga (21,0%). One fifth of households (22,3%) did not use electricity for cooking in 2020.

Figure 8: Percentage of households connected to the mains electricity supply by province below national standard, 2002-2021

Percentage of households connected to the mains electricity supply by province, 2002–2021



Source: Stats SA, GHS 2021

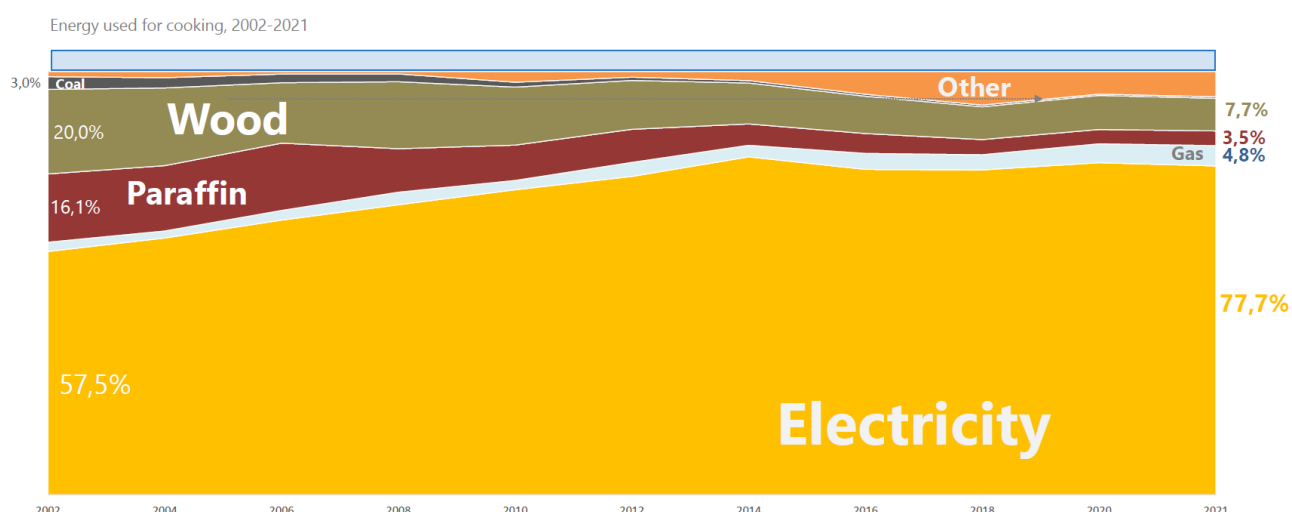
The percentage of South African households that were connected to the mains electricity supply increased from 76,7% in 2002 to 89,3% in 2021. Households with access to mains electricity were most common in Limpopo (96,9%), Western Cape (95,1%), and Northern Cape (92,5%), and least common in Gauteng (82,7%) and North West (83,4%). The largest increases between 2002 and 2021 were observed in Eastern Cape (+37,2%), and Limpopo (+24,3 %), while the percentage of households with access to mains electricity declined in Gauteng (-4,5%). 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 (79,6%), while 12,5% were billed using a conventional meter and 7.9% obtained electricity from other sources (e.g. neighbour or landlord). This figure was particularly high in Gauteng (15,1%). The use of conventional meters was highest in Gauteng (23,1%) and KwaZulu-Natal (15,4%).

Households that used conventional electricity meters were slightly more common in metros (19,0%) than nationally (12,5%). The use of conventional meters was most widespread in Ekurhuleni (29,2%) and Johannesburg (24,0%) and least common in Mangaung (2,2%) and Nelson Mandela Bay (3,2%). Pre-paid meters were, by contrast, most common in Mangaung (96,4%) and Nelson Mandela Bay (94,3%). It is notable that more than one-fifth (23,3%) of households in the City of Johannesburg obtained electricity from other sources (e.g. neighbour or landlord) compared to 11,9% across all metros.

The percentage of households that used electricity for cooking increased from 57,5% in 2002 to 77,7% in 2021. Simultaneously, the use of paraffin, coal and firewood declined notably. The percentage of households that used paraffin declined from 16,1% in 2002 to 3,5% in 2021, while the percentage of households that used firewood decreased from 20,0% to 7,7%. The percentage of households that used gas increased from 2,2% in 2002 to 4,8% in 2020.

Figure 9: Types of energy used for cooking, 2002-2021



Source: Stats SA, GHS 2021

The percentage of households that used electricity as a main source of energy for cooking was highest in the Free State (87,2%) and Northern Cape (83,0%) and lowest in Limpopo (64,5%). The use of paraffin was most common in Gauteng (5,8%) and least

common in Northern Cape (0,3%). The use of wood and coal was particularly noticeable in Limpopo (32,9%), Mpumalanga (21,0%), Eastern Cape (9,0%) and KwaZulu-Natal (8,7%). Less than one per cent of households used wood for cooking in Western Cape and Gauteng (0,2% and 0,6% respectively). Gas was most frequently used by households in Western Cape (15,2%) and Northern Cape (9,1%).

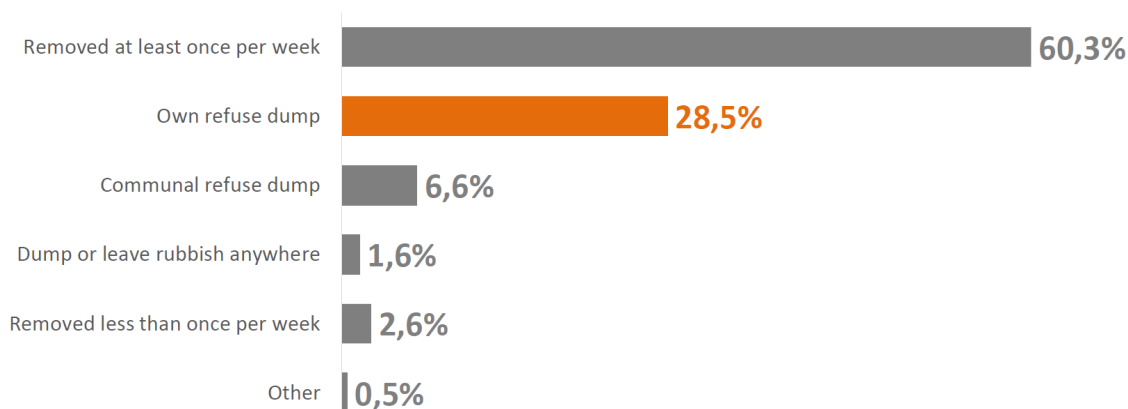
5.2.1.4 Solid waste removal

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, 2021, 62,9% of households in South Africa had their refuse removed weekly or less regularly in 2021. It is notable that refuse removal was much more common in urban than in rural areas (84,5% compared to 11,8%), while 86,3% of households in metropolitan areas had access to these services.

Household refuse was removed at least once per week or less for 60,3% of all households nationally. More than one-third (35,1%) of households had to rely on communal or household refuse dumps, while 1,6% 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.

Figure 10: Percentage of households by type of refuse removal services, 2021

Percentage of households by type of refuse removal services, 2021

*Source: Stats SA, GHS 2021*

Refuse removal was most common in Western Cape (89,4%) and Gauteng (85,8%), and least common in Limpopo (23,9%). Relatively little refuse removal took place in rural areas, and refuse removal was least common in the rural areas of Eastern Cape (1,9%) and Limpopo (7,4%). Overall, 86,4% of households in rural areas discarded refuse themselves compared to only 12,3% of households in urban areas.

Refuse is removed at least once per week or less often for 86,3% of all households in metropolitan areas, notably higher than the national figure of 62,9%. 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%). The City of Tshwane metropolitan area includes a very large rural hinterland where refuse removal services do not take place.

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 regression in municipal performance on basic service delivery, lack of credible information and an increase in the non-provision of information by municipalities.

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 100% in formal areas and 95% in informal areas. Some interruptions in the provision of services was reported in some municipalities such as the south of Johannesburg due to power supply issues at Zuikerbosch purification works, and northern settlements of Emfuleni due to Rand water imposed restrictions. The City of Tshwane completed the Doornkloof Reservoir which will sustain new developments in the Irene area, as well as the extension of the Annlin Reservoir, which serves 20 000 households in Wonderboom and Annlin in Pretoria North. The City of Tshwane also upgraded the Temba Water Purification Plant that provides potable water to more than 95 000 households.

On aggregate, municipalities in Gauteng provided 100% sanitation services in formal areas and 91% in informal areas. In Emfuleni, the DWS appointed contractors to unblock sewer pipelines. Lesedi LM partnered with the DHS and Midvaal LM with Sedibeng DM to share the costs of VIP facilities for informal settlements. The under achievement of annual targets in the City of Johannesburg were attributed to the delay in appointment of service providers to extend services to the informal settlements. The delivery of services in Emfuleni LM was affected by dysfunctional pump stations and waste water treatment works.

On aggregate, municipalities provided 89% of electricity services to formal households. However, 78% of municipalities mandated to deliver basic services, have reported they do not provide electricity services to informal settlements, due to location on private land, and inhabitable areas such as along riverbanks and dolomitic land. The City of Johannesburg have provided new electricity to 2039 informal households. Emfuleni LM

completed the electrification project of Tshepong Phase 3 and Sebokeng ext. 30. In Emfuleni LM, delays in procurement affected the provision of electricity connections at newly developed households.

The non-revenue water and electricity has a significant impact on municipal revenue. Emfuleni LM (57%) experienced the highest water loss in 2020/21, while Merafong City LM had the highest electricity loss at 43%. Municipalities reported replacement of water network, installation of water meters and water restriction devices.

Generally, the standard service level for residential waste collection in Gauteng was a once-a-week, door-to-door waste collection. On average municipalities achieved 91% services to formal households and 76% at informal households in 2020/21. Emfuleni LM, the City of Tshwane MM, Mogale City LM and Lesedi LM reported lack of resources, both in human resources capacity and budget constraints that affected the delivery of waste management services.

According to **KwaZulu-Natal**, 78.8% of households have infrastructure access to water, 50.4% have access to yard connections, 11.5% are serviced through rudimentary water connections and 9.7% have no water infrastructure in their communities. The districts with the highest percentage of households with no access to water infrastructure are uMzinyathi (32.7%) and King Cetshwayo (27.5%). There was an increase in reported water losses from 315, 5kl (to the value of R2,8 billion) in 2019/20 to 394,6 kl (to the value of R3.3 billion) in 2020/21. However, some municipalities did not disclose information.

On sanitation the province reported that 79% of the municipalities mandated to provide the services were providing the service to 80% and above of households. There were however questions about the accuracy of information from some municipalities.

The province reported electricity access of 89%, with the highest backlogs at uMkhanyakude DM (47%) and uMzinyathi DM (28%). Municipalities in KwaZulu-Natal have indicated challenges in identifying and obtaining land for new waste disposal sites.

This is due to the fact that they do not own adequate land and that the available sites need to be purchased from private land owners.

Limpopo reported that municipalities continued to deliver basic service to communities, but provision of water remained a challenge and waste collection in rural areas need to be improved. The province reported that 1 195 751 households had access to potable water, 1 489 625 households had access to sanitation, 1 510 619 households had access to electricity and 350 678 households had access to refuse removal once per week. It was reported that 24.3% of households did not have access to safe drinking water, 40% of households used pit latrines or toilets without ventilation, 6% of households did not have refuse disposal services and resorted to dumping. The province has 36 licensed landfill sites and 10 unlicensed landfill sites.

In **Mpumalanga**, Ehlanzeni District reported an increase of 4 164 households for access to portable water for 2020/21, Gert Sibande District reported an increase of 7 182 households and Nkangala District reported an increase of 10 307 households. In terms of sanitation, Ehlanzeni District reported an increase of 720 households with access to sanitation in 2020/21. In Gert Sibande District 35 more households had access to sanitation, while 13 327 more households had access to sanitation in Nkangala District.

The Victor Khanye Local Municipality has completely eradicated the bucket system and has moved to using chemical toilets. A total of 245 chemical toilets are emptied once a week.

There was an increase in access to electricity of 3 389 households in Ehlanzeni District (including in the City of Mbombela LM, Nkomazi LM and Thaba Chweu LM) in 2020/21. In Nkangala District an additional 8342 households received access to electricity, including in the local municipalities of Emalahleni, Thembisile Hani and Steve Tshwete. There was an increase of 12 601 households with access to electricity in Gert Sibande District, including in the local municipalities of Govan Mbeki LM, Mkhondo LM, Lekwa LM, Dr Pixley Ka Isaka Seme LM and Msukaligwa LM.

Ehlanzeni District (22 387), Nkangala District (25 542) and Gert Sibande District (6012) reported an increase in the number of households with access to refuse removal in 2020/21.

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). Seventeen municipalities in the Northern Cape were allocated R300,743 million in 2020/21 to implement projects under WSIG. During the adjustment budget, Umsobomvu was added as the 18th municipality and the total amount increased to R333,692 million. Only 62.15% of the funds were spend, with low expenditure in Nama Khoi LM (51.86%), Kareeberg LM (15.18%), Siyancuma LM (54%) and Dawid Kruiper LM (56.33%).

Two 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 R93,651 million was awarded to the municipalities through the budget and adjustment budget. Hantam LM reported 100% expenditure of the grant, while Kareeberg LM reported expenditure of 28.47%.

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. The provincial sanitation service levels indicated that 10.95% of households received services below the minimum service level, including bucket toilets, other minimum service level provisions or no toilet provisions.

Municipalities in the Northern Cape received R125,911 million after the adjustment budget for the Integrated National Electrification Programme Grant (INEP) to fund bulk infrastructure (substations and lines), of which 94.67% was spent. Emthanjeni LM spent only 48.5% of the grant, while a number of municipalities still had outstanding information on expenditure.

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%. Solid waste access was below 50% in the local municipalities of Ratlou, Ditsobotla and Kagisano Molopo. Sanitation access was below 50% in the local municipalities of Ratlou, Tswaing, Ramotshere Moiloa, Kagisano Molopo, Moses Kotane and Madibeng. Water access was below 80% in the local municipalities of Tswaing, Ratlou and Kagisano Molopo. Electricity access below 90% was recorded in the local municipalities of Tswaing, Ratlou, Kagisano Molopo, Ramotshere Moiloa and Ditsobotla.

In the **Western Cape**, it was reported that 98% of households in municipalities in the Western Cape has access to water in 2020/21, 97% of households had access to waste removal, while 96% of households had access to sanitation and electricity.

Out of 25 municipalities, 20 municipalities supplied 100% access to basic waste removal, 16 municipalities supplied 100% access to basic water, 18 municipalities supplied 100% access to basic electricity and 13 municipalities supplied 100% access to basic sanitation.

Cederberg LM reported the lowest access to water (84%), sanitation (73%) and electricity (75%) in the province.

The municipality reported water quality failures from the Clanwilliam dam, during periods of low water levels. Cederberg LM's low access to electricity is due to a shortage of power from the Eskom bulk intake point in Clanwilliam. The municipality and Eskom are engaging on the matter.

Langeberg LM identified limited water tanks and the lack of water access points as challenges under water service delivery. The provision of refuse removal in the municipality dropped from 79.3% in 2019/20 to 71.55% in 2020/21.

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.

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 benefitting 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 2021* by Stats SA, 14,5 million consumer units received water from municipalities in South Africa, of which 2,7 million (18,6%) 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 KwaZulu-Natal (25,4%) and the Eastern Cape (24,9%). The provinces with the lowest proportion of consumer units that benefitted from the free basic water services policy were Mpumalanga (5,7%), Limpopo (8,3%) and North West (9,7%). There were 2,7 million consumer units receiving free basic water services from municipalities in 2021 compared with 3,3 million consumer units in 2020.

According to 2021 estimates, 13,1 million consumer units received sewerage and sanitation services from municipalities in South Africa, and 18,2% of these consumer units had access to free basic sewerage and sanitation services. Western Cape (45,8%) showed the highest proportion of consumer units that benefited from the free basic sewerage and sanitation services, followed by KwaZulu-Natal (22,4%). The provinces with the lowest proportion of consumer units that benefited from the free basic water services policy were Limpopo (4,7%), Mpumalanga (5,8%) and North West (8,1%). There

were 2,3 million consumer units receiving free basic sewerage and sanitation services from municipalities in 2021 compared with 2,8 million consumer units in 2020.

According to 2021 estimates, 1275 million consumer units received electricity services from municipalities in South Africa and 1,8 million (14,5%) consumer units had free basic electricity services. Western Cape showed the highest proportion of consumer units that benefited from the free basic electricity services policy (27,9%), followed by Northern Cape (21,6%) and Free State (19,3%). Limpopo showed the lowest proportion (5,2%), followed by Mpumalanga (6,0%) and KwaZulu-Natal (10,0%). There were 1,8 million consumer units receiving free basic electricity services from municipalities in 2021 compared with 2,3 million consumer units in 2020.

According to 2021 estimates, 11,0 million consumer units received solid waste management services from municipalities in South Africa, and 16,1% 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 (44,8%), followed by Northern Cape (23,4%) and Eastern Cape (22,8%). The province with the lowest proportion was Gauteng (7,9%), followed by Limpopo (8,9%) and Mpumalanga (9,4%). There were 1,7 million consumer units receiving free basic solid waste management services from municipalities in 2021 compared with 2,7 million consumer units in 2020.

According to the *Non-financial census of municipalities for the year ended 30 June 2021* by Stats SA, the number of indigent households identified by municipalities were 2 687 786 at June 2021, which was less than 3 482 656 at June 2020. The number of households who received water was 2 098 607, for electricity 1 635 142, for sewerage and sanitation 1 739 474 and for solid waste management 1 460 415.

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.

The **Free State** reported that the province visited 12 municipalities to confirm implementation of indigent registers in terms of indigent policies in 2020/21.

Gauteng supported a total of 8 834 indigent households with access to basic electricity services.

Mpumalanga reported that in 2020/21 there was a total of 145 741 indigents of which all were served with free basic electricity, free basic water and free basic sanitation.

Limpopo reported that free basic services were provided in varying ways and quantities by municipalities. FBW was provided to 290 701 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. The province indicated a lack of reliable information from municipalities in their annual reports on delivery of FBS.

North West found that 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. Cederberg LM, Swartland LM and Knysna LM are still experiencing challenges with complying with the requirement of 100% free basic services to all indigent households.

5.4 Municipal Infrastructure Grant (MIG) expenditure

5.4.1 National overview

The MIG Programme 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 R13,2 billion (91.28%) of expenditure, as at the end of June 2020/21, which is a considerable improvement on the 79.08% expenditure in 2019/20.

Table 5: National Overview of MIG Expenditure as of 30 June 2021

Province	Allocation 2020/21 (R'000)	Expenditure 2020/21	Expenditure as % allocation 2020/21	Expenditure as % allocation 2019/20
Eastern Cape	2,866,318	2,616,478	91,28%	78,29%
Free State	797,376	695,847	87,27%	84,32%
Gauteng	349,140	243,684	69,8%	45,52%
KwaZulu- Natal	3,158,316	3,061,794	96,94%	89,02%
Limpopo	2,977,399	2,654,691	89,16%	70,46%
Mpumalanga	1,698,153	1,666,397	98,13%	90,86%
Northern Cape	452,552	301,189	66,55%	65,52%
North West	1,754,813	1,574,113	89,70%	73,23%
Western Cape	436,998	412,530	94,40%	73,93%
Total	14,491,065	13,222,723	91,28%	79,08%

Source: MIG Monthly DoRA Report

From the above table it can be seen that five provinces (Eastern Cape, Gauteng, Limpopo, North West and the Western Cape) were able to improve expenditure substantially from 2019/20 when the COVID-19 pandemic influenced expenditure significantly. Three provinces (Free State, KwaZulu-Natal and Mpumalanga) which had high expenditures in 2019/20, were also able to achieve further increased expenditure.

The Northern Cape only improved with 1% and still have the lowest expenditure of 65,55%. Despite the improvement for 2020/21, the expenditure level in Gauteng (69,8%) also remains low.

5.4.2 Provincial reporting

The Section 47 reports provided the following information on MIG expenditure per province:

In the **Eastern Cape**, 18 municipalities reported a 100% expenditure on MIG for 2020/21, which was the same number than 2019/20. Eight municipalities achieved expenditure of between 90% and 99%, while four municipalities achieved expenditure of between 80% and 89%. Six local municipalities achieved MIG expenditure of below 80%: Koukamma (79%), Ngqushwa (78%), Dr Beyers Naude (77%), Sakhiszwe (69%), Engcobo (65%) and Senqu (53%).

In the **Free State**, a total of 87% out of the revised MIG allocation of R797 million was spent as at the end of June 2021, compared to 85% by the end of June 2020. During March 21 MIG funds were stopped in the local municipalities of Tokologo, Setsoso, Dihlabeng and Metsimaholo due to under performance by December 2020. Additional funds were provided to the local municipalities of Mohokare, Masilonyana, Nala, Mantsopa and Mafube, due to better than expected performance. Matjhabeng LM received and additional allocation of R44,4 million to attend to their Waste Water Treatment works in all towns. Ten Municipalities in the Free State received MIG funds on a cost reimbursement method whereby monthly claims were verified by MISA before service providers could be paid.

Gauteng reported MIG expenditure of 71% in 2020/21.

Of the 56 municipalities that received Municipal Infrastructure Grants during the 2020/21 financial year in **KwaZulu-Natal**, 25 Municipalities reported that there was 100% expenditure. Umdoni Local Municipality reported the lowest MIG expenditure.

In **Limpopo**, MIG expenditure rates have improved from 85% in 2019/20 to 95% in 2020/21. Mopani DM has performed the best with 99.89% expenditure in 2020/21, while Waterberg DM recorded the lowest expenditure of 84%.

The municipal MIG allocation for municipalities in **Mpumalanga** for 2020/21 was R1.73 billion and an amount of R1.70 billion (98%) was spent as at end of June 2021. Two 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 (76%), and Govan Mbeki (65%). Due to delays in finalising appointments of service providers an amount of R33.5 million was stopped for these municipalities. The overall performance of the province was in line with the 98% expenditure recorded in 2019/20.

A total of R452,85 million was allocated to the **Northern Cape** municipalities, after adjustments, for the 2020/21 financial year, of which 47.91% was reported as spent. However, the information of six municipalities were outstanding and one municipality provided unaudited figures. The slow spending by some municipalities resulted in the grant being stopped to 13 municipalities and re-allocated to five municipalities that were spending well.

North West reported an average of 90% expenditure for MIG in the province for 2020/21, which represents an increase from the 78% spending in 2019/20. MIG expenditure per district ranged from average of 85% to 95%, with Ngaka Modiri Molema spending more than all other districts. Five municipalities spent below 80% of their MIG, with the weakest performance by the local municipalities of JB Marks (76%), Naledi (69%), Lekwa Teemane (59%), Kgetleng Rivier (55%) and Tswaing (45%).

MIG expenditure in the **Western Cape** at the end of June 2021 was at 95%, which was significantly higher than the 77% in 2019/20 and in line with previous expenditure of 93% in 2018/19 and 94% in 2017/18. All municipalities performed above 70% expenditure and several municipalities achieved 100%. This is a significant improvement from the 2019/20 performance and indicative of post COVID-19 recovery by municipalities on infrastructure expenditure.

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 following challenges were identified:

- The impact of climate change has affected service delivery (severe floods and drought etc).
- Aging infrastructure fails due to lack of maintenance which compromises the delivery of services.
- Institutional memory is impacted due to the poor retaining of technical skills and archiving of information.
- Poor performance by appointed service providers delays project delivery.
- Insufficient funding for service delivery projects.
- The impact of Covid 19 pandemic has been a major contributing factor to the lack of completion of service delivery projects across the province.
- Poor planning by municipalities which delays the implementation of projects (Supply Chain Processes not adhered to resulting in late appointments of service providers).
- A shortage of technical skills within municipalities (Town Planners, Engineers etc.).
- Lack of revenue collection which impacts on service delivery.

- Lack of community participation hinders service delivery which results in unnecessary protests.

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.

Gauteng reported prolonged water interruptions in the south of Johannesburg, blockages of pump stations in Emfuleni LM and pushing back of sewer into households and rivers. There were also delays in procurement, dysfunctional pumpstations and lack of trucks to unblock sewer pipelines in the City of Johannesburg.

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

- Access to water has regressed in certain areas of the province, partly due to the deterioration of infrastructure;
- Municipalities are implementing bulk infrastructure projects that will not realise household connections;
- There is poor operational management of waste disposal sites;
- There is late planning and delays during procurement of MIG projects, non-functional PMUs and project interruption by business forums.

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

- Lack of water master plans in municipalities
- Vandalism of the existing infrastructure, drilling of pipes during illegal connections resulting in excessive water distribution losses;

- Aged infrastructure resulting in collapsing infrastructure system;
- Sewer spillages and overflowing of Waste Water Treatment Works remains a challenge in Govan Mbeki, Msukaligwa and Emalahleni (Industrial Park), and Dr Pixley Ka Isaka Seme (in Amersfoort);
- Inadequate allocation of operations and maintenance budgets to sustain existing infrastructure;
- Huge Eskom debts in Govan Mbeki, Lekwa, Mkhondo, Msukaligwa, Dipaleseng, Emalahleni, Victor Khanye, Thaba Chweu, and City of Mbombela municipalities;
- Demand for electricity is above the allocated notified maximum demand; and
- Illegal connections and electrical infrastructure theft.

Limpopo reported that electricity and water losses were experienced in all municipalities and were attributed to ageing infrastructure, vandalism and illegal connections. Challenges with spending of conditional grants were mainly due to delays in procurement and lack of capacity of service providers to deliver the infrastructure on time.

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:

- The lockdown had a negative impact on the implementation of MIG projects for 2020/21;
- Poor performance of appointed contractors and developers;
- Random project disruptions by Business Forums;
- Delay in provision of energy infrastructure by Eskom; and

- Community unrest due to delay in hiring of local sub-contractors having a negative impact on project performance.

The **Western Cape** identified relatively high levels of in-migration as a source for increasing the demand for access to basic services and free basic services. This is further exacerbated by rapid population growth.

The province reported increasing service delivery instability and a growing backlog as a result of the following challenges:

- Increased pockets of inequality in service delivery.
- Misalignment between spatial, infrastructure and financial planning
- Lack of asset management resulting in service delivery breakdown, instability, increased maintenance costs and premature failure of infrastructure.
- With an increase in crime, an increased vandalism to infrastructure is experienced

5.6 Support, interventions 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.

Provincial COGTA has provided support in the institutionalisation of ISD guidelines. For municipalities that are struggling to spend Infrastructure grants, CoGTA has arranged to assist them under Cost Reimbursement strategy wherein Municipalities are assisted to improve expenditure and construction management.

In **Gauteng**, the province supported six local and three metropolitan municipalities with the implementation of infrastructure service delivery programmes. The DMs were supported with technical skills through MISA/COGTA multidisciplinary teams in engineering and town planning. MISA provided support to municipalities to develop TORs for landfill sites expansion and closure, as well as repair and maintenance of weighbridges.

KwaZulu-Natal has reported various initiatives in the province:

- The province has completed a Master Water Plan and shared it with municipalities to find expression within municipal IDPs;
- Municipalities are encouraged to utilize the 5% MIG top slice;
- Municipalities should speed up planning, and execute project finalization and project registration much earlier;
- Compliance notices should be issued where needed in cases of waste disposal sites that are non-compliant;
- SMME and Waste Picker support will add value to the diversion of waste from landfill sites and illegal dumps.

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

Initiatives were undertaken by MISA in the 2020/21 financial year to improve efficiency in infrastructure management, through increased municipal technical capacity in 44 Districts, and included the following:

- MISA's contributed towards creating the technical skills pipeline in municipalities through the placement of 248 youth (learners and candidates) in host municipalities from 40 District across the country;

- A total of 482 municipal officials, from 39 Districts, attended MISA facilitated technical skills training courses;
- 123 municipal general workers, from 12 Districts, were enrolled in the Recognition of Prior Learning (RPL) Programme to enhance their technical skills and undergo training towards obtaining formal qualifications;
- MISA supported 15 pilot municipalities from seven districts in implementing their Municipal Capacity Development Plans (MCDPs). The support provided was aimed at promoting ownership of capacity development amongst municipalities, whilst enhancing coordination of capacity support that is provided by other stakeholders;
- Five district municipalities were supported to implement long-term infrastructure investment plans and 12 districts were supported with the process of accessing funding from alternative sources;
- Five municipalities were supported on climate change mitigation and adaption funding;
- The feasibility studies to address misalignment of bulk water and reticulation programmes was implemented in five water services authorities; and
- 17 district municipalities were supported with the utilisation of the framework contracts whilst five district municipalities were supported with the implementation of the Infrastructure Delivery Management System (IDMS) in order to improve capacity to deliver infrastructure and to increase access to water services.

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:

- An effective communication strategy is required to communicate prolonged water interruptions to communities to avoid possible protests;
- The City of Johannesburg and Emfuleni LM must ensure completion of procurement processes prior to implementation of projects;
- COGTA and DWS must assist municipalities with support programmes to reduce electricity and water losses; and
- COGTA and Emfuleni Administrator's Senior Team must address sewer pumping issues with Metsimaholo LM, should mobilise investment in sanitation capacity and infrastructure and should embark on continuous waste management campaigns to address illegal dumping and sewer blockages.

KwaZulu-Natal proposed timeous project registration prior to project implementation and that municipalities are encouraged to use the 5% MIG top slice. Municipalities should be issued with compliance notices in cases of non-compliance with waste management. SMME and waste picker support will add value to the diversion of waste from landfill sites and illegal dumps.

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:

- Development of water master plans, and management plans to reduce non-revenue water.
- Municipalities to enforce their by-laws to curb illegal connections and improve security of infrastructure to prevent vandalism and theft.
- Municipalities to budget for Operations & Maintenance in line with the 8% budget norm;
- Reprioritisation of projects implemented through grant funding to address sewer spillages;

- Mobilisation of other sectors such as DWS, DHS and the private sector through the DDM to support municipalities in addressing sewer spillages;
- Municipalities to budget adequately for Operations & Maintenance in line with the 8% budget norm;
- Development and adoption of repayment plans for Eskom debts;
- Development of Electricity Master Plans to proactively address future demand capacity for electricity bulk infrastructure systems; and
- Development, adoption and enforcement of electricity bylaw will assist municipalities in reducing illegal connections and electricity theft.

North West have identified remedial action to resolve identified challenges, including the following:

- Proper coordination between municipal infrastructure programmes and sector departments at the provincial level;
- Monitoring the performance of municipalities on infrastructure delivery;
- Supporting municipalities to develop their capacity to effectively manage the delivery of infrastructure; and
- Providing assistance to municipalities in managing municipal infrastructure projects, including programme management systems; and
- Developing capacity of municipalities to manage infrastructure provided through MIG and providing technical advice on the MIG programme.

The **Western Cape** recommended the following:

- Establishment of dedicated technical platforms to engage on infrastructure planning, expenditure and service delivery enhancement.
- Introduce new planning and funding models for bulk infrastructure;
- Conduct infrastructure and service delivery assessments to determine the root causes and make recommendations in response to specific challenges; and
- Provide direct engineering support and technical advisory services by deployed engineers and geohydrologists.

5.6.4 National recommendations

- The current challenge is to ensure that the quality of service provision improves, including addressing water and energy outages, sanitation spillages and solid waste collections. This requires improved maintenance, governance and monitoring systems for infrastructure and service delivery.
- There is a need for a fully planned and funded ongoing maintenance system for all infrastructure with multi-year budgets provided and regular oversight. This must prioritise areas of the municipality which have high usage, are key to economic growth or are most in need.
- The Local Government Equitable Share provides funding for operations and maintenance of infrastructure, however it appears that many municipalities are not using this as intended. Therefore, the performance of municipalities on operations and maintenance should be part of each performance audit.
- The existing provisions in law should be used for the sharing of municipal services with other adjacent municipalities, as this could also assist with savings costs, budgetary and expenditure control. Current legal provisions for alternative service delivery should be made more flexible and easier to use.
- There is a need for greater innovation in the provision of services to reduce costs and provide contextually appropriate solutions. Municipalities should work together with research institutions or higher education facilities to develop new approaches to service delivery.
- The free basic services system and indigent support systems play a vital role in supporting households who cannot pay for municipal services. However, there is a lack of credible verification of the validity of indigent citizens who qualify for this service and there are many instances of non-indigent households receiving the subsidy and indigent households not receiving the subsidy. The system therefore requires improved indigent register management and verification systems to ensure that indigent requests are valid.

- The lack of basic services and poor living conditions in many informal settlements is a significant cause for concern, and municipalities must formally recognise informal settlements as priority areas in which to achieve developmental objectives.

SECTION 6: KEY PERFORMANCE AREA: LOCAL ECONOMIC DEVELOPMENT

6.1 Introduction

6.2 Number of jobs created through municipal initiatives

6.2.1 National overview

6.2.2 Provincial reporting

6.3 Development and implementation of LED strategies and plans

6.4 Capacity for implementing LED in municipalities

6.5 Challenges in local economic development

6.6 Support, interventions and recommendations

6.6.1 Provincial support and interventions

6.6.2 National support and interventions

6.6.3 Provincial recommendations

6.6.4 National recommendations

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".

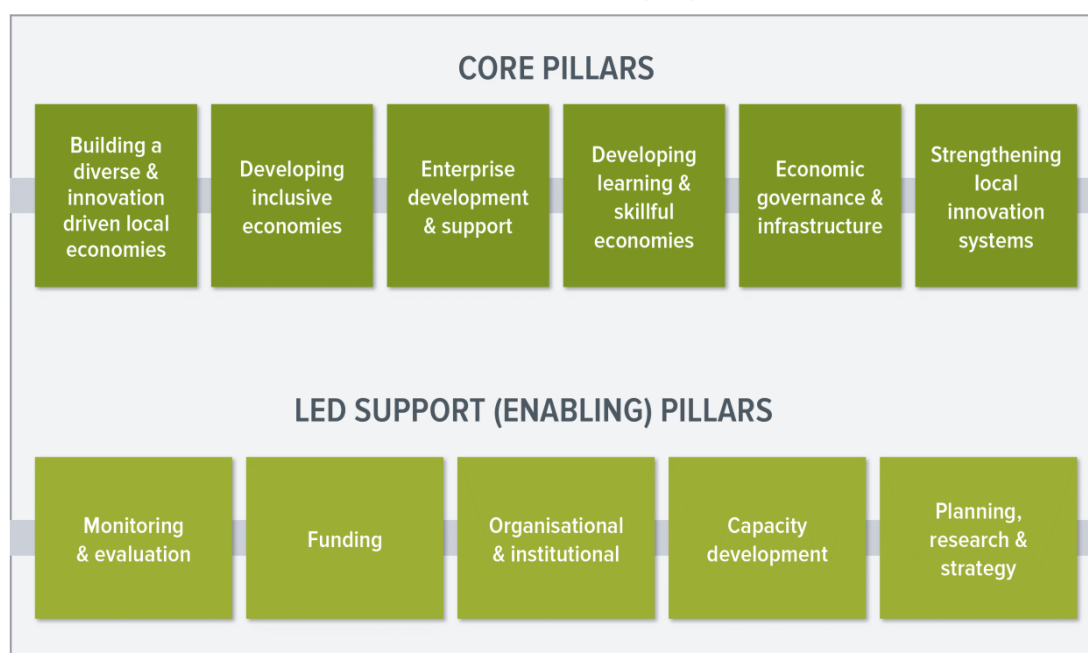
The White Paper on Local Government (1998) states that the powers and functions of local government must be exercised in a way that meets the basic needs of the poor and the growth of the local economy.

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.

As a place-based strategy for economic development, Local Economic Development (LED) in South Africa is an integral element of national spatial development. Bringing together local governments, the private sector, and civil society in a search for local (district) economic development seek the collaborative efforts of local stakeholders to grow the local economies and improve the standard of living of the local people. By crowding in public, private and not for profit investments to a district locality, in an all-inclusive manner as directed by joint district implementation plans.

The District Development Model plays an important integration role between regional (district) economic development and local economic development. Although a natural overlap is present between these systems, the complexity of the environment, comprising multi-stakeholders and multi-levels, represents a governance challenge. Resolving or

bridging this gap requires the adoption of specific, innovative approaches. Innovative partnerships, based on collaboration and collaborative governance between role-players in the Regional and LED arena, should be explored in more detail, as well as being recognised in economic development policy processes.

The purpose of building inclusive economies, namely addressing inequalities, exclusion, and poverty require municipalities focusing more on:

- Good data and analysis to identify the local economy's unique assets and challenges to create better policy;
- Building consensus and understanding among local role-players and clearly defining what inclusive economies mean locally;
- Prioritising partnerships, including anchor institutions in the local economy which are key stakeholders and who should be extensively engaged as part of building more inclusive economies;
- Leveraging social value in commissioning and procurement to promote better work, better wages, better access to skills, and other outcomes linked to more inclusive economies;
- Using infrastructure expenditure and investment funds to ensure councils invest in projects that build a more inclusive economy and strengthen the local economy; and
- Promoting enabling conditions for job creation and the skills required for those jobs, together with improving the opportunities for affordable housing and public transport that must support those participating in the labour market.

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.

The South African economy faces persistent challenges of low economic growth, high unemployment, and inequality. Since April 2020 these challenges were exacerbated by the COVID-19 pandemic under which a National State of Disaster and a Level Five lockdown were instituted from the 29 March 2020, which brought most economic activity to a standstill.

Subsequent lockdown restrictions continued, to varying degrees, throughout the 2020/21 financial year which has placed severe strain on most sectors of the economy, causing numerous small businesses to close, worsening unemployment, and further constraining economic growth. The initial impact of the Level Five lockdown on economic growth in the second quarter of 2020 was a decline of almost 18% in GDP growth year-on-year (Statistics South Africa, 2021a). Since then, even as restrictions have been eased and economic activity has begun to increase, year-on-year economic growth remained negative until the end of the first quarter of 2021.

The unemployment rate increased from 30% in Q1 2020 to almost 33% in Q1 2021, with 1.4 million fewer people employed at the end of the first quarter 2021 compared to the previous year (Statistics South Africa, 2021b)

According to the South African Cities Report on *The State of the EXPANDED PUBLIC WORKS PROGRAMME in South African Cities 2020–2021*, the Department of Public Works and Infrastructure (DPWI) through the Expanded Public Works Programme (EPWP) continues to assist in addressing some of these challenges, with almost 1 million (temporary) work opportunities created in the 2020/21 year through 13 496 EPWP projects, which translates into a total of R9.3 billion as income support to EPWP participants.

Over the same period, within the nine SACN cities, 1 121 projects were implemented resulting in R1.15 billion in expenditure, over 57 205 employment opportunities created. During the reporting year, the eight cities and Msunduzi Local Municipality together implemented 1 121 projects, creating 57 205 temporary work opportunities (WOs)

resulting in 20 910 person-years of work and R833 million paid to participants as wages. The cities provided 127 person-years of training.

The Infrastructure Sector contributed the most reported work opportunities (26 407), followed by the Environment and Culture (18 159), and Social Sectors (12 639). Performance in the Infrastructure Sector was particularly high for the eThekweni Metropolitan Municipality, with 11 759 WOs created from 84 projects, while the next highest single contribution of WOs was from the Environment and Culture Sector for the City of Cape Town, with 8 990 WOs from 147 projects. Overall, the Environment and Culture Sector generated the most WOs per project implemented (74 WOs per project), followed by the Social Sector (52) and the Infrastructure Sector (42).

The average performance across the cities on Youth participation was 48%, a slight decline from 50% in 2019/20, against a target of 55%. The average is higher than the overall programme performance of 42%, indicating that the nine cities are performing comparatively well in this area. The City of Johannesburg, City of Cape Town and Msunduzi Local Municipality performed particularly well.

Across the cities, the average percentage of women participation has remained stable over the past five years at around 55%. However, the target for women participation increased in Phase IV from 55% to 60%, and – on average – the cities need to further increase women participation to achieve the target.

Overall, reported performance declined relative to the previous reporting period across all the indicators. The 2020/21 reporting period was the second year of Phase IV of the EPWP and the first full year of implementation under the unprecedented global COVID-19 pandemic. The cities faced new challenges in implementing their EPWP projects as a result of the pandemic, while simultaneously being under greater pressure to provide social protection and support vulnerable groups in the face of rising unemployment. For many of the cities, reporting was negatively affected by the COVID-19 pandemic.

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 38 municipalities provided information on job opportunities created by EPWP and CWP, but the number of job opportunities was not provided in the report.

The **Free State** province did not provide the number of work opportunities created by CWP during 2020/21. CWP facilitated training and skills development opportunities for 2455 participants. Partnerships were established for Basic Business Skills (SEDA), Environmental Affairs (DESTEA), First Aid (LT Creations) and Plant Production (Malkey Enterprise) for support.

Gauteng municipalities created 32 964 employment opportunities through the EPWP, 6 602 opportunities through community works projects and 11 531 employment opportunities through various LED initiatives in 2020/21. Gauteng municipalities further supported 9895 SMMEs, which is a significant decline from the previous financial year, when more than 17 000 SMMEs were supported.

KwaZulu-Natal reported that all municipalities in the province reported the creation of jobs through the EPWP, CWP and other related programmes. Municipalities in the 10 districts of the provinces created 40 506 jobs in 2020/21, while 126 870 jobs were created in eThekweni MM.

In 202/21, **Limpopo** delivered 8 155 LED jobs, 10 010 EPWP jobs and 9 515 CWP jobs. This represents a decrease in all three categories from 2019/20: 9 625 LED jobs, 12 510 EPWP jobs and 17 435 CWP jobs.

In **Mpumalanga**, the EPWP created 28 751 work opportunities across all local municipalities in 2020/21, which was slightly more than the 28 029 work opportunities reported in the previous financial year. Most municipalities implemented plans or activities to support SMMEs, either on their own or through the support of the public or private sector.

In the **Northern Cape**, R37,198 million was allocated to all 31 municipalities through the EPWP Integrated Grant in 2020/21, compared to R35,139 million to 29 municipalities in 2019/20.

In **North West** it was reported that during 2020/21, the CWP participation rate was 21 867. CWP is implemented in all municipalities and various wards, supporting schools, ECD and the development of food gardens. Local Reference Committees that must monitor and support CWP, are not functional in all municipalities. LRCs in Bojanala Platinum District are dysfunctional and provincial COGTA is assisting with interventions. Six local municipalities (Madibeng, Rustenburg, Tswaing, Lekwa-Teemane, Matlosana, JB Marks) have implemented economic infrastructure projects.

There has been a significant decrease in the reported number of employment opportunities created through EPWP in the **Western Cape**. Municipalities created 13 020 work or job opportunities to their local communities through EPWP in 2020/21, compared 41 750 work or job opportunities in 2019/20 and 50 638 jobs in 2018/19. COVI-19 has been identified by municipalities as one of the main factors for the decrease.

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**, 9 municipalities have developed, adopted and implemented their LED strategy in 2020/21, which is an improvement from 3 municipalities in 2019/20. Ten municipalities did not provide information about the implementation of LED strategies.

All municipalities in **Gauteng** have LED plans and strategies in place. Metropolitan municipalities attracted investment to a value of over R33.3 billion in 2020/21 to advance the local economy. Lesedi LM attracted investment to the value of R2.5 billion, while Midvaal LM created formal employment opportunities in the first economy along the R59 corridor where new commercial and industrial developments are being established.

Most municipalities in **KwaZulu-Natal** reported that their LED strategies were still within the five years validity period during the 2020/2021 financial year. However five municipalities have strategies older than five years and five municipalities have an incomplete or no LED strategy. Almost all municipalities in the province reported that their LED Forums had been established.

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

In **Mpumalanga**, it was reported that all municipalities had LED strategies, but the implementation was stalled due to COVID-19 and most of the strategies require review. Three local municipalities (Msukaligwa, Lekwa and Bushbuckridge) did not have functional LED Forums.

Most municipalities in **North West** were in the process of reviewing their LED strategies. District Economic Recovery plans were developed, but there was poor participation of local municipalities and the private sector.

In the **Northern Cape** it was reported that active projects in terms of LED strategies were implemented in Kamiesberg LM, Hantam LM and Namakwa DM (agriculture and aquaculture).

The **Western Cape** reported that most municipalities were in the process of implementing their LED strategies and some have drafted Economic Recovery plans.

SALGA and MISA have indicated that they would assist Beaufort West LM with the development of a comprehensive LED strategy.

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** have established dedicated LED units and have appointed LED staff. Eight municipalities have established Local Economic Development Agencies. Six municipalities did not provide any information to the province, while the LED units of two municipalities were either not budgeted for or there was no dedicated unit.

The **Free State** reported that the LED Units in Letsemeng LM, Mohokare LM and Phumelela LM had only one official. A further two municipalities had only two officials in their LED units, and four 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.

Only 45% of approved positions in municipal LED units in **Gauteng** were filled in 2020/21. %). However, Rand West City LM did not provide information. The highest vacancy rates were reported in Merafong City LM (68%), Mogale City (64%) and the City of Johannesburg (35). According to municipalities, the delays in the filling of vacant position were due to financial constraints.

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, which have been prevalent for a number of years. Municipalities in Limpopo have not been expediting the filling of posts or appointment of suitable personnel in LED units.

North West reported that LED units were established, but at various capacity in terms of human and financial resources. Lekwa-Teemane LM needs to strengthen coordination between its LED Unit and LED development agency. Eight municipalities in the provinces were categorised as low capacity, indicating that they have one or two officials in the LED unit and no or limited budget for the function.

In **Mpumalanga**, all municipalities had LED units in place, however not all positions are filled. Due to COVID-19 and the need to fund new priorities, there was a low level of approval and appointment of LED officials during 2020/21.

The **Western Cape** reported that there were two vacancies in the LED Unit in Langeberg LM, while Beaufort West LM did not have a dedicated LED official.

6.5 Challenges in local economic development

In the **Eastern Cape**, there was a challenge with the poor quality of reports from municipalities, which did not contain enough or credible information. There was also 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;
- Implementation of the inputs made on LED during IDP assessments;
- The development of by-laws that are LED-related; and
- The roles and responsibilities for LED on a provincial level.

Gauteng reported the following challenges:

- There was a trend of high vacancies within LED departments in municipalities.
- Municipalities did not report adequately on municipal capital expenditure on LED and did not disclose the types of projects that were implemented with LED budgets.
- Districts and local municipalities continue to struggle to attract investors to stimulate local economic development.

In **Limpopo**, the understaffing of LED units was one of the major challenges identified. LED initiatives and cooperatives did not receive adequate support due to financial constraints.

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.

In **North West**, it was indicated that limited human and financial resource capacity was hampering the functionality of LED units.

According to the **Western Cape** Municipal Economic Review and Outlook, the province was greatly affected by the COVID-19 pandemic and associated restrictions which had a negative impact on the tourism and wine industry.

6.6 Support, interventions 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** facilitated meetings with municipalities and other stakeholders to share information and best practices. The province hosted bi-annual Provincial LED meetings, and engaged with DESTEA and SALGA on the implementation of LED and coordinated activities between departments.

In **Gauteng**, the provincial Department of Economic Development supported 200 small enterprises through business development support in West Rand and Sedibeng regions, and 160 co-operatives were supported through the provision of grants and business development interventions. The GEP provided 240 job opportunities to unemployed youth through the Youth Accelerator Programme and the GEP's Pitching Booster Ideation Programme supported 320 SMMEs with finances, business development and mentorship for opportunities in the mainstream economy. The Gauteng Department of Agriculture and Rural Development provided Midvaal LM with two tractors for use by local farmers' clusters in Meyerton.

Mpumalanga CoGTA developed and finalized a Provincial Anti-Poverty Strategy. Provincial CoGTA created 140 work opportunities in Bushbuckridge LM, Dipaleseng LM, Mkhondo LM and Nkomzi LM. The province established partnerships with the business sector to strengthen the implementation of the Youth Waste Management Partnership.

North West reported that engagements took place with the LED Portfolio Committees of municipalities to strengthen LED oversight capacity and their role in the development of SLPs.

6.6.2 National support and interventions

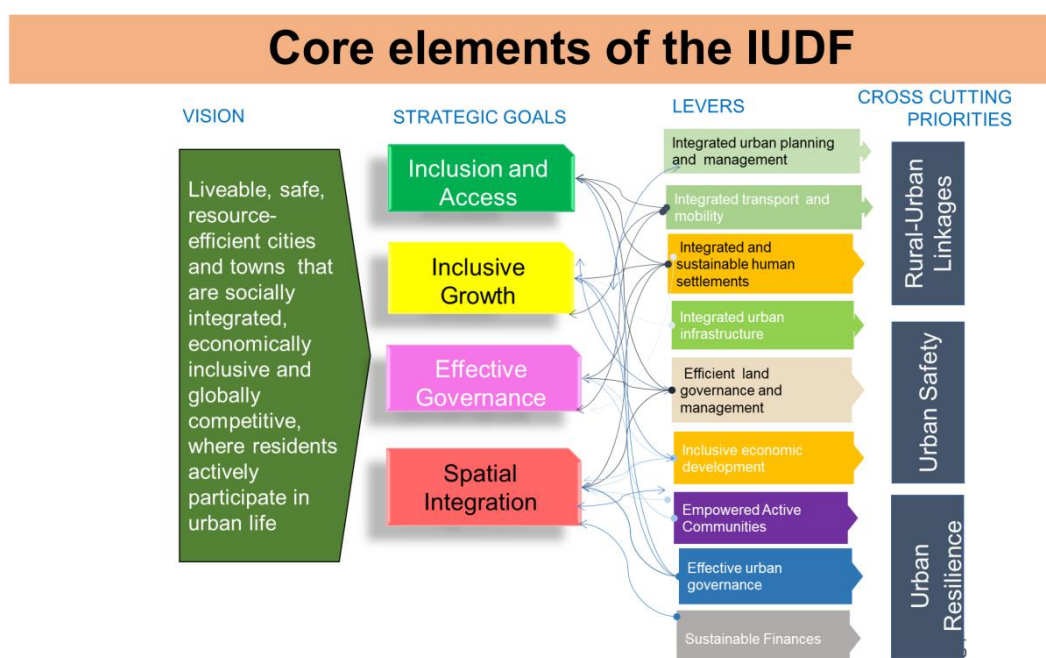
In response to Covid-19, CoGTA has initiated a process of developing an Economic Recovery Plan for Municipalities, consisting of pillars which focus on: designing and implementing social and solidarity economic reforms in municipalities; building labour intensive local economies; creating competitive economies that benefit local economies, specifically, small, medium, and micro enterprises and cooperatives. LED has been added as a key performance area on the Municipal Support and Intervention Packages (MSIPs). 46 Districts and Metro Economic Recovery Plans have been developed and an analysis of the economic recovery plans is being conducted.

DcoG directed district and metropolitan municipalities to implement post-Covid economic measures and provide reports on the implementation of these plans. These plans highlight key interventions that will be implemented mainly focusing on relief measures for both informal and formal businesses through financial and non-financial interventions.

A Smart Cities Framework (SCF) has been finalised by DcoG. Seven Intermediate Cities have been supported to develop Capital Expenditure Framework (CEF) through the Integrated Urban Development Grant (IUDG). The draft Capital Expenditure Frameworks (CEFs) have been developed for five more intermediate city municipalities (i.e., George, Newcastle, Ray Nkonyeni, Metsimaholo and Merafong local municipalities).

The IUDF's overall outcome is to support and guide SA cities and towns to achieve spatial transformation. The IUDF revised implementation plan 2020-2025 reinforces the alignment to the outcomes and objectives to that of the DDM. The linkages between the DDM and IUDF is of critical importance to ensure that the capacity of municipalities, as well as that of South African municipal fraternity, is up scaled for the COVID-19 environment and dealing decisively with the triple challenge of inequality, informality, and injustice that endures in our country.

Figure 15: Core elements of the IUDF



The IUDF implementation plan reflects strategic and short-term priorities and aligns with the IUDF 74 Priorities and 9 policy levers. The plan focuses on 6 strategic (action areas) (enablers) areas in its Implementation and is driven through Small-Town Regeneration (STR) Programmes:

- 1) District Development Model
- 2) Championship
- 3) Partnering Model

- 4) Seeding Action
- 5) Peer-Learning Reviews
- 6) Monitoring and Evaluation

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 made the following recommendations:

- Municipalities should prioritise the filling of LED key positions and improve the economic state of regions through entrepreneur development and job creation.
- Municipalities should appoint LED specialists when filling vacancies within this departments and ensure expenditure on LED budget that would be beneficial to the local economy.
- Municipalities should report progress on LED for purposes of informed performance assessment and reporting.
- COGTA, DED and municipalities should work with Higher Learning Institutions to organise entrepreneur development programmes and provide support to district and local municipalities to attract investors.
- The formation of LED partnerships and development of related plans and strategies should be explored.

Limpopo identified the need to capacitate municipalities and enhance their ability to implement LED initiatives and programmes. Municipalities should also create a conducive environment for building and attracting investor confidence.

Mpumalanga recommended that partnerships with business are necessary to augment the impact of public employment programmes. Exit strategies are also needed to elevate participants to their own business initiatives for sustainable income.

SALGA and COGTA should strengthen LED Units, including political heads with capacity building programmes. LED Agencies should help facilitate the implementation of identified LED catalytic projects.

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 identified three areas of importance for LED in the Northern Cape: tourism, renewable energy and Social and Labour Plans that mining companies must implement in terms of their mining licenses.

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. Where applicable, local municipalities should engage mines on their SLPs to create an enabling environment and skill development programmes for SMMEs and vulnerable groups. Technical support must be provided to municipalities in reviewing LED strategies and identifying location of economic infrastructure.

The **Western Cape** will provide economic intelligence through the Municipal Economic Review and Outlook (MERO) and Socio-Economic Profiles to aid municipalities with strategic planning and budgeting.

6.6.4 National recommendations

In reviewing the local government system, DCoG has found that many municipalities the LED policy is not clearly defined, the role of the economic unit is unclear, often understaffed and underfunded. There are also many examples of municipalities developing economic strategies without consulting local businesses; and implementing misguided programmes which do not lead to long term economic growth or job creation.

Although LED units are vital to coordinate economic development within a municipality, economic development must be the responsibility of the entire municipality, and not just a single department.

One of the most critical roles of local government in building its local economy is in the provision, upgrading, and maintenance of infrastructure to meet the requirements of businesses and industry. This includes providing specialised infrastructure to facilities to deal with, for example, hazardous waste and effluent. Investment in connective and transport infrastructure is vital to ensure the efficient and effective movement of people and goods to, from and within the local area. This should be the core of local government's economic development role.

Municipal economic planning must be based on objective empirical evidence which informs the role that municipalities need or can do to grow the economy within their boundaries. This should include research into municipal processes that hinder local business growth. Initiatives should prioritise the employment of women, youth and marginalized groupings through employment that pays a decent wage. This also includes improved skills levels and increases in quality-of-life improved environmental conditions, including health and safety of communities and workers.

The accessibility of high level officials and leadership to local businesses is an important factor in ensuring that their problems are addressed. The corollary however is the need

to identify and address rent seeking and ensure that economic development benefits the city as a whole and does not happen.

As factors impacting on economic development are spread throughout the functions of a municipality, this cannot simply be the responsibility of one department. Instead it should be something that is actively supported and pursued by all facets of a municipality. No amount of encouragement from a municipal economic development department can overcome the constraints that a broader negative attitude to private sector development can cause. Municipalities should exercise their powers and functions in a manner which maximises their impact on social development and economic growth. The mainstreaming of economic development should be led from the very top by the Mayor and Municipal Manager in that it becomes an integral component of all municipal departments. All departments and units in the municipality should be aware of the various roles that they can play in economic development and are capacitated to understand the approach they should take given local economic conditions. Each department should report regularly on what it has done to ensure small, medium and micro enterprises (SMMEs) get the largest share of all procurement opportunities, stimulate and create employment, build transparency, focus on empowering the poor and marginalised, reduce red tape and fast-track initiatives, build partnerships and improve communication. o In addition, municipalities should consider ways in which they can develop, facilitate or assist capacity training initiatives to equip young people with skills needed for future employment, as well as to provide new skills to those in existing employment who need to develop new 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 2021*, 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 2020/21, that aggregated billing and other revenue of municipalities amounted to 95.6% or R461.2 billion of the total adjusted revenue budget of R482.3 billion. This represents an improvement of the figure of 88.8% recorded in 2019/20.

When billed revenue is measured against their adjusted budgets, the performance of metros reflects a shortfall across water services for the fourth quarter of the 2020/21 financial year.

As of 30 June 2021, aggregated revenue collected for secondary cities was 109.7% or R74.8 billion of their total adjusted revenue budget of R68.2 billion for the 2020/21 financial year. The performance against the adopted budget for the four core services for the secondary cities for the fourth quarter 2020/21 also shows surpluses against billed revenue. However, the total for secondary cities is influenced by large over-collection reported by Msunduzi LM (283.5%). When Msunduzi is excluded, the collected revenue totals R55.5 billion or 90.5%.

7.2.2 Provincial reporting

In 2019/20, the revenue performance in **Gauteng** was R146,4 billion (91%) against the adjusted budget of R160.7 billion. In 2020/21 it improved to R156,4 billion (100%) against the budget of R156.3 billion. The City of Ekurhuleni MM, City of Tshwane MM, Rand West City LM and Emfuleni LM performed below the 95% norm. Mogale City LM and Merafong City LM recorded over performance due to mSCOA system errors.

In **KwaZulu-Natal**, 14 municipalities had a collection rate of 95% or more, while 40 municipalities were below the norm.

In **Limpopo**, the total municipal own revenue as percentage of the actual budget was 98% in Molemole LM and 95% in Fetakgomo Tubatse LM. These were the only two municipalities that achieved 95% or above in 2020/21.

In **Mpumalanga**, revenue as a percentage of the actual budget amounted to R 23.2 billion as at June 2021 constituting 98% spent own revenue in the province. In Govan Mbeki LM (86%) and Lekwa LM (81%) the total municipal own revenue as percentage of the actual budget was below 95%.

In **North West**, eight local municipalities reported revenue collection rates below 95% as at 30 June 2021, namely Moretele, Madibeng, Moses Kotane, Ratlou, Ramotshere Moiloa, Lekwa-Teemane, Kagisano Molopo and Maquassi Hills.

In the **Western Cape**, the aggregate municipal operating revenue amounted to R62.35 billion or 97.7% of the total adjusted revenue budget of R63.8 billion for 2020/21. This is a slight improvement on the 97.1% reported at June 2020.

7.3 Expenditure

National Treasury reported that on aggregate, municipalities spent 91.9% or R446.4 billion of the total adjusted expenditure budget of R485.6 billion as at 30 June 2021, which is an improvement on the 79.9% spent by 30 June 2020. Of the adjusted operating expenditure budget amounting to R416.4 billion, 93.9% was spent by 30 June 2021. Municipalities have adjusted downwards the budget for salaries and wages expenditure to R127.1 billion. This constitutes 31% 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 R39.2 billion or 8.1% of municipalities' total adjusted expenditure budgets was reported. Compared to the R96.9 billion recorded as net total underspending in 2019/20, there has been a decrease of R57.7 billion. National Treasury cautioned against deducting too much from the decrease, due to non-submission of data and submissions that did not contain credible data. Aggregate overspending of the adjusted operating budget was R19.7 billion or 4.7%, while aggregate underspending of the adjusted operating budget was R45.3 billion or 10.9%.

7.3.1.2 Provincial reporting

Gauteng indicated that the actual aggregated operating expenditure for municipalities amounted to 99% in 2020/21, which represented expenditure of R155,7 billion and represents an improvement from the 91% recorded in 2019/20. The City of Ekurhuleni MM, Rand West City LM, Mogale City and Lesedi LM performed below the National Treasury norm of 95%.

In the **Northern Cape**, there was an operating deficit of R267 million in 2020/21, compared to a deficit of R179 million in 2019/20, with 13 of the 31 municipalities recording an operational deficit. The largest operational deficits were recorded in Nama Khoi LM (R108 million), Emthanjeni LM (R93 million) and Phokwane LM (R128 million). However, the audited AFS of five municipalities, including Sol Plaatje LM was not available.

North West reported that 74% of the total operating budget of R20.9 billion was spent by all municipalities in the four districts in the province. Twenty-one municipalities spent less than 95% of their total operating budget, while Moses Kotane LM spent 105%.

In the **Western Cape**, eight municipalities incurred actual expenditure that exceeded actual revenue generated. This included two of the three local municipalities in the Central Karoo District, two local municipalities in the West Coast District, 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. A total of 108 municipalities spent less than 10% of their total expenditure on capital infrastructure in 2020/21.

In 2020/21, capital expenditure amounted to R55.6 billion, or 80.3% of the adjusted capital budget of R69.3 billion, compared to 59.9% in 2019/20. Aggregated year-to-date total expenditure for metros amounted to R255.3 billion or 93.9% of their adjusted expenditure budget of R271.8 billion, compared to 84.4% in 2019/20. The aggregated adjusted capital budget for metros in the 2020/21 financial year was R32.2 billion, of which R23.1 billion, was spent as at 30 June 2021. Capital spending levels for secondary cities were reported at 90.7% or R7.1 billion of the adjusted capital budget of R7.8 billion, compared to 53.6% in 2019/20.

7.3.2.2 Provincial reporting

In the **Eastern Cape**, it was reported that 10 municipalities utilised 90% to 100% of their capital budget, 11 municipalities spent 80% to 90% of their capital budget, six municipalities spent 70 to 79% of their capital budget and ten municipalities spent less than 70%.

In **Gauteng**, municipalities spent R12,4 billion or 72% of the adjusted capital budget for 2020/21. Low expenditure was recorded in Emfuleni LM (27%), Merafong City LM (41%) and Rand West City LM (45%).

In **Limpopo**, the highest capital expenditure recorded in 2020/21 was in Ephraim Mogale LM (100%) and Capricorn DM (89%). Four municipalities spent less than 40%: Makhado LM (14%), Polokwane LM (16%), Waterberg DM (32%) and Fetakgomo Tubatse LM (43%).

In **Mpumalanga**, the total capital budget in 2020/21 was R4,0 billion and R4,2 billion was spent (105%). Significant over-expenditure was reported in Dr JS Moroka LM (246%), Dipaleseng LM (166%), Steve Tshwete LM (127%) and Chief Albert Luthuli LM (116%).

In the **Western Cape** the total capital expenditure of municipalities was aggregated at R7.58 billion or 68.9%. This represented an average under spending of 31.1%. Eighteen municipalities underspent by more than 20%. Nine municipalities spent less than 60%: Saldanha Bay LM (54.0%), Langeberg LM (52.5%), Cape Winelands DM (27.2%), Theewaterskloof LM (5%); Cape Agulhas (24.3%), Swellendam LM (45.9%), Kannaland (33.7%), Garden Route DM (12.4%), Prince Albert LM (41.8%) and Central Karoo DM (6.0%). Amongst the contributing factors to this underspending were delays in the SCM value chain, symptomatic of ineffective planning processes which were further exacerbated by the effects of the COVID-19 pandemic.

7.3.3 Underspending of Conditional Grants

A total amount of R9 billion which forms part of the R20 billion package for Local Government was re-purposed within the existing allocations in terms of the 2020 DoRA to address spending priorities in line with the COVID-19 declared disaster. An amount of R6.6 billion is reprioritized to fund water and sanitation infrastructure and an amount of R2.4 billion will be reprioritized towards the sanitation of public transportation and related infrastructure.

At the end of the fourth quarter, a total amount of R1.8 billion was transferred by the TNOs for capacity grants and reported expenditure of 80 per cent against the total allocation of R1.8 billion as reported by the TNOs, while municipalities reported expenditure of 82.9% against the total allocation. These grants are intended to assist municipalities in the development of their management, planning, technical, budgeting and financial management capabilities in the 2020/21 financial year.

The highest performing conditional grant under this category during the fourth quarter remains the Expanded Public Works Programme (EPWP) at 90.2%, followed by the Local Government Financial Management Grant with a reported performance of 87.8%. These two grants have maintained their strong performance throughout the financial year. The Municipal, Disaster Relief Funding shows a dismal performance spending of 17% against the total allocation of R150 million even though the expectation is always that this type of grant must always reflect high expenditure due to its emergency nature.

Direct conditional grants allocated for Infrastructure allocation amounted to a revised allocation of R27.6 billion in the 2020/21 financial year. From the amount of R27.6 billion allocation, R27.4 billion has been transferred to municipalities, which constituted 99%. The fourth quarter expenditure report on Infrastructure conditional grants reflected an expenditure of 84.3% as reported by TNOs and 98.3% by municipalities.

The Integrated Urban Development Grant (IUDG) is allocated to selected urban local municipalities. During the fourth quarter, the IUDG is reflected as the best performing infrastructure grant at a performance level of 98.8% against the total allocation of R936.4 million. This is followed by MIG with expenditure performance of 90.4% against the total allocation of R14.5 billion. The lowest performing Infrastructure grants are the Regional Bulk Infrastructure Grant and the Rural Roads Assets Management Systems Grant, both of which are reflecting an expenditure of less than 70% as of the end of the 2020/21 financial year. The low expenditure can be attributed mainly to the late appointment of service providers.

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 21 municipalities had negative cash balances at the end of 2020/21, comprising of one metro, three secondary cities, 16 locals and one district.

At the end of 2020/21, 133 municipalities (51.8 %) had cash coverage ratio of less than one month, indicating that they lacked adequate funds to cover one month's worth of operating expenses. A total of 75 municipalities (29.2%) had cash coverage ratios that were greater than three months of operational expenditure in 2020/21, representing an increase from 66 municipalities in 2019/20.

In so far as the liquidity ratio of municipalities are concerned, most municipalities are unable to pay off 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 131 local municipalities and 24 district municipalities also had inadequate cash and investments available to pay current liabilities. Municipalities are also having negative current ratios and are unable to pay all current or short-term obligations when they fall due. Three of the eight metros have indicated that their current assets are less than the current liabilities in 2020/21.

The total number of municipalities with positive cash-backed accumulated surpluses after taking into account commitments, have considerably increased from 63 in 2019/20 to 86 in 2020/21, while municipalities with cash shortfalls also decreased from 194 to 171.

7.4.2 Provincial reporting

In 2020/21, all municipalities in **Gauteng** closed off with positive cash balances. This is an improvement of 2019/20 when seven municipalities had negative cash balances.

North West reported that three local municipalities had negative closing balances as at the end of June 2021, namely Tswaing, Ramotshere Moiloa and Kagisano Molopo.

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 R232.8 billion as at 30 June 2021. The government agencies accounts for 7.2% or R16.7 billion of the total outstanding

debtors. The largest component of this debt relates to households and represents 72.6% or R168.9 billion. The outstanding debt is inclusive of debt older than 90 days which amount to R197.3 billion which has accumulated over an extended period, including interest on arrears and other recoveries.

Metropolitan municipalities were owed R114.5 billion in outstanding debt as of 30 June 2021. The largest contributors were the City of Johannesburg which was owed R36.6 billion, the City of Ekurhuleni at R19.9 billion, the City of Tshwane at R16.3 billion and eThekweni at R15.9 billion. Households in metropolitan areas were reported to account for R84.0 billion or 73.4% of outstanding debt, while businesses accounted for R24.7 billion or 21.6%. Debt owed by government agencies was R5.2 billion or 4.5% of the total outstanding debt owed to metros.

For the secondary cities, R44.8 billion was reported in outstanding consumer debt. The majority of debt was owed by households amounting to R33.8 billion or 75.5 % of the total outstanding debt. An amount of R38.8 billion or 86.6% has been outstanding for more than 90 days.

7.5.2 Provincial reporting

The **Eastern Cape** province reported that 23 municipalities have failed to reduce their consumer debtors in 2020/21. Four municipalities reduced their consumer debtors with less than 15%, six municipalities reduced their consumer debtors with between 15% and 30%, while five municipalities reduced their consumer debtors with 31% or more.

The outstanding debtors of **Free State** local and district municipalities have reached substantial proportions, totalling an amount of R16.4 billion in 2020/21, which is an increase from R16.2 billion in 2019/20. The four municipalities with the biggest outstanding debt were Mathlabeng (R4.5 billion), Metsimaholo (R2 billion), Maluti a Phofung (R1.7 billion) and Dihlabeng (R1.1 billion).

In **Gauteng**, there were outstanding debtors amounting to R91.7 billion in 2020/21, representing an increase of R12,4 billion (14%) from 2019/20. Most of the debt (84%) was owed to municipalities for the period of 90 days and above. Municipalities with the highest debt for 2020/21 were City of Johannesburg at R36.2 billion (June 2020: R31.1 billion), Ekurhuleni Metro at R19.9 billion (June 2020: R16.4 billion), City of Tshwane at R16.2 billion (June 2020: R16.2 billion) and Emfuleni LM at R10.6 billion (June 2020: R9.3 billion).

All municipalities in **Mpumalanga** were owed a total sum of R16.7 billion in 2020/21, compared to R15.2 billion in 2019/20., indicating an increase of R1.2 billion in municipal debt.

In **North West**, total debt owed to ten municipalities as at June 2021 amounted to R23.6 billion, of which R21.4 billion was owed for more than 90 days. Households owed 77% or R18.1 billion. The following municipalities had the most debt: Rustenburg LM (R6.7 billion), City of Matlosana LM (R 5.4 billion), Madibeng (R2.8 billion), Mahikeng (R2 billion) and Maquassi Hills (R1.7 billion).

In the **Western Cape**, outstanding consumer debtors declined by 16.4% from 2019/2020 to 2020/21 to an amount of R10.82 billion. This decline is due to a write-off of old debts by many municipalities. Debtors older than 90 days are reported at R 7.19 billion or 66.5% of the total debt.

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 2021, municipalities owed their creditors R73.7 billion, an increase from R60 billion at June 2020. Municipalities in the Free State had the highest outstanding creditors greater than 90 days at R19.9 billion, followed by Mpumalanga at R7.9 billion and Gauteng at R6.5 billion.

Only 47 municipalities settled their creditors within 30 days in 2020/21 while 210 took more than 30 days to pay creditors.

Eskom debt alone has grown from R4 billion in 2014/15 to R45 billion in 2020/21. The high electricity tariff increases by Eskom impacts on consumer’s ability to pay for services giving rise to low collection rates and ultimately, a depletion of the cash flow. Weak budgeting practices, non-cost reflective tariffs, illegal connections by residents and significant technical losses are also among the key issues that negatively impacted on municipalities’ ability to pay Eskom.

7.6.2 Provincial reporting

In the **Eastern Cape**, the total account of trade creditors in 17 municipalities represented more than 80% of the total municipal own revenue at 30 June 2021.

There was a total amount of R22 billion owed by **Free State** local and district municipalities in 2020/21. The three municipalities with the biggest outstanding debt were: Matjhabeng LM (R9.4 billion), Maluti-a-Phofung LM (R6.3 billion), Ngwathe LM (R1.6 billion). Free State municipalities owed Bloem Water and Sedibeng Water Board an amount of R6.9 billion as at June 2021. Free State municipalities collectively owed Eskom R14 billion as at 30 June 2021.

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, this amount decreased to R18.3 billion in 2020/21. There was an increase in the number of invoices over 90 days from 22% in 2019/20 to 35% in 2020/21. Most of the invoices were still due for settlement within 30 days (59%). Creditors for Merafong City LM, Rand West City LM and City of Johannesburg MM increases significantly from 2019/20 to 2020/21.

North West reported that the total creditors amounted to R4.1 billion, of which R3 billion was owed for over 90 days. The City of Matlosana LM (R1.8 billion) were responsible for more than 43% 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 106 municipalities adopted unfunded budgets in 2020/21.

In **Gauteng**, the metropolitan municipalities approved surplus budgets during the 2020/21 financial year, with the City of Johannesburg MM showing consistent performance over the last five years. In contrast, Sedibeng DM and West Rand DM approved deficit budgets for four and three years respectively.

In **KwaZulu-Natal**, 17 out of 54 municipalities had unfunded budgets approved in 2021/22.

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.

More than 90% of municipalities spent below 8% on repairs and maintenance of their assets. Asset maintenance is important to prevent breakdowns of infrastructure assets and to avoid interruptions to service delivery. A total of 227 municipalities spent less than 8% of repairs and maintenance on assets while only 30 municipalities have met the target of 8 %.

Spending on renewal and upgrading of existing assets was also substantially low. On aggregate, 104 municipalities satisfactorily spent their capital budget on renewal or upgrading of existing assets in 2020/21 while 153 municipalities under invested in asset renewal (below the National Treasury's recommended 40% of the capital budget).

Gauteng reported that the aggregated actual performance on repairs and maintenance expenditure for 2019/20 was at R5.8 billion (6%) against the actual operating expenditure of R155.1 billion, which was an improvement on the 4% recorded in 2019/20. The performance was below the National Treasury norm of 8% expenditure on repairs and maintenance. Midvaal LM recorded 8% performance for both financial years, while Mogale City LM recorded above 8% in 2020/21.

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

7.8.1 MFMA Section 134 Report

The MFMA Section 134 report provides an overview of actions taken to address issues raised by AGSA, assessment conducted by respective MECs of Local Government to determine the extent which the municipalities have adequately addressed issues raised by AGSA and support interventions by the Department of Cooperative Governance to address issues raised by AGSA. The report should be considered during the section 48 report of Municipal Systems Act in accordance with section 134 of the Municipal Finance Management Act, No 56 of 2003. This section on the submission of financial statements and the reports of the Auditor-General is based on the MFMA Section 134 report by DCoG for 2020/21.

Section 131 of the MFMA requires the MEC responsible for Local Government to assess the annual financial statements of municipalities in the province, the audit report on such statements and any responses of municipalities to such audit reports, and whether the municipalities have adequately addressed all issues raised by the Auditor General. This section should be read together with section 47 of the Municipal Systems

Act, which 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.

Section 134 of the MFMA further states that the Cabinet member responsible for local government must, as part of the report referred to in section 48 of the Municipal Systems Act, annually report to Parliament on actions taken by MECs for local government to address issues raised by the Auditor General in audit reports on financial statements of municipalities.

Section 154 of the Constitution of the Republic of South Africa empowers the national government and provincial government, 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 role of the Department of Cooperative Governance and provincial counterparts is to provide support to municipalities to implement and maintain effective systems in governance, financial management, performance management, infrastructure, service delivery and compliance with local government legislations and related prescripts.

The Municipal Finance Management Act, Municipal Systems Act and other related prescripts, aims to facilitate compliance with its constitutional duty by ensuring that municipalities' priorities, plans, budget and reporting are properly aligned. The action plans and strategies in local government aim to improve municipal performance to ensure good governance, sound financial management and provision of sustainable service delivery.

The Minister of Cooperative Governance and Traditional Affairs issued letters to MECs of Local Government to share MFMA section 131 report, which provides an assessment of actions taken by provinces to address issues raised the AGSA. The provincial report laid the foundation for the development of the MFMA section 134 report and provides an overview of the extent to which the municipal remedial action plans are an effective

implementation tool to improve the audit outcomes. The implementation of the municipal audit action plan is continuous and will further assist municipalities with short- and long-term improvement of internal controls, planning and reporting. In build-up to MFMA section 131 and 134 reports, municipal audit action plans were assessed for adequacy and municipal audit reports, audited annual financial statements.

7.8.2 National overview

Submission of the AFS within the legislated timeframe

A total of 211 municipalities (82%) submitted the 2020/21 AFS to the Auditor-General, while 46 municipalities failed to submit the AFS by legislated date(18%). The number of municipalities that failed to submit the AFS within legislated timeframe increased compared to prior year (2019/20) where 21 (8%) municipalities did not submit the AFS within prescribed time.

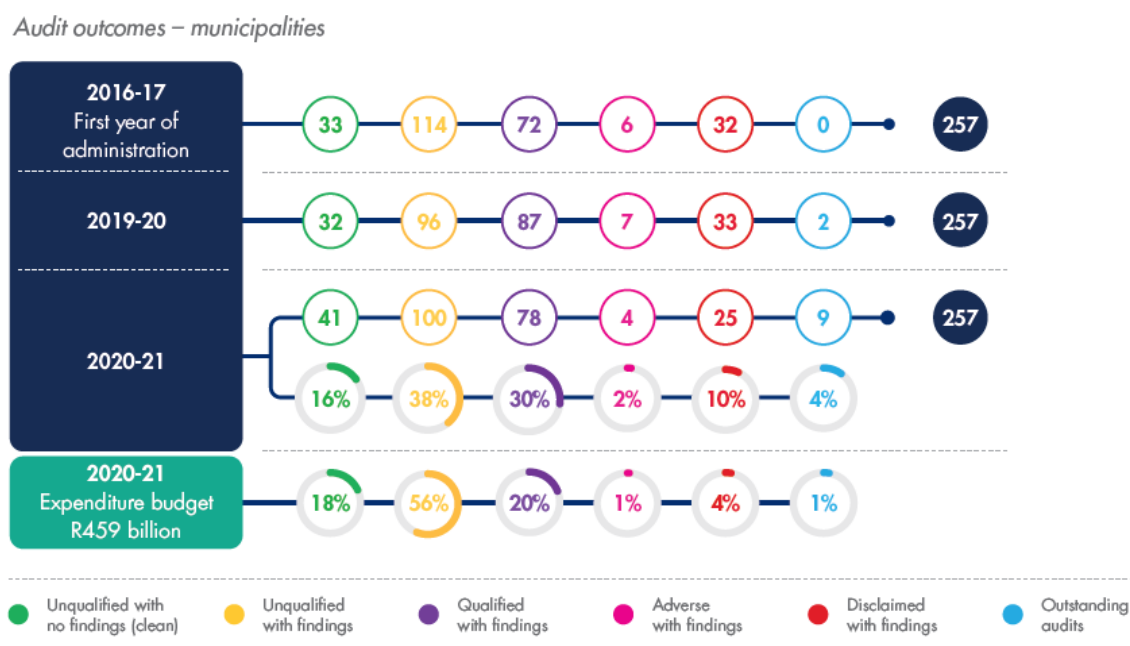
Table 6: Submission of 2020/21 Municipal AFS to Auditor-General

Submission of 2020/21 Municipal AFS to Auditor General by 31 August 2021						
No.	Province	Number of Municipalities	Submitted	Non-submission	Percentage of non-submission	Percentage of submission
1	Eastern Cape	39	37	2	5%	95%
2	Free State	23	13	10	43%	57%
3	Gauteng	11	10	1	9%	91%
4	Kwa-Zulu Natal	54	50	4	7%	93%
5	Limpopo	27	26	1	4%	96%
6	Mpumalanga	20	19	1	5%	95%
7	Northern Cape	31	20	11	35%	65%
8	North West	22	10	12	55%	45%
9	Western Cape	30	26	4	13%	87%
Total		257	211	46	18%	82%

Movement of the audit outcomes

In 2020/21, there has been a slight increase in the number of clean audits – 27 municipalities were able to maintain their clean audit status and 14 achieved a clean audit for the first time and six lost their clean audit status. The root causes of the poor state of local government includes amongst others: ineffective internal controls, capacity gap (skills and vacancies), leadership instability at both political and administration, poor monitoring on the implementation of internal controls, poor implementation of the audit action plans which led to repeat audit findings, lack of accountability and consequence management, poor record keeping, Poor delivery and maintenance of municipal infrastructure, UIF&W expenditure.

Figure 13: Audit outcomes for municipalities, 206/17, 2019/20 and 2020/21

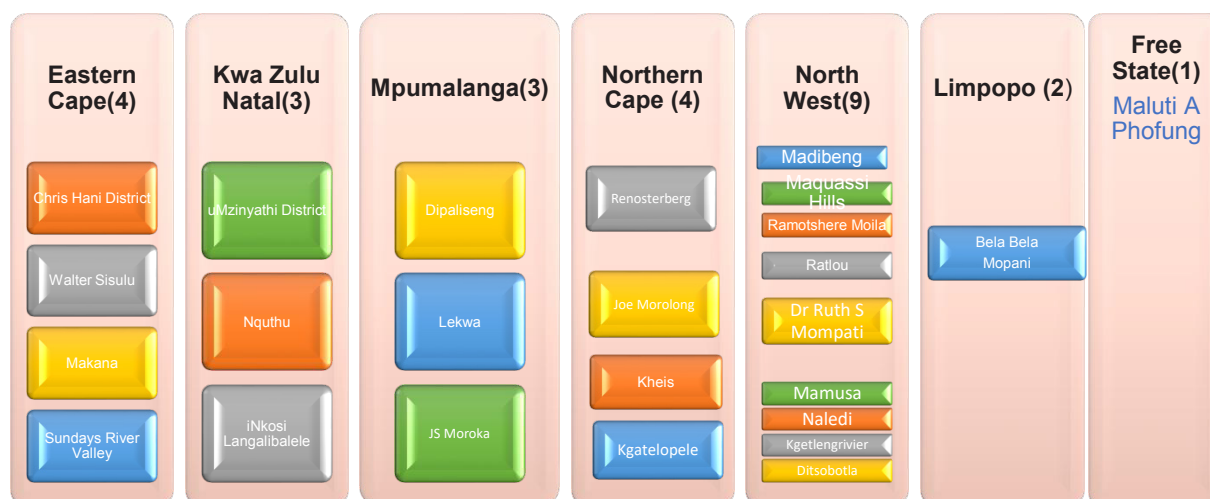


Source: AGSA

Municipalities with disclaimer audit opinions

Twenty-six municipalities obtained disclaimer audit opinions. At most of these municipalities, the following was observed: lapse in governance, instability at both political and administrative leadership level, ineffective governance structures, financial health deterioration, lack of consequences management for poor performance and transgression as well as previous interventions not being effective. There is a high level (21 of 26) of repeat disclaimers, 17 of 26 are classified as dysfunctional and 7 of 26 are placed under intervention in terms of section 139 of the Constitution. The high number of municipalities that received disclaimed opinions led to AGSA to consider the impact of full and proper records not being kept and the lack of credible financial reporting. In some instances, material irregularity was issued.

Figure 14: Municipalities with disclaimer audit opinions, 2020/21



Financial health

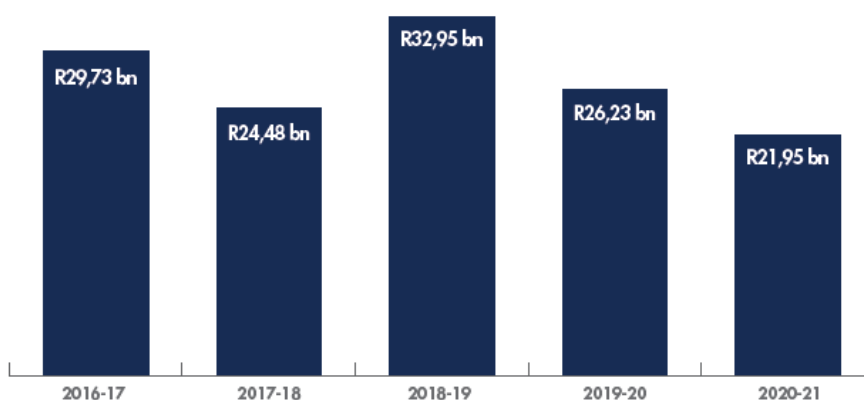
According to AGSA the financial position of 28% of South Africa's municipalities is so dire that there is significant doubt whether they will be able to continue operating as a going concern in the near future. The financial strain is as a result, but not limited to low revenue collection recovery, ineffective financial management and fiscal leakages. Municipalities with going concern problems are most prevalent in the Northern Cape (11), Free State (10), North West (9), followed by Mpumalanga (7), KwaZulu-Natal (7), Eastern Cape (7), Gauteng (5), Limpopo (5) and Western Cape (1).

Irregular Expenditure

Non-compliance with supply chain management legislation remained the biggest contributor to the irregular expenditure incurred. In 2020/21, R21,10 billion of the irregular expenditure incurred at local government level was due to noncompliance with supply chain legislation. Municipalities did not report all irregular expenditure that should have been reported in their financial statements. In some cases, the amount of the irregular expenditure reported was incorrect. AGSA could not audit contracts worth R1,22 billion because of missing or incomplete information. The chart below illustrates the trend of irregular expenditure for the past five years.

Figure 15: Irregular expenditure 2016/17 to 2020/21

Irregular expenditure over term of previous administration



Material Irregularity

Material irregularity relates to non-compliance with, or contravention of, legislation, fraud, theft or a breach of a fiduciary duty, which resulted in or is likely to result in a material financial loss, the misuse or loss of a material public resource or substantial harm to a public sector institution. The 2020/21 marked third year for AGSA to carry expanded mandate. Material irregularities identified in following key areas:

- Revenue not billed, debt not recovered, interest and penalties;
- Fraud and non-compliance;
- Non-compliance with environmental legislation resulting in pollution of water resources; and
- Full and proper records not kept as evidenced by repeat.

Performance Reporting

The most prevalent material findings on these performance reports at municipalities were that the information provided was not reliable (42%). The main reason for the unreliable performance reports was that manual processes were used to gather data, which are prone to human error that may not be detected and corrected in time. At 40% of municipalities, the indicators and targets used to plan and report on achievements were not useful.

Service Delivery

Inadequate infrastructure and maintenance of infrastructure not only negatively affect service delivery, but often also cause harm to communities and the environment. There are weaknesses in infrastructure projects and inadequate maintenance and management of infrastructure assets.

Underspensing of grants due to of poor project management. The planned completion dates were not achieved at some infrastructure projects.

7.8.3 Provincial overview

This section highlights some of the issues raised by the AGSA, provinces' responses and actions taken on issues raised by AGSA and the support to municipalities to improve the audit outcomes in line with section 131 of the MFMA. The table below illustrate the 2020/21 audit outcomes per province.

Table 7: Municipal Audit Outcomes 2020/21

2020/21 Municipal Audit Outcomes										
Audit opinion	EC	FS	GP	KZN	LIM	MP	NC	NW	WC	Total
Unqualified with no findings	4	0	2	3	1	4	5	0	22	41
Unqualified with findings	16	6	7	35	16	7	5	3	5	100
Qualified	14	11	1	13	8	5	15	9	3	79
Adverse	1	0	1	0	0	1	0	1	0	4
Disclaimer	4	1	0	3	2	3	4	9	0	26
Outstanding	0	5	0	0	0	0	2	0	0	7
Total	39	23	11	54	27	20	31	22	30	257

Eastern Cape

The province has 39 municipalities, 4 municipalities obtained clean audits, 16 unqualified audit opinions with findings and number of municipalities with disclaimer audit opinions remain 4. The chart below illustrates the movement of the municipal audit outcomes for the past four years.

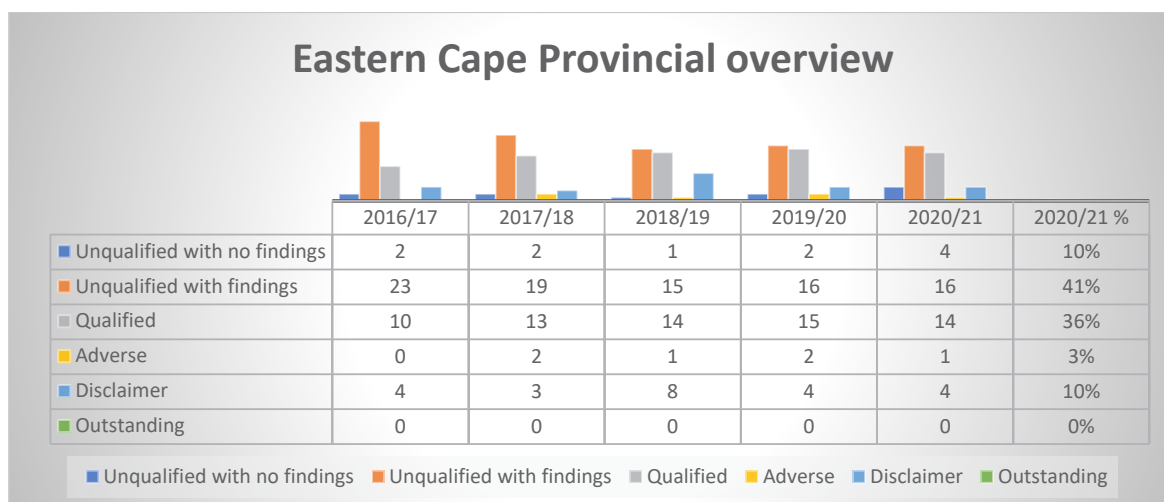


Figure 16: Eastern Cape municipal audit outcomes, 2016/17 to 2020/21

Reflection by the province on recurring issues and common challenges

- Noncompliance with SCM regulations: Awards made to service providers whose directors were employees of the municipalities and other organ of state;
- Municipal leadership in most cases did not implement all discipline to enable effective oversight;
- Inadequate monitoring of corrective actions to address internal control deficiencies and compliance requirements;
- Material losses on water and electricity in most municipalities due to illegal connection and poor maintenance of infrastructure, overflow, unauthorised consumption, faulty meters;
- Material uncertainty relating to going concern, 12 municipalities were assessed to be in financial distress and unable to honour their financial obligations;
- Municipalities continue to report on performance issues that are not aligned to their annual performance plans, sufficient appropriate evidence could not be obtained by the Auditor General and that has been continuing over the years; and
- 15 material irregularities were identified in the province.

Free State

The province has 23 municipalities, there is no municipality that obtained unqualified with no findings and unqualified audit opinions only represent 26% and most of the audit opinions are predominantly qualified. The province has history of late submission of the AFS and as a result it has impact on the finalization of the audits and submission of the AFS in the next reporting circle. Five audits for 2020/21 are still outstanding.

The chart below illustrates the movement of the municipal audit outcomes for the past five years. Although, the chart shows one municipality with a disclaimer audit opinion, the audits of the municipalities with history of disclaimer audit opinions are outstanding. This implies that the number of municipalities with disclaimer audit opinion may increase.

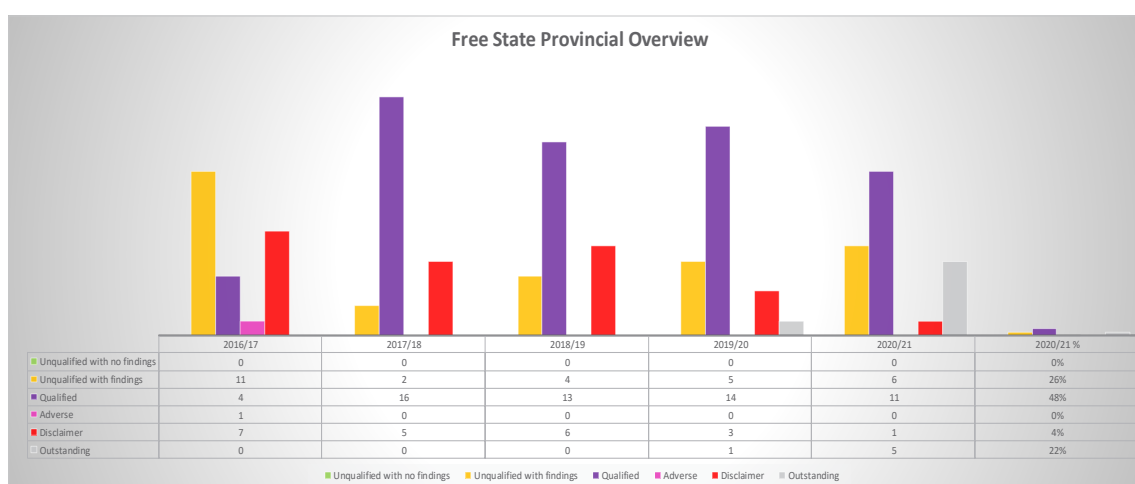


Figure 17: Free State municipal audit outcomes, 2016/17 to 2020/21

Reflection by the province on recurring issues and common challenges

- Leadership, Senior Management and officials failed to develop, implement and monitor effective systems and processes of internal control including corrective action;

- Leadership did not implement repeat recommendations and warning of risks made by the Auditor General;
- Lack of appropriate skills and competencies in financial reporting, which led to over-reliance on consultants and had a negative impact on financial planning, record keeping and reporting;
- Inadequate capacity by key personnel in financial reporting continue to rely on consultants, this had bearing of financial planning and record keeping;
- Vacancies and instability in critical positions had impact on holding officials accountable;
- Inadequate implementation of the audit action plans in prior year;
- Chief Financial Officers do not review processed transactions to ensure that the transactions are valid, accurate and complete;
- Agreements with Consultants were found not to be adequate, which hampers performance monitoring and enforcement;
- Reliance on Consultants to perform day to day activities, instead of using them for their specialized expertise; and
- Lack of appropriate skills and competencies in financial reporting, which led to over-reliance on consultants and had a negative impact on financial planning, record keeping and reporting;
- Inadequate systems and processes to collate and report credible performance information;
- Inadequate review of transactions for validity by the CFOs, inadequate SLA for consultants, UIF &W expenditure not investigated and reported to council timeously, ICT systems and internal controls not prioritised due to financial constraint;
- Four municipalities managed to table their audit action plans in council within 60 days, ten did not submit within 60 days and some audits were not finalised due late submission of the annual financial statements;
- Municipal audit work files are not kept up to date and supporting documents and vouchers are lost which contribute significantly toward disclaimer audit opinions;

- Monthly Bank reconciliations, debtors and creditors are still not performed Ledger and Suspense accounts are not analyzed and cleared on a monthly basis;
- Some transactions are performed outside the financial management system;
- Monthly stock taking and verification of inventories and assets do not take place;
- Unauthorized, irregular, fruitless and wasteful expenditure are not investigated and resolved; and
- The financial administrative backlogs experienced during the financial year contributes to towards the high costs of compiling Annual Financial Statements, including the quality of the AFS, audit file, timely submission of the Annual Financial Statements and the performance report to the AGSA.

Gauteng

The province has 11 municipalities and nine obtained unqualified audit opinions with Mid Vaal managing to sustain clean audit for 5 consecutive years, one municipality qualified and one regressed to adverse audit opinion. Ekurhuleni remains the only metropolitan municipality that obtained clean audit in the country. The chart below illustrates the movement of the municipal audit outcomes for the past five years.

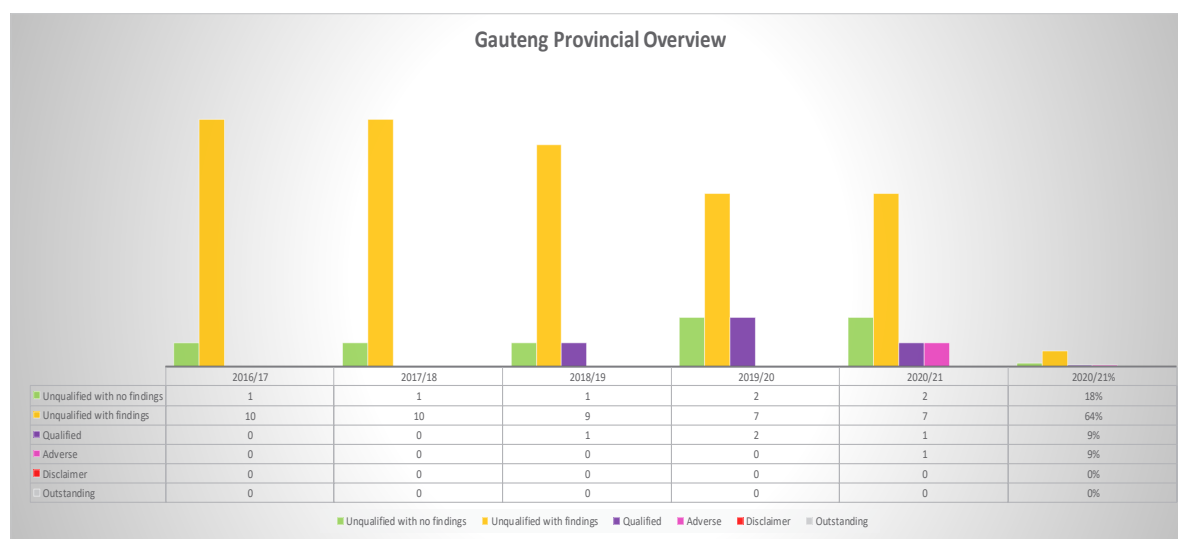


Figure 18: Gauteng municipal audit outcomes, 2016/17 to 2020/21

Reflection by the province on recurring issues and common challenges

- Most of the municipalities have recurring issues on the following and did not respond adequately and some municipalities did not address emphasis of matters: restatement of corresponding figures, material uncertainties, audit of performance information, material impairments, material losses, Audit of Performance Information, Annual Financial statement, expenditure, asset management, revenue management, asset management, procurement and contract management and ICT issues;
- Some of the municipalities did not address emphasis of matters raised in the audit reports;
- Action plans did not adequately address root causes resulted in repeat findings;
- Vacancies in key management positions is another factor as management did not respond to findings timeously;
- Slow response and lack of urgency by administrative leadership to address compliance findings;
- The provincial CoGTA received eight municipal audit action plans at the time of assessment. City of Tswane MM, Emfuleni LM, Rand West City LM finalised their audits with AGSA late, pending material adjustment;
- Internal control deficiencies: most of municipalities do not have adequate plans to deal with consequence management and processes to be followed against officials responsible for UIF&W expenditure;
- The province assessed a total of 310 responses to findings, 37 omissions were identified, adequate responses 215, and inadequate response 61. Adequate responses are actions that addresses internal control deficiencies and root causes;
- Nineteen findings were disagreements between AGSA and municipalities, mainly on compliance with SCM regulations, GRAP 17, ICT findings. The disagreements are as results of different interpretations of regulations, standards, guidelines, legislation etc. This cause delay in responding to queries during the audit processes and municipalities are not afforded ample time to resolve the findings prior to AGSA escalating findings to the audit report;

- Midvaal had adequately addressed all the issues raised by AGSA, which is commendable and the rest of the municipalities have addressed 70% of the issues in their action plans adequately. Number of action plans in Sedibeng and Merafong need to be reviewed as most of the issues were not responded adequately; and
- The omissions relate to event where the municipalities did not provide actions in the audit action plans. The omissions made it difficult for the province and oversight structures determine the extent which the issues are receiving necessary attention.

Additionally, the provincial CoGTA pointed out the following measures to be performed by municipalities, this includes request to the AGSA to continue with status of records reviewed to improve internal control environment, eliminate finding on material misstatement, encouraged municipalities to prepare interim financial statements, perform regular reconciliation, implement effective quality review controls, internal audit and audit committee to perform extensive reviews instead of high level review on the financial statements. Internal audit plans must adequately cover risk areas particularly SCM and audit of performance information as it has been observed as high risk. Municipalities should implement consequence management to promote culture of accountability which must be driven by political leadership to hold administrative leadership accountable.

KwaZulu-Natal

The province has 54 municipalities, 3 municipalities obtained clean audits, retained unqualified audit opinions with findings of 35, both unqualified audits represent 70%. The chart below illustrates the movement of the municipal audit outcomes for the past five years.

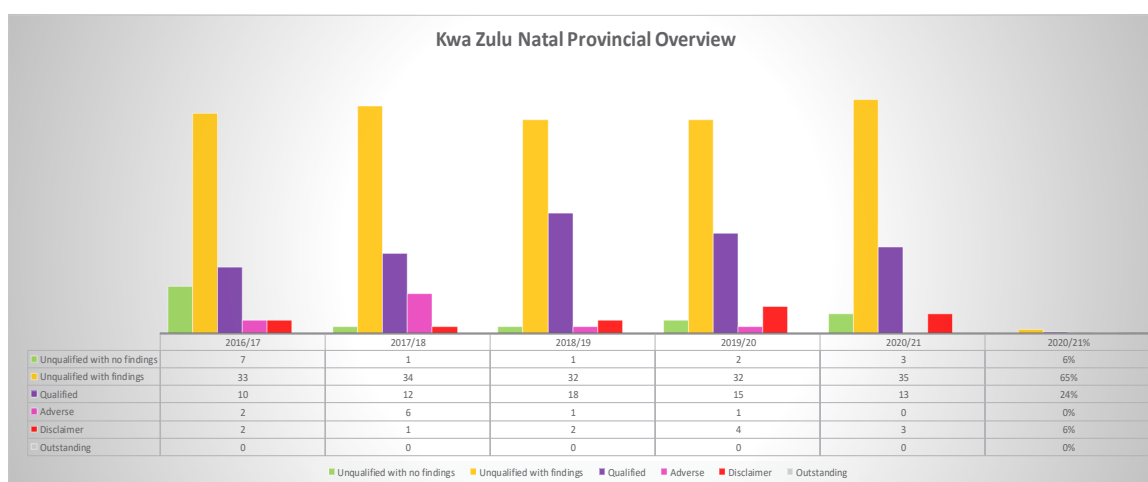


Figure 19: KwaZulu-Natal municipal audit outcomes, 2016/17 to 2020/21

Reflection by the province on recurring issues and common challenges

- An overall decrease was recorded in the number of audit issues raised by the Auditor General for 2020/2021 compared with the number of audit issues raised for 2019/2020. The number of audit findings in certain categories has decreased mainly due to the number of improvements from disclaimer to qualified and qualified to unqualified audit opinions;
- A total of six-hundred and nineteen (619) matters raised as findings across fifty-four (54) municipalities in 2020/2021 as compared to six hundred and eighty-eight (688) in 2019 /2020, reflecting a decrease of sixty-nine (69) audit issues or a decrease of ten percent (10%). This indicates progressive improvement in technical capacity and the overall impact of support provided by the Department to municipalities. This trend is positive for the past two financial years;
- Sufficient effort by municipalities to ensure compliance with laws, regulations and policy imperatives has also significantly decreased the quantum of audit issues raised;
- Number of material irregularity raised since 2019/20 to 2020/21 amount to 38 and only 2 resolved. Resolution of all other material irregularities were in

progress. Material irregularities are included in the audit action plans of municipalities and monitored by CoGTA on a quarterly basis;

- The following are the most common areas of findings identified in the overall findings across all municipalities, quality of Annual Financial Statements, Unauthorized, Irregular, Fruitless and Wasteful expenditure, consequence management, material debt impairment, completeness of revenue from exchange and non-exchange transactions, material losses- Water and electricity, procurement and contract management, asset management and performance management;
- Forty-nine (49) municipalities or ninety-one percent (91%) provided adequate responses with sufficient and relevant details based on a qualitative analysis of the audit action plans provided during the 2020/2021 financial year. This shows a regression when compared to the previous 2019/2020 financial year which reported forty-three (43) or eighty percent (80%) of municipalities with adequate responses. This was primarily as a result of late issuing of audit reports and insufficient time to interrogate and address matters for inclusion in the audit action plans of municipalities;
- Five (5) municipalities or nine percent (9%) have provided responses that are partially adequate based on all issues not being responded to and/or without sufficient detail to render the responses adequate and reasons therefore provided in each case; and
- Six municipalities (11%) did not provide adequate responses on all issues not responded adequately.

The province assessed key financial ratios to provide an overview of financial health of District municipalities including their local municipalities. The dashboard reflected performance of the municipalities against the respective norm as guided by MFMA circular 71.

Limpopo

The province has 27 municipalities, 1 municipality obtained clean audit, 16 obtained unqualified opinions with findings, 8 obtained qualified audit opinions and two municipalities regressed to adverse audit opinions. The chart below illustrates the movement of the municipal audit outcomes for the past five years.

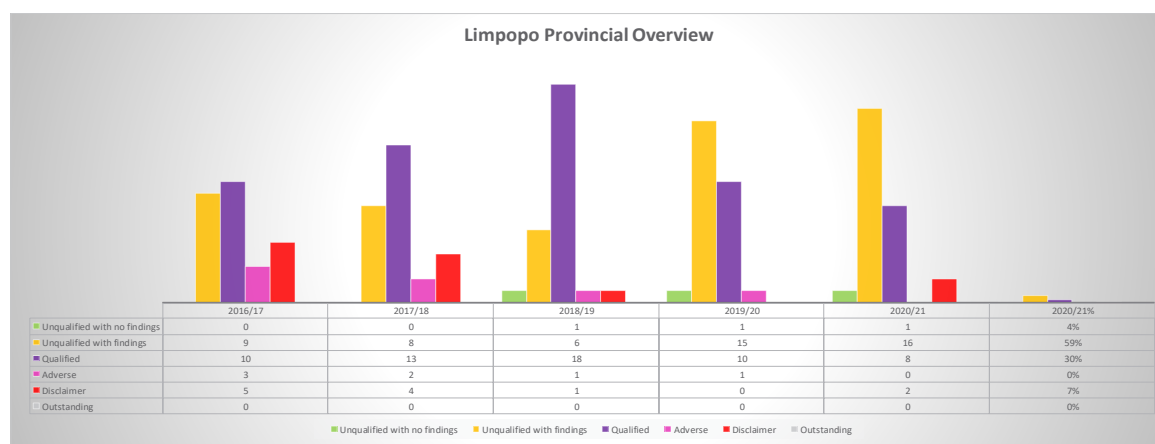


Figure 20: Limpopo municipal audit outcomes, 2016/17 to 2020/21

Reflection by the province on recurring issues and common challenges

- Concerns on overreliance and financial pact of the use of consultants by municipalities for preparation and review of annual financial statements;
- Increase of UIF&W expenditure;
- Vacancies of CFOs;
- Completeness of the audit remedial plans remains a challenge;
- Slow implementation of audit remedial plans by municipalities;
- Poor records management;
- The Provincial CoGTA issued communique requesting the municipalities to develop and submit audit remedial plans to address issues raised by AGSA for assessment;

- All twenty-seven municipalities submitted 2020/21 audit remedial plans and were assessed for completeness and adequacy to address issues raised by AGSA; and
- Feedback on the adequacy of the measures identified by municipalities to address issues raised was provided to municipalities.

Mpumalanga

The province has 20 municipalities, 4 municipalities obtained clean audits, 7 unqualified audit opinions with findings, 5 qualified audit opinions, 1 adverse audit opinion and 3 disclaimer audit opinions. The chart below illustrates the movement of the municipal audit outcomes for the past five years.

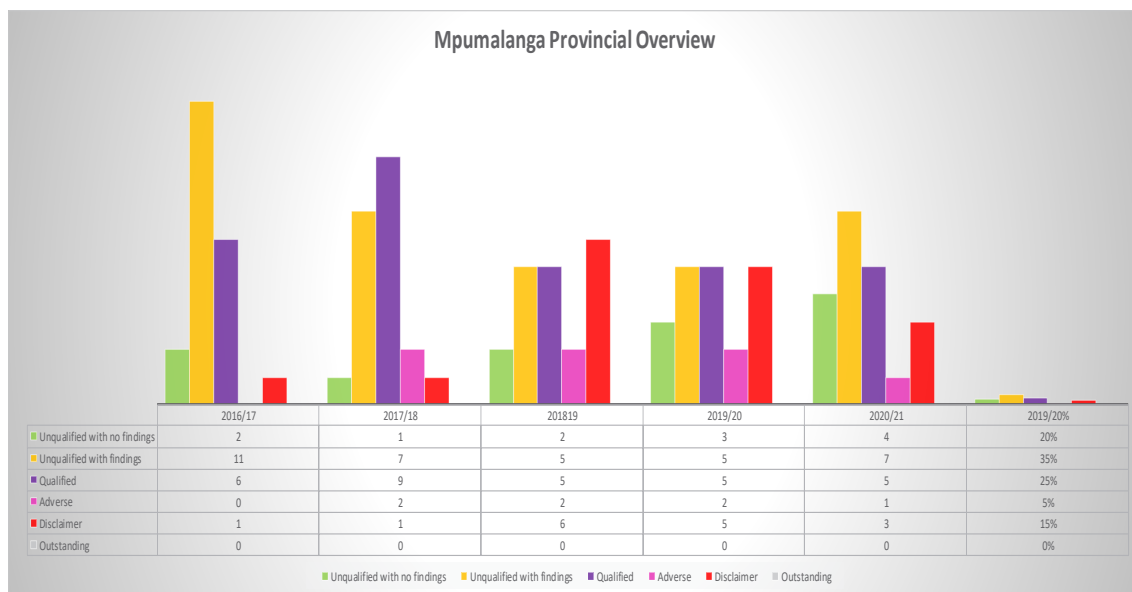


Figure 21: Mpumalanga municipal audit outcomes, 2016/17 to 2020/21

Reflection by the province on recurring issues and common challenges

- Weak controls environment and lack of decisive actions to address transgression persistent in municipalities;

- Identified area to support municipalities:
 - Lack of oversight;
 - Quality of AFS/ internal Control environment;
 - Unfunded budgets;
 - Incomplete revenue base;
 - Records Management;
 - Infrastructure planning; and
 - Capacity of the administration.
- Reduction of the audit findings from a total of 1875 to 1410 matters raised as findings across (20) municipalities;
- Municipalities recorded number of audit findings adequately resolved of 703 or 60% in 2021(2019/20 804 or 24% in 2019/20). This reflects a reduction of the audit findings compared to prior year; and
- Eight municipalities provided twelve percent (9.8%) partially adequate responses based on all issues not being responded to and/or without sufficient detail to render the adequate responses.

The province assessed key financial ratios and financial health of District municipalities including their local municipalities.

North West

The province has 22 municipalities, no municipality obtained clean audit in the past five years, to municipality obtained unqualified audit opinion with findings, nine qualified audit opinions, one adverse audit opinions and nine disclaimer audit opinions. North West is the leading province with disclaimer audit opinions of 41%. The chart below illustrates the movement of the municipal audit outcomes for the past five years.

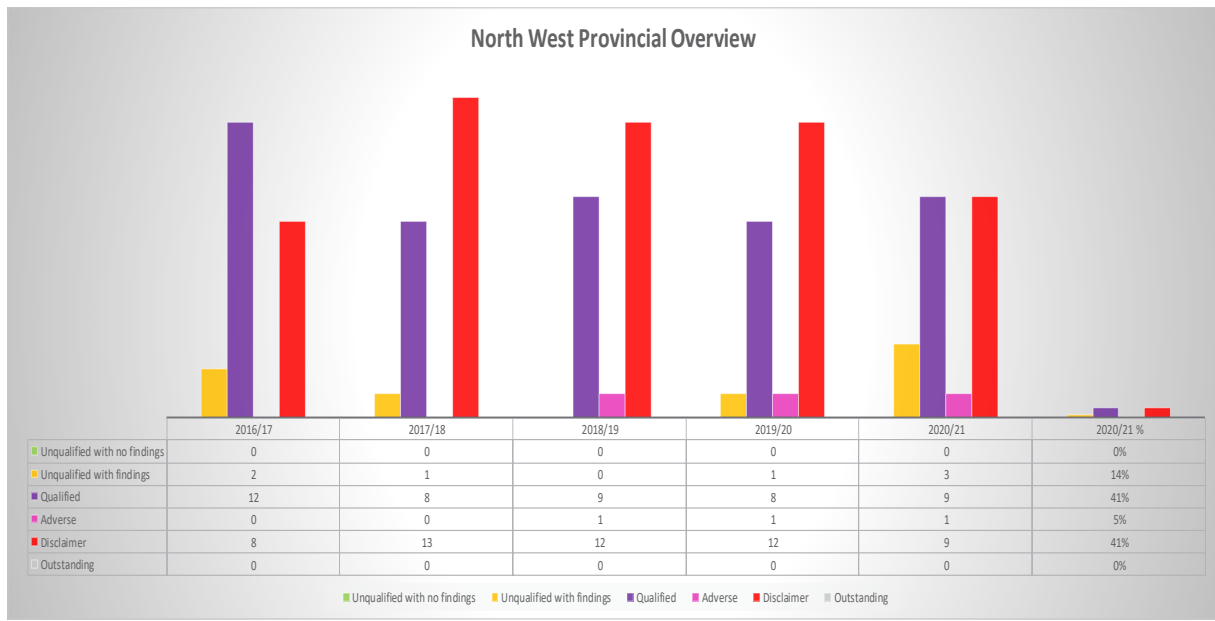


Figure 22: North West municipal audit outcomes, 2016/17 to 2020/21

Reflection by the province on recurring issues and common challenges

- Unauthorised, fruitless and wasteful expenditure registers of municipalities are not compliant with MFMA Section 32, read together with MFMA circular 68;
- Municipalities do not comply with MFMA Section 32(4) requirements which requires the accounting officer to promptly inform the mayor, the MEC for local government in the province and the Auditor-General on occurrence of UIF&W expenditure and the Municipalities do not inform the MEC despite the legislative requirement;
- Municipalities have recurring audit findings, which is evident by poor implementation of the audit action plan, and the root causes are not adequately addressed;
- Municipalities did not prepare reconciliations on monthly basis to ensure completeness and accuracy of all transactions incurred during the financial year;
- Most of the findings raised relates to inadequate record keeping for both financial and performance management;

- Non-compliance of municipal legislative prescripts is a recurring finding in all municipalities;
- Lack of compliance with laws and regulations by municipalities and weak internal controls.
- The provincial CoGTA documented remedial actions that need to be considered by the municipalities to address areas where there are inadequate measures to address the root causes for different components; and
- The stagnant undesired audit outcomes are evidence that the municipalities are not implementing the audit action plans adequately.

Northern Cape

The municipality has 31 municipalities, 5 obtained clean audits, 5 unqualified audit opinions with findings, 15 qualified audit opinions, 4 disclaimer audit opinions and 2 outstanding. The chart below illustrates the movement of the municipal audit outcomes for the past four years.

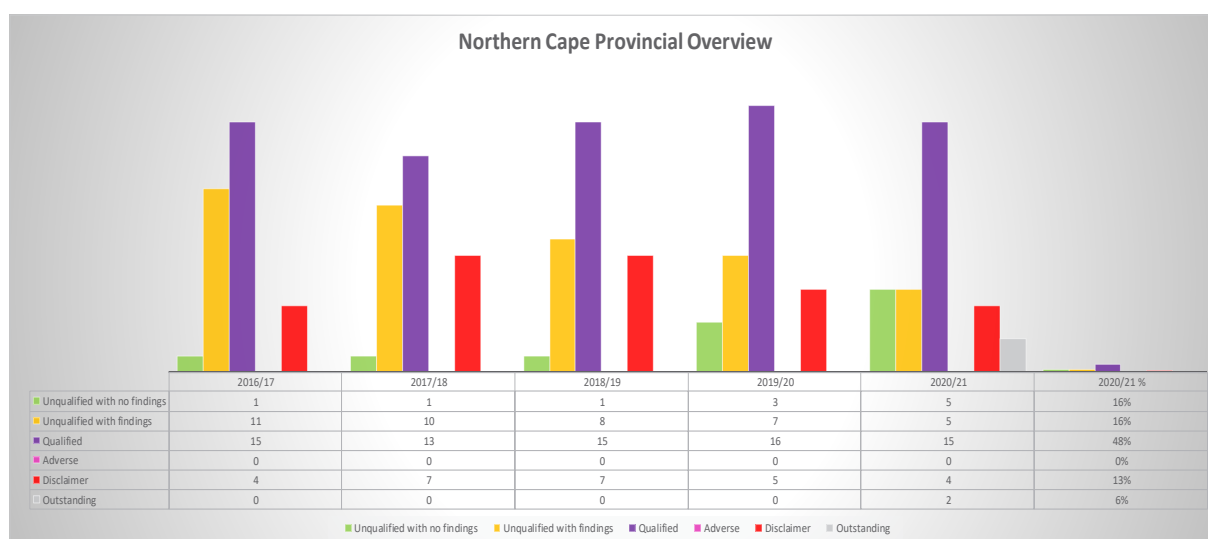


Figure 23: Northern Cape municipal audit outcomes, 2016/17 to 2020/21

Reflection by the province on recurring issues and common challenges

- Occurance of UIFW& expenditure, which requires municipalities to adopt UIF&W expenditure reduction strategy and strengthening of the MPACs to address to resolve and conclude on UIF&W expenditure and make recommendation to council;
- Non-compliance with supply chain management prescripts;
- Inadequate implementation of performance management systems and record keeping of their performance information;
- Quality of the annual financial statements;
- Late submission of the AFS, which requires municipalities to keep adequate record keeping throughout the financial year;
- Municipalities that obtained unqualified audit opinions with no findings their audit action plans were not assessed;
- Five municipalities submitted their AFS for assessment, while three municipalities were not assessed due to late submission of the AFS for auditing; and
- Most of the municipalities did not submit the audit action plans for assessment to NC provincial CoGTA.

The municipality analysed financial information and impact of UIF&W expenditure.

Western Cape

The province has 30 municipalities, 22 obtained clean audits, 5 unqualified audit opinions with audit findings and 3 qualified audit opinions. The Western Cape is the leading province with 90% of the unqualified audit opinions. The chart below illustrates the movement of the municipal audit outcomes for the past five years.

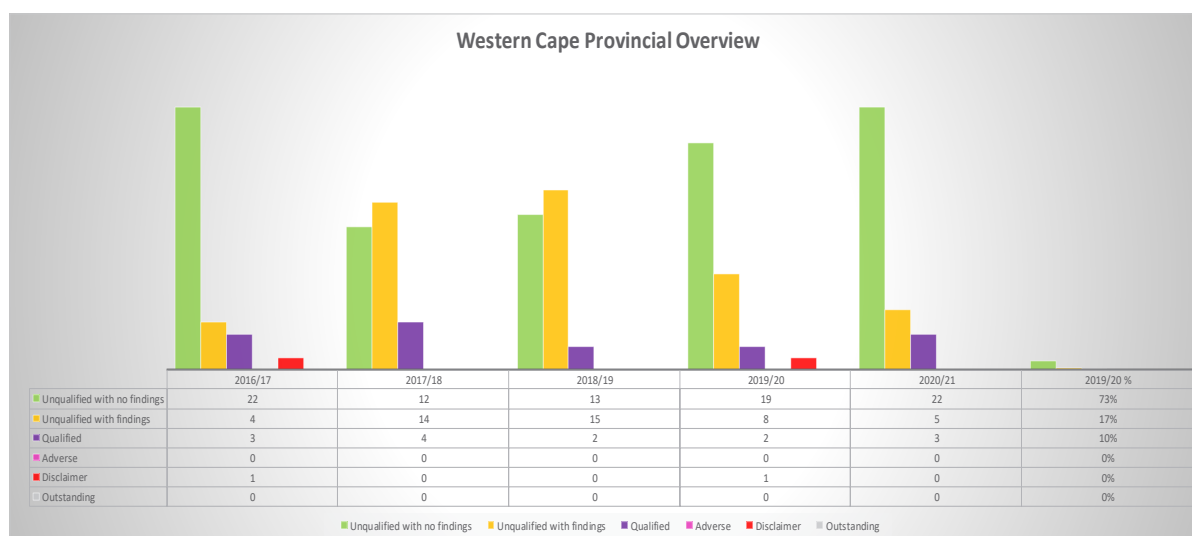


Figure 24: Western Cape municipal audit outcomes, 2016/17 to 2020/21

Reflection by the province on recurring issues and common challenges

- Findings relating to non-compliance, internal control measures and other processes can be attributed to either, a lack of strong leadership or alternate agendas within certain groupings inside the councils and administrations.

7.9 Municipalities experiencing financial distress

There were 165 municipalities in financial distress in 2020/21. The number of municipalities in financial distress grew from 97 in 2015/16 under the 4th administration to 165 in 2020/21 under the 5th administration. 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.

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. 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 following reasons were identified as the root causes for the deteriorating debt position of municipalities:

- Absence of, or restricted application of credit control;
- Incorrect consumer debtor data base;
- Incorrect, irregular meter readings and billing of consumers;
- Failure by most municipalities to deal with debtor legacy issues in terms of procedure set out in MFMA circular 16/2010;
- Poor customer care and “amnesties” for default payers, which stimulates mal-payment; and
- Poor service delivery and unaccountable municipal officials which stimulates ratepayer actions against the municipality.

The escalation of creditors in Free State municipalities was due to the absence of creditor management plans, cash flow forecasting and cash flow management; poor fiscal discipline and expenditure management; and weak revenue collection and credit control.

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

- 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;
- The increasing outstanding debtors has indirectly caused financial constrain to municipalities to deliver services to communities; and
- Municipalities are experiencing financial constraints resulting in low collection rates throughout the financial year.

The province reported that the foremost challenges were faced by the three secondary or intermediary cities of Matjhabeng, Maluti-a-Phofung and Metsimaholo in relation to revenue collection and rising consumer debt.

KwaZulu-Natal reported regression in audit outcomes attributed to poor leadership by the Auditor-General. UIFW expenditure is a serious challenge in municipalities in the province, with the majority of irregular expenditure due to not following proper bidding processes. There was also non-compliance with SCM requirements relating to deviations.

Limpopo identified challenges with the slow implementation of audit remedial plans, lack of capacity in Budget and Treasury offices and assets management units, non-compliance with laws and regulations, particularly supply chain management and reoccurrences of unauthorised, fruitless and wasteful expenditure in municipalities.

According to the **Mpumalanga** province, the audit outcomes of 13 municipalities remained unchanged. There was still high outstanding debt amounting to R 1.684 billion from government departments to municipalities.

The **Northern Cape** reported that electricity losses posed a threat to the financial sustainability of municipalities. The province also stated that the high water losses reported by municipalities for the 2020/21 financial year is one of the contributing factor to the financial difficulties that some municipalities are experiencing. Seven local

municipalities were not compliant with section 14(2) of the MPRA: Hantam, Renosterberg, Siyathemba, !Kheis, Dawid Kruiper, Dikgatlong, Joe Morolong.

North West province reported that municipalities were facing escalating uncollectable consumer debt.

Municipalities in the **Western Cape** face growing revenue and expenditure risks and challenges. These include:

- The constrained fiscal impacts on the municipalities' ability to maintain and protect adequate revenue streams to meet the growing demand for quality services;
- Failure to account for non-cash items such as depreciation and debt impairment in-year remains a challenge as it distorts the year-to-date surpluses;
- The need to maintain fiscal discipline and fiscal consolidation; and
- Low levels of capital spending that poses a risk for future grant funding.

7.11 Support, interventions 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 has held a Municipal Post Audit Symposium to reflect on municipal post audit performance, the MEC engaged with the metros on dealing with UIF&W, and the department assessed the adequacy of audit plans and wrote feedback letters on identified gaps;
- 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 National Business Initiative is continuing with group coaching on records management, supply chain management, financial reporting and asset management’
- The Eastern Cape CoGTA Project Management Unit in partnership with Development Bank of Southern Africa (DBSA) assisted some municipalities with Revenue Management Enhancement;
- Gauteng provincial Treasury continued to monitor the budget performance of municipalities including the implementation of the financial turnaround strategies to improve their financial viability;
- In KwaZulu-Natal various support interventions were provided including support initiatives in terms of the Departmental Audit Response Action Plan, revenue enhancement, reduction of UIFW expenditure and monitoring of consequence management.
- The provincial Department in Limpopo has established the debt forum which assisted in the improvement of debt owed by sector departments and state-owned enterprises;
- The provincial Department in Limpopo monitored and assisted municipalities with reconciliation of control accounts and full implementation of audit remedial action plans;
- In Mpumalanga, financial recovery plans were developed for selected municipalities by National Treasury, Provincial Treasury and other provincial and national sector departments.
- 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 assessed credit control and debt collection policies of municipalities and provided feedback before adoption to ensure legal compliance;
- North West assisted municipalities with the recovery of outstanding government debt by writing letters to the affected departments;
- In the Western Cape, various measures have been instituted to address issues raised by the AG and extensive support was provided to municipalities to achieve good governance and positive audit outcomes, including targeted support packages to improve systems, processes and procedures. A knowledge management hub and digital municipal status reporting platform was developed by the DLG.

According to the Section 134 report, the following support interventions were made by province sin addressing issues relating to audit outcomes:

Eastern Cape:

The Provincial CoGTA organised a Post Audit Symposium with all the municipalities represented at the symposium to identify areas that need support to improve municipal audit outcomes and resolutions that were considered include:

- Collaborate with provincial treasury in developing a support plan to avoid duplication of efforts;
- Engage MPAC chairpersons and Mayors' through MEC's office on quarterly basis to deal with UIF&W expenditure;
- Assessment of audit committees for effectiveness and functionality including the implementation of resolutions by municipal management;
- The National Treasury has developed a new web-based tool on the implementation of Audit Action plans, provinces will assist municipalities in assessing the implementation of the audit action plans and provide technical support;
- NBI will target the 4 municipalities that obtained disclaimer audit opinions as a pilot to support municipalities in improving municipal audit outcomes;
- Provincial Treasury to assist municipalities to resuscitate the functionality of disciplinary boards; and

- Assessment of municipal audit action plans on quarterly basis.

Free State:

- Developed mitigation strategies for dysfunctional municipalities, baseline study, weekly reporting template based on the baseline study. A circular was issued to municipalities to welcome CoGTA support teams and the teams started to visit municipalities as from 06 July 2022;
- Develop, report and monitor audit action plans and submission of AFS by municipalities;
- Support with revenue enhancement/billing systems and cashflow management issues;
- Review of operations and maintenance plans and assist with service delivery challenges;
- Identify early warning systems for fraud and corruption;
- Support with financial sustainability and record keeping;
- Conduct skills audits and verification of municipal employees, identify capacity building programs, assist with human resource policies;
- Assist with establishment of council and/or governance committees;
- Assist with the development and implementation of municipal by-laws;
- Support with Local Economic development related matters;
- Review litigation registers and contract management;
- Assist with functionality of ICT and financial systems; and
- Support issues relating to SPLUMA and Municipal Property Rates Act.

Gauteng

- The Gauteng CoGTA leads the Provincial Coordinating Committee (OPCA-PCC), the committee meets on a quarterly basis to assist municipalities to resolve issues in the audit action plans;

- CoGTA to intensify support and training on performance information as the audit of predetermined objectives findings are still material and monitoring of compliance with MFMA circular 88 on indicators;
- National and Provincial Treasury should intensify support to municipalities on establishment and training of the financial misconduct disciplinary board. Further, monitor functionality of the boards;
- The Provincial CoGTA should establish a multi-disciplinary team of revenue which aimed at improving revenue collection, credit control implementation and increase revenue base. The Provincial CoGTA and provincial treasury have set up a government debt management committee to expedite the organ of state payment owed to municipalities;
- CoGTA is implementing asset management support which is aimed at updating and maintaining asset registers in line with GRAP 17 requirements to enable municipalities to respond to service delivery challenges;
- The Gauteng provincial CoGTA with key stakeholders National Treasury and Provincial Treasury provides advisory support through participation in the Municipal OPCA steering committee which further monitors the implementation of audit response plans;
- Providing support to seven municipalities to resolve Unauthorised, Irregular, Fruitless and Wasteful Expenditure (UIF & W Expenditure) by assessing and analysing processes in place to identify and prevent the expenditure and make recommendation towards improving the control environment;
- The Department together with Gauteng Provincial Treasury has set up a Government Debt Management Committee; and
- The Department established a multi-disciplinary team of revenue experts which aims to improve revenue collection, credit control implementation and increase revenue base within the identified municipalities.

KwaZulu-Natal

The Department of Cooperative Governance and Traditional Affairs together with Provincial Treasury and SALGA developed an audit outcomes turnaround plan based

on the 2020/2021 audit outcomes of municipalities. The support interventions provided by the Department of Cooperative Governance and Traditional Affairs sets our priority actions of the Department in support of municipalities towards the achievement of improved audit outcomes. These commitments are included in the Department's Strategic Plans and are audited by the AGSA each year. The following support interventions and activities of the Department are highlighted in the plan:

- Implementation of Audit Response Plans and audit support - analyse adequacy of responses to audit reports, support targeted municipalities in resolving significant audit issues relating to revenue management, asset management, indigent management and financial management;
- Audit readiness on preparation of AFS - revise and circulate the audit readiness checklist to improve the control environment on preparation of AFS and preparedness for the audit process, conduct audit readiness to ensure that municipalities are prepared for the audit process, and review and monitor the implementation of Annual Financial Process plans;
- Review of draft Annual Financial Statements- review the trial balance and general Ledger view the Annual Financial Statements, review the lead schedules in the Audit file to the trial balance and annual financial statements, review the disclosure notes on MFMA compliance in respect UIFW;
- Payment voucher audit at targeted municipalities- review the completeness of payment voucher with necessary supporting documentation, assess the SCM process undertaken to determine S26 deviations/irregular expenditure, revise the SCM compliance checklist and monitor implementation;
- Assessment on the functionality & effectiveness of Audit Committee, convene annual meeting with Audit & Performance Audit Committee members to share knowledge and provide training towards improving audit outcomes, conduct induction workshop for new Audit Committee members;
- Attend Audit Committee meetings to provide advice and guidance on oversight role of Audit Committee;
- Support to reduce Unauthorized, Irregular, Fruitless and Wasteful expenditure- provide UIFW template to municipalities which in compliant with MFMA Circular

68, analyse the register of UIFW expenditure as set out in circular 68 quarterly, In collaboration with National Treasury, CoGTA had various engagements on analyzing the UIFW strategy developed by COGTA, a resolution was undertaken that UIFW strategy will be revised and to be in alignment with National Treasury guidelines and conduct assessment of MPAC oversight on UIFW reduction;

- Revenue enhancement- support targeted municipalities in developing a revenue enhancement strategy and monitor the implementation of the revenue enhancement strategy;
- Improve collection of Government Debt- coordinate and convene the Provincial Coordinating Forum on Government Debt, support targeted municipalities in developing a revenue enhancement strategy and monitor the implementation of the revenue enhancement strategy;
- Improve collection of Government Debt - coordinate and convene the Provincial Coordinating Forum on Government Debt with sector Departments and monitor the development and implementation of payment arrangements with government departments owing municipalities;
- Alignment of IDP, SDBIP and Organizational score card - review alignment of IDP, SDBIP and Organizational score card, review of the IDP objectives and strategies to ensure alignment to SDBIP objectives and strategies and assess draft IDPs to assess each Municipality on financial management in line with the Financial Management Performance Indicators;
- Quarterly Performance assessment- Support Municipality on the development of Technical Indicator descriptions through the provision of the template and National Framework;
- Improve capacity building focus on below areas- conduct Skills audit of councillors, conduct Sector Based Councillor Orientation Workshops, co-ordinate Capacity Building Interventions, review of Annual Financial statements and Annual Performance report and Unauthorised, Irregular, Fruitless & Wasteful expenditure;
- Facilitate ESKOM and Water Board Debt payments owed by municipalities by reviewing of financial plans at municipalities with financial distress (Budget Funding Plans) and ESKOM payment plans; and

- Provision of technical support on financial management, performance management and compliance to improve audit outcomes at intervention municipalities and those that may obtain unqualified audit outcomes with no findings through the deployment of financial experts at 16 municipalities.

Limpopo:

- The Department has developed comprehensive support plan to ensure that the municipalities are supported in collaboration with stakeholders to improve audit outcomes;
- Limpopo Provincial Treasury in collaboration with Provincial Coghsta established and coordinate the provincial UIF&W expenditure forum to engage municipalities on the reduction of UIF&W expenditure;
- Continuous monitoring of the implementation plans during audit steering committee meeting;
- Provide training on GRAP standards and related issues in collaboration with Provincial Treasury; and
- Assist municipalities with adequate record management in collaboration with DCoG.

Mpumalanga:

- Following the release of the municipal audit outcomes, the Provincial CoGTA and Provincial Treasury assembled a joint audit support plan, which clearly show the developed plans to improve state of affairs;
- SALGA and the three district were roped in to add their support initiatives;
- The adverse and disclaimed municipalities were identified for municipal specific support, the progress with the implementation of support will be monitored joint sitting of steering committee between Provincial Treasury, CoGTA, District municipalities and SALGA on quarterly basis;
- A strategic focus would be implemented on the following issues:
 - Establishment of all key governance structures;

- Support municipalities to reduce UIF&W expenditure;
 - Adoption of policies and by-laws;
 - Filling of all critical vacancies including section 56 positions;
 - Effective oversight over administration to ensure accountability;
 - Support and align to the District Development Model;
- Support plans were further developed for all other municipalities in line with game changers:
 - Budget, revenue management, asset management, supply chain management and mSCOA;
 - Auditing support- to support on the compilation of the audit action plans and implementation the internal controls to address the root causes of the audit findings;
 - The Department of CoGTA to resuscitate Municipal Finance Directorate;
 - The Department of provincial CoGTA proposed the deployment of debt collection experts to assist municipalities to improve their debt collection and revenue enhancement;
 - Provincial CoGTA through PMU supported by DBSA to support municipalities on asset care, revenue enhancement, spatial restructuring and master planning programmes;
 - Provincial CoGTA proposed the establishment of a high skilled team of seasonal local government practitioners on a retainer basis who have been in local government and command considerable vast experience in but not limited to the following areas: Government and administration, regulatory and legislative compliance; IDP, SDBIP and public participation mechanisms; and Finance, debt collection and project management.

North West

- The province reviewed the audit action plans for adequacy and proposed remedial actions;
- Further, assessed trend of the audit outcomes for each municipality and UIF&W expenditure;

- The Provincial Cogta demonstrated measures that requires municipal attention to improve municipal audit outcomes;
- Certain measures require municipal attention:
 - Audit steering committees should be convened on weekly basis to assess progress on the implementation of the audit action plans and the meetings should be chaired by the Accounting Officers to promote accountability;
 - Adequate implementation of record keeping and internal controls;
 - Municipalities should comply with section 32(4) of the MFMA, which requires the municipality to report UIF&W expenditure incurred in prior years and the year under review to the Mayor, Auditor General and the MEC for Local Government;
 - Municipalities should capacitate the SCM practitioners and management to ensure compliance with SCM regulations and related prescripts; and
 - Implementation of consequence management in order to reduce the number of non- compliances with legislation and regulations.

Northern Cape:

- The provincial Cogta is strengthening its monitoring mechanism to identify weaknesses and challenges faced by municipalities and monitor the implementation of the audit action plans;
- Further, encourages Mayors to, council and municipal managers to take ownership and accountability to improve audit outcomes. Municipal leadership should continually monitor corrective measures to address issues raised by AGSA; and
- Municipalities should enforce the implementation of the service level agreement entered into with service providers.

Western Cape

- The Western Cape Department of Local Government (DLG) in collaboration with the Provincial Treasury (PT) have instituted measures to address issues raised by the Auditor General and provided extensive support to municipalities towards

achieving good governance and positive audit outcomes. Factors contributing to the positive municipal audit outcomes in the province.

- Ongoing strengthening of positive IGR Relations between the Provincial Government and Municipalities;
- Strong working relationships have been created with other key stakeholders which include, amongst others, ESKOM and the Auditor-General. Regular meetings take place where matters of strategic importance are discussed to guide and further improve processes, systems and encourage strong governance;
- A strategic focus in the province has been on collaboration as a strengthening and enabling mechanism to encourage and enhance vertical and horizontal co-planning, -budgeting and -implementation in a geographical space;
- The Provincial Executive prioritizes its monitoring and oversight responsibility; The Provincial Departments have adopted strategies to provide “hands-on and targeted support” to municipalities to improve and enhance their functioning and service delivery; and
- The Department of Local Government provides continuous support to municipalities to institutionalize Information and Communication Technology (ICT) governance and to address ICT related Audit findings.

7.11.2 National support and interventions

The third three-year phase of the programme, MFIP III, commenced on 1 April 2017 and ended on 31 March 2020. The programme was extended for an additional two years from 1 April 2020 to 31 March 2022. As at 31 March 2021, the MFIP procured and deployed 73 technical advisors. These advisors included direct capacity support to municipal budget and treasury offices and the municipal finance units of provincial treasuries. During the 2020/21 financial year, 1 104 capacity building sessions were held, involving 3 954 officials. The municipal advisors conducted 469 capacity building sessions, reaching 1 017 officials across 43 municipalities.

The National Treasury extended its support to enhance local government revenue management. Socio-economic profiling of all 257 municipalities was completed and National Treasury also undertook revenue assessments in 43 municipalities. National Treasury developed a tariff tool that facilitated assessments as part of oversight and to strengthen the cost-reflectiveness of municipal tariffs. The revenue support also included the deployment of specialists nationally and across six provinces to drive and support these revenue enhancement initiatives and to build capacity in provincial treasuries to enhance their revenue related oversight and support.

The implementation of MFMA Circular No. 88 has further advanced since the reform has been institutionalised. As the only MFMA circular with the distinction of being jointly issued by the National Treasury, CoGTA and the DPME, it is unique in the coherence it has brought to the suite of planning, budgeting and reporting reforms. Metropolitan municipalities have steadily incorporated these indicators into their plans and reported against them over the 2020/21 financial year. This has included the first set of annual and quarterly data for Local Economic Development indicators, among others. Performance analysis of this data is now undertaken by sector departments, including the Department of Human Settlements, which has rationalised its requests for data in relation to the Urban Settlements Development Grant (USDG) and now relies on MFMA Circular No. 88 data for performance monitoring.

In 2020/21, intermediary cities, districts and local municipalities began planning for and reporting against differentiated sub-sets of MFMA Circular No. 88 indicators. Despite this progress, more than half of municipalities are regularly reporting on Circular No. 88 to provincial CoGTAs, which remains focused in providing further technical and capacity support to provinces. 200. As part of the coordination of the reform, MFMA Circular No. 88 indicators now form the foundational municipal performance monitoring component of the District Development Model (DDM)'s Integrated Monitoring and Evaluation Framework. This contributes to complementary and mutually reinforcing reforms in terms of local government performance information and data sharing.

In 2021, the National Treasury reviewed the system of capacity-building for local government. It was discovered that the focus should move from capacity building to a broader measure of developing capability. The review indicated that although capacity is directly related to individual improvements, such as skill development, measures of capability take into consideration a range of factors, such as the environment in which the individual works. This has implications on how the state designs support and the resources available to local governments. The review proposed a new framework to build a capable local government by improving the current system incrementally and identifying pilot sites for innovation and experimentation.

Audit outcomes

The section 134 report identified a number of steps that are required to improve audit outcomes:

- Municipal leadership should promote a culture of ethical business practices and good governance and ensure effective oversight structures to address root causes that underpin the increase in number of poor governances, undesired audit outcomes and interventions through section 139 of the Constitution;
- A culture of accountability and political will to realise change and to create a conducive environment in which poor performance and transgression are managed;
- Enforcement of performance management systems as tool for accountability and the implementation of the audit action plans should be integral part performance agreement of senior managers;
- Investment and channelling of resources towards strengthening of internal controls and capacity building (skills and vacancies);
- Municipalities can request AGSA to assist with status of records review, which helps with the assessment of records, risk and progress made by the municipalities to address prior year issues;
- Encourage municipalities to prepare interim financial statements and development of consultancy reduction plans to reduce reliance on consultants;

- Mechanism to minimise litigations and other financial losses; and
- Involvement of municipal internal audit to validate progress of the implementation of the action plans and appropriate audit evidence.

The support interventions provided by the Department of Cooperative Governance on audit outcomes covers risk areas identified by AGSA in the following pillars: governance, administration, financial management and service delivery. The support build towards promoting good governance, improvement of municipal performance and audit outcomes, provision of sustainable delivery:

- **Strengthening governance and accountability:** The local government audit outcomes and CoGTA's State of Local Government report confirms the correlation between failures in governance as a main driver for poor performance, financial health deterioration and undesired audit outcomes. To address the challenges, the Municipal Support and Intervention Plans (MSIPs) Framework has been developed by CoGTA, Provinces, SALGA and National Treasury to provide guidance on the development, implementation and the monitoring of the MSIPs. To strengthen the oversight, some of the interventions were made through new provisions in the Municipal Structures Amendment Act, which empowers Municipal Public Account Committees (MPACs) amongst other to consider issues raised by AGSA. To improve monitoring of MPACs, the GIZ in collaboration with the DCoG is developing a Web Based monitoring and reporting tool for MPACs. Subsequent to 2021 local government election and establishment of MPACs, the Department in collaboration with National Treasury, SALGA and their provincial counterparts embarked on induction programmes and workshopped MPACs;
- **Implementation of the audit action plan:** DCoG in collaboration with provincial counterparts' support municipalities in the development and the implementations of the audit action plans. Assessment of the audit the audit action plans in selected municipalities for adequacy and to evaluate the extent to proposed actions address issues raised by AGSA and root causes. The poor state of non-compliance and issues raised by AGSA prompted DCoG to provide technical support to selected

municipalities for improvement of records management in particular to municipalities that has negative audit outcomes and data management(revenue) aimed at assisting municipalities with accuracy and completeness of billing, which will enable the municipalities to maximise revenue potential and minimise audit findings. Engagement with AGSA to support municipalities where material irregularity has been identified. The engagement also explores on other measures to assist municipalities and to identify areas of collaboration, sharing of information to ensure that both parties have a real time data, which will assist the department to be proactive with the support intervention;

- **Full and proper records keeping:** Poor record keeping resulted in substantial harm to municipalities that have repeatedly obtained disclaimer audit opinions and undesired audit outcomes due to limitation of scope and lack of accountability. The Department appointed service providers to assist with the roll out of the project in 30 municipalities, currently the service providers are assisting municipalities with the improvements records management considering key pillars of records management practice and compliance with NERSSA requirements;
- **Improvement of data management for appropriate billing:** Municipalities are required to raise rates and provide services such as water, electricity, refuse removal and other trading services. In the execution of these functions, consumer data for billing become the central part of the revenue management. The purified and quality data for billing can provide substantial revenue growth and bring efficiency in revenue management. The Department appointed a panel of service providers to undertake a data management (revenue) project in 8 municipalities to address the challenges of the inaccuracy and completeness of billing, and revenue leakages;
- **Cost of supply study on water services to improve efficiency in trading services:** DCoG is embarking on the cost of supply study on water services provision in 10 municipalities aimed at assisting municipalities to design tariff settings that could be cost reflective;
- **Improve service delivery infrastructure:** The Department through MISA support municipalities amongst others placement of civil and Electrical engineers in all

provinces to assist municipalities to plan and execute, operate maintain infrastructure projects. The focus of these engineers is on poor performing municipalities and those that lack technical capacity to deal with service delivery. To date, MISA has deployed 73 professionals. Furthermore, MISA is implementing capacity building programmes in an effort to build a skills pipeline for municipalities for infrastructure development throughout the infrastructure development value chain;

- **Strengthening Institutional capacity:** Infinite use of consultants for financial reporting and poor performance can be linked to capacity gap (skills and vacancies). The stability of municipal administrations is an important component both in building capacity and in creating a conducive environment. To strengthen institutional capacity, the Minister promulgated the Local Government: Municipal Staff Regulations which regulations prescribe minimum competency requirements for staff below senior management. DCoG also intends rolling out the prototype staff establishment project in municipalities to address challenges in the organograms of municipalities. Furthermore, the Department support municipalities with skills audits and recruitment processes of senior managers and assessed on compliance with the appointment regulations;
- **Collaboration with National Treasury:** The Department is in the process of reviewing a memorandum of understanding with National Treasury to ensure collaboration and a coordinated approach in assisting municipalities with governance, financial management and service delivery. National Treasury takes a lead on financial management and collaborate with the Department on but not limited to:
 - Coordination of the MFMA joint meeting comprising of AGSA, National Treasury, DCoG, SALGA and provincial counterparts discusses technical issues pertaining to audit outcomes and MFMA related matters;
 - Development and monitoring of the implantation of financial recovery plans in municipalities that experience severe financial challenges;

- National Treasury takes a lead and facilitate engagement with AGSA on disagreements/disputes on the legal interpretation of legislation relating to accounting framework and application of GRAP standards; and
- National Treasury takes a lead on asset management, budget management, expenditure management, implementation of municipal standard chart of accounts (mSCOA), implementation of supply chain management reforms, guideline and treatment of UIF&W expenditure and accounting framework.

7.11.3 Provincial recommendations

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

- 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 strictly ensure compliance with legislation on supply chain and contract management and strengthen revenue collection strategies to improve financial viability;
- **KwaZulu-Natal** stated that given the weak leadership oversight reported, the provincial Department will enhance monitoring of the functionality and effectiveness of council oversight structures.
- **Limpopo** recommended that the collection of revenue by municipalities should be prioritised to ensure that municipalities remain financially viable, especially households and government debt;
- **Mpumalanga** recommended that political and administrative buy-in should play a role to ensure monitoring of implementation of audit action plans;
- Mpumalanga recommended that government departments should enter into payment agreements with municipalities for outstanding debt;
- **North West** recommended that municipalities should be supported with revenue enhancement management initiatives;
- The **Western Cape** stated that in response to the growing revenue and expenditure challenges, municipalities should be advised on ways to increase

revenue, including measures to promote long-term growth and grant support should be provided for targeted revenue enhancement projects in selected municipalities.

7.11.5 National recommendations

- Financial Management Rooting out corruption in local government should be the major focus for municipalities and all related role-players. This requires a diverse range of actions including greater transparency in the workings of a municipality – particularly in all areas related to supply chain management and procurement.
- SCM processes and regulations must be simplified and must include sanctions to be implemented when SCM processes are not completed within legislated time frames. SCM related appeals should be heard by independent committees at either provincial or national level.
- Decisive consequence actions should be implemented where irregular expenditure is not regularised, and unfunded budgets are passed by councils. Whilst the legal framework is sufficient in this regard, implementation remains the major challenge.
- Fraud should be reported separately from fruitless and wasteful expenditure.
- The effectiveness of Revenue Management systems must be improved. This includes ensuring that billing systems and credit control are effective. The high levels of non-revenue water should be reduced.

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

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8.9.1 National overview

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8.10 Challenges in good governance and public participation

8.11 Support, interventions and recommendations

8.11.1 Provincial support and interventions

8.11.2 Provincial recommendations

8.11.3 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.

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.

According to the B2B report, less Ward Committee and Ward Councillor report back meetings were reported in 2020/21 compared with the previous year. An overall average of 90% of the expected number of Ward Committee meetings were held in the year, but only an average of 42% of the expected number of Ward Councillor report back meetings took place.

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 31 municipalities, 90% of ward committees were established in two municipalities. 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. Seven municipalities were classified as weak by the province in terms of ward functionality, which is an increase compared with one municipality in 2019/20. These municipalities were: Buffalo City MM, Mbhase LM, Raymond Mhlaba LM, Dr Beyers Naude LM, Sunday's River Valley LM, Enoch Mgijima LM and Ingquza Hill LM.

In the **Free State**, municipalities were supported to maintain functional ward committees. The province reported that ward committees operated with various levels of functionality.

Gauteng reported that there was an improvement in ward committee functionality during 2020/2021. 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 268 were functional. During the past three financial years, the functionality of Gauteng ward committees declined from 81% in 2018/19 to 54% in 2019/20, before improving to 64% in 2020/21. There was a reported decline in the number of ward committee meetings in Gauteng municipalities, from 1440 in 2018/19, 1246 in 2019/20 and 1038 in 2020/21. Both ward council functionality and meetings were affected by lockdowns.

KwaZulu-Natal reported that although ward committee functionality and community engagements were affected by COVID-19 during the second half of 2019/20, there was an improvement during 2020/2021 in almost all local municipalities. Functionality of ward committees and convening of community engagements were reported to be poor in the local municipalities of Abaqulusi, Dannhauser and uMlalazi.

During 2020/2021, 547 ward committees were established in **Limpopo**, of which 530 were functioning to a satisfactory level. The province challenges with functionality of ward committees in Mogalakwena LM. Ward-based operational plans were developed to ensure proper monitoring and facilitation of projects within wards. All local municipalities were remunerating ward committee members for out-of-pocket expenses.

Mpumalanga reported that 84% of the 400 ward committees were functional in 2020/2021, compared to 76% in 2019/20. Three municipalities reported functionality of less than 70%: Dr JS Moroka LM, Govan Mbeki LM and Mkhondo 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 the lockdown due to COVID-19 contributed to overall ward functionality, including poor functionality in Tswaing, and the non-establishment of ward

committees in Mamusa LM. Dysfunctional wards were reported in the local municipalities of Mafikeng, Lekwa-Teemane, Naledi, Maquassi Hills, Matslosana, JB Marks, Kgetlengrivier, Rustenburg and Moses Kotane.

According to North West, local municipalities mostly provided adequate administrative support to ward committees. 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 some municipalities.

As at end of June 2021, there were 402 wards across municipalities in the **Western Cape**, of which 395 ward committees were established, but only 328 of the established committees were functional.

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 were 11 municipalities in the province where there was no effective monitoring of CDWs and 12 municipalities did not provide any information on CDWs.

CDWs were deployed in 354 of 529 wards of **Gauteng** municipalities in 2020/21. The CDW programme referred 34 811 cases to different government departments in 2020/21. Of these referred cases, 8 258 cases were identified in municipalities and 4 533 of these cases were resolved. 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 395 CDWs in **Mpumalanga**, but there was a vacancy rate of 93 due to attrition. The province reported that all CDWs were performing their duties as expected. The CDW programme developed and implemented the Early Warning System, which enabled CDWs at ward level to reports matters of service delivery concern to municipalities and the provincial government to ensure escalation to relevant stakeholders for intervention.

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.

Most municipalities in the **Free State** still use manual systems to capture complaints of communities, including complaint boxes and complaint registers. Only three local municipalities were using web-based systems for dealing with complaints and compliments, namely Dihlabeng, Moqhaka and Matjhabeng. A further two municipalities were inconsistent in the use of a web-based system. Seven municipalities have established formal Complaints management committees, but the committee in Mohokare was not functional.

8.4.2 Service delivery protests

In 2020 Gauteng, KwaZulu-Natal and the Western Cape provinces were the most protest-prone provinces. They were followed by the Eastern Cape, Mpumalanga, and the Limpopo provinces. The least protest-prone provinces during 2020 were the provinces of the Free State and North West (3% each) and the Northern Cape (1%).

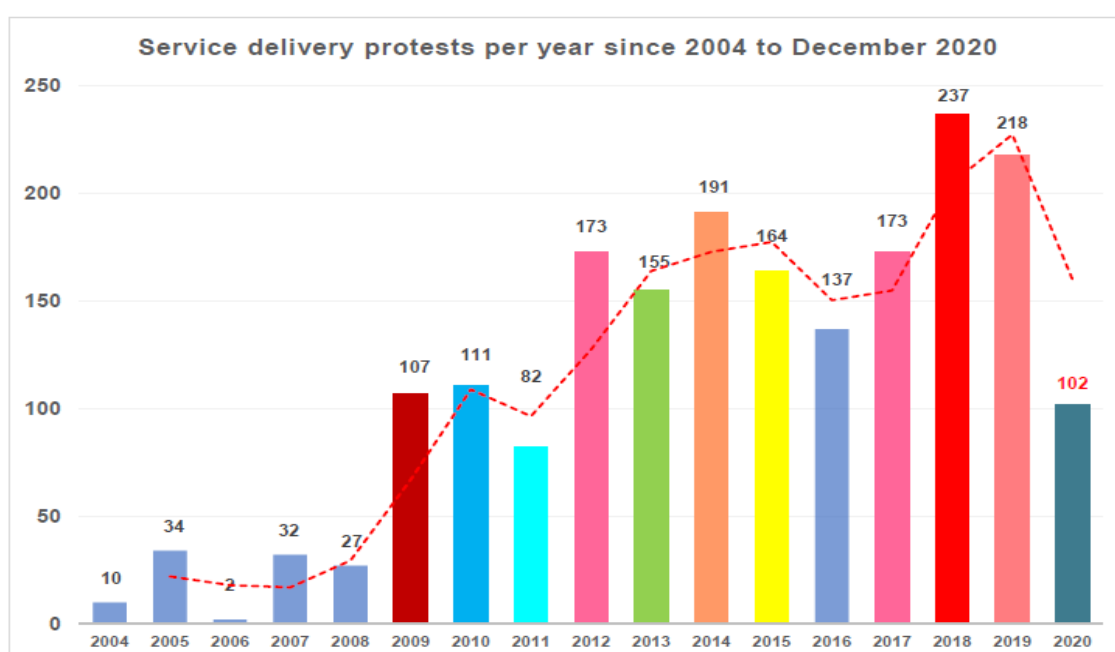
Protests in South Africa remain highly volatile and are typically violent with several communities unable to attend work and schools, and intimidation is often reported. Over the years, some of the protests have been marked by violence and vandalism. Most worryingly, is that the violent nature of protests has increased over time.

The Institute for Security Studies' Protest and Public Violence Monitor has identified the leading cause of demonstrations during 2020 as the policing of lockdown restrictions and crime (14%) with a particular focus on gender-based violence. The second most prevalent issue for those taking to the streets was labour-related concerns (13%), mainly the supply of protective equipment to staff such as healthcare workers. There have also been various protests during 2020, that was not due to the COVID-19 lockdown or specifically about municipal service delivery. Some of the issues were similar to those raised by protesters elsewhere in the world and include racism, police violence, and gender-based violence and femicide.

The seventh South African Citizen Satisfaction Index (SA-csi) for Municipalities 2020, conducted by Consulta, measured the Citizen Satisfaction and Trust in service delivery in the eight metropolitan municipalities. The survey showed that citizen satisfaction and trust in their local municipality has remained extremely low with none of the major metros managing to meet the service delivery expectations of residents. Municipalities also record the lowest satisfaction scores by a far margin for all industry sectors tracked by the SA-csi. What is notable is that the gap between citizen expectations and perceived quality continues to widen, which means that while citizen expectations are increasing, actual delivery and service quality are declining. Overall, the results show that citizens'

expectations of local government delivery of services are very far from being met with a particular concern around the trend in the widening of the gap of expectations to quality. A major contributor to the below par performance is the negative perception of reliability of services. In terms of specific problems with service delivery, citizens highlight water supply and management, electricity supply, garbage/refuse removal, unkempt streets, and rates and accounts as the key things that citizens are unsatisfied with.

Figure 25: Service delivery protests per year 2004 - 2020



Municipal IQ Hotspots Monitor – www.municipaliq.co.za

There was 102 service delivery protests in South Africa in 2020, compared to 218 in 2019 and 237 in 2018 (which represented the two highest years of protests recorded since 2004). but can be attributed to the lockdown months when public gatherings were outlawed, and policing was rigorously enforcing the State of Disaster regulations. When the municipal financial year is considered (July 2020 to June 2021) a total of 128 protests were recorded.

According to the B2B reporting system, service delivery protests increased somewhat from 2019/20 to 2020/21. Most of the protests occurred in the first quarter of the year. The percentage of protests that turned violent (31%) was slightly less than the 34% recorded in the previous year. Most of the protests were reported by municipalities in Gauteng, followed by the Western Cape and KwaZulu-Natal. As could be expected, the highest number of protests occurred in the metropolitan municipalities.

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 2020/21, compared with the previous year. However, municipalities overall still managed to hold more than the expected minimum number of meetings for the year. A total number of 1 202 meetings were reported out of the expected number of 1 028 meetings in 2020/21. In the previous year more meetings were reported, namely 1 732 meetings.

Municipalities in the Northern Cape (60%), North West (64%), Free State (70%) and Eastern Cape (84%) reported less than the expected number of meetings as an average in the 2020/21 FY.

8.5.2 Provincial reporting

According to the Section 47 report of **KwaZulu-Natal**, council structures were functional during 2020/2021. All council meetings were held quarterly complying with the mandatory quarterly meeting requirement. However, in January 2021 Mtubatuba LM, Emadlangeni

LM, Nquthu LM and uMkhanyakude DM were not fully functional. All these municipalities were placed under Constitutional Administration. Executive committee meetings and portfolio committees were held in all municipalities, except the four above-mentioned municipalities.

There appears to be a deterioration in the attendance of traditional leaders in council meetings in KwaZulu-Natal, compared to the previous year, with six municipalities reporting 0% attendance in 2020/21 compared to four municipalities in 2019/20. Five municipalities reported a notable increase in the overall level of participation on council meetings during 2020/21.

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. There was number of council meetings where a quorum was not achieved: Govan Mbeki LM (2), Lekwa LM (4) and Dr JS Moroka (4). A quorum was not achieved in the Executive Mayoral Committee meetings of Lekwa LM (7) and Dr JS Moroka (9).

Troikas were functional and meeting on a regular basis in all municipalities in Mpumalanga, including through virtual platforms.

The **Western Cape** indicated that in most cases councils had to seek innovative methods to communicate and conduct their meetings, due to COVID-19 restrictions. All municipalities have adopted their system of delegations and the respective Codes of Conduct were adopted in terms of legislation.

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.

More instances, disciplinary cases and dismissals for fraud and corruption in municipalities were reported through B2B in 2020/21 than the previous year. The instances of fraud and corruption reported in 2020/21 were 1337, compared to 818 instances in 2019/20. The number of disciplinary cases increased over the same period from 603 to 637, while the number of dismissals increased slightly from 74 to 77.

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.

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 13 municipalities as weak when it comes to corruption prevention mechanisms, indicating that no fraud prevention policy has been adopted. A further four municipalities did not submit any information. Nine municipalities had their

policies adopted by council, held staff awareness workshops and had reporting mechanisms of fraud cases in place.

All metropolitan municipalities in **Gauteng** had standard operating procedures in place to monitor performance of the implementation of anti-corruption strategies. Midvaal LM established a Section 79-ethics and disciplinary committee to investigate misconduct of councillors and enforcing the code of conduct. The City of Ekurhuleni established an Office of the Integrity Commissioner.

Five **Gauteng** municipalities reported that they had an anti-corruption strategy, while six municipalities reported the existence of draft strategies. Only four of these strategies were approved by the municipal council and only three of these strategies were reviewed by provincial CoGTA. Sedibeng DM, West Rand DM, Emfuleni LM, Mogale City LM and Lesedi LM have not compiled its anti-corruption strategies.

In **Limpopo**, it was reported that during 2020/21, 26 municipalities have compiled adopted and implemented anti-corruption plans. The only exception was Collins Chabane LM which did not have an approved plan.

North West reported that Fraud and Anti-Corruption Policies were in place in 17 municipalities and a draft policy was existing in Kgetlengrivier LM. Dr Kenneth Kaunda DM, JB Marks LM, Mahikeng LM and Ditsobotla LM did not have policies in place. Only four of the municipalities in North West had Implementation Plans, namely Madibeng LM, Moretele LM, Matlosana LM, Ramotshere Moiloa LM.

In **Mpumalanga**, it was reported that there was an improvement in the number of councils that reviewed and adopted their anti-corruption measures, from 55% in 2019/20 to 80% in 2020/21. However, the plans of Govan Mbeki LM (2014/15), Dr Pixley Ka Isaka Seme, Bushbuckridge LM and Dipaleseng LM (all 2018/19), were outdated.

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**, 26 municipalities reported the existence, responsibilities and functionality of an Audit Committee, and provided a report as well. This was a decrease

from 29 municipalities in 2019/20 and 33 municipalities in 2018/19. One municipality provided no information and the information provided by seven municipalities was considered inadequate.

The Internal Audit Units in all municipalities in **Gauteng** were reported to be functional in 2020/21. The City of Johannesburg MM and Emfuleni LM had vacancies of the Chief Audit executives and Audit Managers. 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 virtual meetings during the financial year.

Twelve municipalities in **KwaZulu-Natal** indicated that the statutory requirement of at least four Audit Committees held per year was not adhered to in the 2020/21 financial year.

In **Limpopo**, all municipalities have established Audit Committees and Internal Audit Units.

Mpumalanga reported that Audit Committees were established and were functional in all municipalities.

Fifteen municipalities in the **Northern Cape** reported that they had Internal Audit Units. Eleven local municipalities have a shared service with their District municipality, while three local municipalities received support services from their District municipality. Only Khai-Ma LM and Richtersveld LM did not have Internal Audit Units, which is an improvement on the 4 municipalities which did not have such units in 2019/20.

Sixteen municipalities in the Northern Cape have established Audit Committees, while eleven municipalities had shared service arrangements with their District municipality. Dikgatlong LM received support services by their District municipality. Khai-Ma LM, Richtersveld LM, and Gamagara LM did not have Audit Committees.

In the **Western Cape**, 28 municipalities reported to have established Internal Audit Units and 26 municipalities prepared their 2020/21 risk-based audit plan. It was reported that 27 municipalities had their Internal Audit Personnel appointed, 24 municipalities prepared their 2019/20 internal audit programme and 20 municipalities operated according to the Internal Audit charter.

In the Western Cape, Audit Committees were fully functional in all municipalities, with 29 municipalities with at least three members serving on the committee. Knysna LM was the only municipality with less than three members. 22 municipalities had at least four meetings during 2020/21.

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 2020/21 was below the expected number of meetings, with only 628 meetings or 61% of meetings reported, compared to 819 meetings or 80% of the expected meeting reported in the previous year. The frequency of meetings was the lowest in municipalities in the Northern Cape and Free State provinces.

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.

There has been significant improvement in the functioning of MPACs across **KwaZulu-Natal** in 2020/2021. Only 5 of 54 municipalities did not hold quarterly MPAC meetings, compared to 14 municipalities in 2019/20.

In **Limpopo**, MPACs were established in all municipalities.

In the **Northern Cape**, Kamiesberg LM reported that the committee was not functional. The AG raised the concern that the MPACs of municipalities were ineffective and creating an environment that does not encourage accountability and consequence management.

In **North West**, challenges in some of the municipalities included that MPACs did not hold regular meetings, including in Ditsobotla LM. Other challenges included resistance from management to participate in MPAC activities, and delays with issuing oversight reports. Distobotla LM, Maquassi Hills LM and Mamusa LM have a backlog of oversight reports from 2008/9 to 2017/18.

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.

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 (Mhhlonto LM and Sabata Dalindyebo) had developed an IGR strategy, adopted it by council and had an operational unit in place. Alfred Nzo 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 there were challenges with convening of District IGR Forums and technical support structures.

KwaZulu-Natal stated that attendance and participation of DDM Hub and Cluster meetings by Sector Departments is still a serious challenge.

Limpopo indicated that the province supported the alignment of IGR structures and facilitation of engagements between sector departments and municipalities. It was reported that IGR structures were functional in the province and that all municipalities had functional websites.

Mpumalanga reported that during 2020/21 the functionality of Provincial and District political and technical IGR structures gained traction due to preparations towards the 2021 Local Government Elections. Mpumalanga aligned the IGR and DDM structures

during 2020/2. A District Cluster Model was introduced, consisting of the clusters of Governance and Administration, LED, Job Creation and Infrastructure.

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”*.

Since 01 January 2016 to 2021, section 139(1)(b) of the Constitution was invoked in forty-four (44) municipalities across eight (8) provinces whilst twenty-four (24) municipalities were subjected to 139(1)(a) of the Constitution, totalling to accumulative sixty-eight (68) invocation of interventions in terms of these two modes. The following tables enlist and numerate all interventions invoked in terms of section 139(1)(a) or (b) of the Constitution during this period.

Table 8: Section 139 interventions, 2016-2021

Province	Name of municipality	Type of intervention	Date instituted	End date/Expected end date
Eastern Cape	Walter Sisulu LM	S 139 (1)(b) of the Constitution	February 2018	November 2018
Eastern Cape	Great Kei LM	S 139 (1)(b) of the Constitution	June 2018	November 2018
Eastern Cape	Enoch Mgijima LM	S 139 (1)(b) of the Constitution	August 2018	Current in 2021
Eastern Cape	Nelson Mandela Bay MM	S 139 (1)(a) of the Constitution	November 2019	May 2020
Eastern Cape	Amahlati LM	S 139 (1)(b) of the Constitution	February 2019	November 2019
Free State	Mafube LM	S 139 (1)(b) of the Constitution	December 2017	Current in 2021
Free State	Metsimaholo LM	S 139 (1)(b) of the Constitution	February 2020	Current in 2021
Free State	Masilonyana LM	S 139 (1)(b) of the Constitution	March 2017	September 2019

Free State	Maluti-a-Phofung LM	S 139 (1)(b) of the Constitution	February 2018	June 2020
Gauteng	Emfuleni LM	S 139 (1)(b) of the Constitution	June 2018	Current in 2021
Gauteng	City of Tshwane MM	S 139 (1)(a) of the Constitution Escalated to S 139 (1) (c)	January 2020	Municipal council dissolved in March 2020
KwaZulu-Natal	Ingwe LM	S 139 (1)(b) of the Constitution	May 2016	Lapsed after 2016 LGE, when municipality was amalgamated with Kwa-Sani LM to form Dr Nkosazana Dlamini-Zuma LM.
KwaZulu-Natal	Jozini LM	S 139 (1)(b) of the Constitution	July 2016	Intervention disapproved by Minister in August 2016.
KwaZulu-Natal	Nquthu LM	S 139 (1)(b) of the Constitution	October 2016	February 2017 (Escalated to

				S 139 (1) (c) intervention,
		S 139 (1)(b) of the Constitution	January 2021	Intervention disapproved by Minister in March 2021.
KwaZulu-Natal	Umzinyathi DM	S 139 (1)(b) of the Constitution	October 2016	Current in 2021
KwaZulu-Natal	Edumbe LM	S 139 (1)(b) of the Constitution	July 2017	February 2019
KwaZulu-Natal	Mpofana LM	S 139 (1)(b) of the Constitution	December 2017	Current in 2021
KwaZulu-Natal	Inkosi Langalibalele LM	S 139 (1)(b) of the Constitution	December 2017	Current in 2021
KwaZulu-Natal	Emadlangeni LM	S 139 (1)(b) of the Constitution	January 2017	Intervention suspended in February 2017 pending review, but reinstated when municipality failed to proceed with review application.

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		S 139 (1)(b) of the Constitution	September 2020	Current in 2021
KwaZulu- Natal	Dr Nkosazana Dlamini-Zuma LM	S 139 (1)(b) of the Constitution	March 2018	January 2019
KwaZulu- Natal	Uthukela DM	S 139 (1)(b) of the Constitution	August 2018	Current in 2021
KwaZulu- Natal	Endumeni LM	S 139 (1)(b) of the Constitution	December 2018	November 2019
KwaZulu- Natal	Abaqulusi LM	S 139 (1)(b) of the Constitution	February 2019	Current in 2021
KwaZulu- Natal	Mtubtuba LM	S 139 (1)(b) of the Constitution	March 2019	Current in 2021
KwaZulu- Natal	Richmond LM	S 139 (1)(b) of the Constitution	March 2019	Current in 2021
KwaZulu- Natal	Msunduzi LM	S 139 (1)(b) of the Constitution	April 2019	Current in 2021
KwaZulu- Natal	Umkhanyakud e DM	S 139 (1)(b) of the Constitution	January 2021	Current in 2021
Limpopo	Thabazimbi LM	S 139 (1)(b) of the Constitution	February 2016	October 2016

Limpopo	Mogalakwena LM	S 139 (1)(b) of the Constitution	December 2019	Current in 2021
Limpopo	Modimolle Mokgopong LM	S 139 (1)(b) of the Constitution	June 2018	May 2019
Limpopo	Feta Kgomo Tubatse LM	S 139 (1)(b) of the Constitution	December 2018	May 2019
Mpumalanga	Dr JS Moroka LM	S 139 (1)(b) of the Constitution	January 2021	Current in 2021
Northern Cape	Phokwane LM	S 139 (1)(b) of the Constitution	April 2019	Current in 2021
North West	Mafikeng LM	S 139 (1)(b) of the Constitution	June 2016	June 2017
		S 139 (1)(a) of the Constitution	June 2018	July 2018
		S 139 (1)(b) of the Constitution	December 2018	August 2020
North West	Bojanala Platinum DM	S 139 (1)(a) of the Constitution	June 2018	July 2018
North West	Dr Kenneth Kaunda DM	S 139 (1)(a) of the Constitution	June 2018	July 2018

North West	Dr Ruth Segemotsi Mompati DM	S 139 (1)(a) of the Constitution	June 2018	July 2018
North West	Ngaka Modiri Molema DM	S 139 (1)(a) of the Constitution	June 2018	July 2018
North West	City of Matlosana LM	S 139 (1)(a) of the Constitution	June 2018	July 2018
North West	Greater Taung LM	S 139 (1)(a) of the Constitution	June 2018	July 2018
North West	Rustenburg LM	S 139 (1)(a) of the Constitution	June 2018	July 2018
North West	Taung LM	S 139 (1)(a) of the Constitution	June 2018	July 2018
North West	Moses Kotane LM	S 139 (1)(a) of the Constitution	June 2018	July 2018
North West	Kagisano-Molopo LM	S 139 (1)(a) of the Constitution	June 2018	July 2018
		S 139 (1)(b) of the Constitution	September 2018	June 2020
North West	Naledi LM	S 139 (1)(a) of the Constitution	June 2018	July 2018

		S 139 (1)(b) of the Constitution	April 2019	June 2020
North West	Lekwa Teemane LM	S 139 (1)(b) of the Constitution	June 2016	June 2017
		S 139 (1)(a) of the Constitution	June 2018	July 2018
		S 139 (1)(b) of the Constitution	May 2019	June 2020
North West	Tswaing LM	S 139 (1)(a) of the Constitution	June 2018	July 2018
		S 139 (1)(b) of the Constitution	May 2019	May 2020
		S 139 (1)(b) of the Constitution	August 2020	The intervention was terminated by the High Court judgement in September 2020.
North West	Ratlou LM	S 139 (1)(a) of the Constitution	June 2018	July 2018

		S 139 (1)(b) of the Constitution	May 2019	June 2020
North West	JB Marks LM	S 139 (1)(a) of the Constitution	June 2018	July 2018
		S 139 (1)(b) of the Constitution	May 2019	June 2020
		S 139 (1)(b) of the Constitution	August 2020	Current in 2021
North West	Mamusa LM		July 2016	The intervention was disapproved by the Minister in August 2016.
		S 139 (1)(a) of the Constitution	June 2018	July 2018
		S 139 (1)(b) of the Constitution	May 2019	Escalated to section 139 (1) (c), the municipal council was dissolved in September 2019

North West	Ditsobotla	S 139 (1)(b) of the Constitution	June 2016	June 2017
		S 139 (1)(a) of the Constitution	June 2018	July 2018
		S 139 (1)(b) of the Constitution	September 2018	June 2020
North West	Kgetlengrivier LM	S 139 (1)(b) of the Constitution	September 2018	August 2019
		S 139 (1)(a) of the Constitution	June 2018	July 2018
North West	Maquassi Hills LM	S 139 (1)(b) of the Constitution	September 2018	June 2020
		S 139 (1)(a) of the Constitution	June 2018	July 2018

As of 30 June 2021, 38 municipalities were under intervention, either discretionary or mandatory, in terms of Section 139 of the Constitution. These interventions are in the North West (8 municipalities) followed by Eastern Cape (6 municipalities), Free State (6 municipalities), Mpumalanga (5 municipalities), Northern Cape (4 municipalities), Limpopo (3 municipalities) and Gauteng, Western Cape and KwaZulu Natal with 2 municipalities each.

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.

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. 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.

8.9.2 Provincial reporting

There was very limited information on section 139 interventions in the Section 47 reports.

The **Eastern Cape** reported that Amathole DM, Enoch Mgijima LM and Makana LM were under intervention in terms of section 139(5) of the Constitution, and were implementing

the Financial Recovery Plan, which is monitored by the provincial Department. OR Tambo DM has implemented a voluntary Financial Recovery Plan.

The **Northern Cape** Provincial Executive Council resolved on 20th August 2002 to dissolve the Council of Renosterberg Local Municipality in terms of section 139 (1) (c) and section 139 (5) of the Constitution. Mr Thembilize Andries Loko was appointed as Administrator of the municipality from 7th September 2020 until a new municipal council was declared elected.

In terms of section 154 of the Constitution, the province seconded acting municipal managers to three local municipalities during 2020/21: Kareeberg LM, Siyancuma LM, and Renosterberg LM.

KwaZulu-Natal reported that as at June 2021, the following ten municipalities were under constitutional intervention due to a number of challenges: Mpofana LM, Msunduzi LM, Richmond LM, uThukela DM, Inkosi Langalibalele LM, uMzinyathi DM, Nquthu LM, Abaqulusi LM, uMkhanyakude DM and Mtubatuba LM. The provincial executive resolved in March 2021 to terminate the intervention in Richmond LM.

Mpumalanga reported that 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. Intervention in Lekwa LM was decided upon by the National Cabinet in accordance of section 139 (7) of the Constitution and Section 150 of the MFMA.

8.10 Challenges in good governance and public participation

Provinces reported ongoing challenges with the ward committee system and CDWs:

The **Free State** reported that due the lockdown, municipalities were not in a position to provide credible information on the functionality of ward committees. There was no commitment from District Mayors to convene District IGR Forums and municipal

managers also did not convene technical support structures. Due to the absence of mayors, municipal managers and senior municipal officials, sector departments were also not attending District IGR Forums.

Limpopo reported the effectiveness of ward committees were affected by inadequate resources and incentives for ward committee members, as well as a 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 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 were 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 for 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:

- Failure of ward councillors to call ward community meetings and the non-sitting of ward committees;
- Non-implementation of ward operational plans;
- 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.

There were delays in the filling of vacant positions of CDWs due to a moratorium on appointments.

Various challenges were noted in the Section 47 reports on IGR, oversight structures in municipalities, and the combat of fraud and corruption:

Gauteng reported that the impact of COVID-19 made it difficult for internal audit units to complete the audits as planned, due to slow responses from departments, as well as from management on internal audit findings and recommendations. There were also high vacancies in some municipalities.

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 many municipalities did not complete the anti-corruption assessment tool, which created a challenging in assessing capacity and measuring implementation.

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 non-allocation of anti-corruption functions to appropriate components in the municipalities, a lack of commitment by administrative and political leadership of municipalities to deal with corruption strategies, and slow responses by municipalities in submitting requested information on anti-corruption measures.

8.11 Support, interventions, and recommendations

Regarding facilitating participatory governance in municipalities, an additional 113 municipalities were supported to have functional ward committees to date, cumulative to the municipalities supported in the previous years. The review of the legislative framework for ward committees has been incorporated into the Local Government: Municipal Structures Amendment Bill. The accredited ward committee skills programme is being implemented in the Mpumalanga and Free State Province. One (1) municipality in the Free State Province and Ten (10) municipalities in the Mpumalanga Province have completed their in-contact training.

Currently there is no national legislation regulating interventions in the provinces in terms of section 100 of the Constitution. In the case of municipalities, Chapter 13 of the Local Government: Municipal Finance Management Act, 2003, regulates section 139 interventions in municipalities, but only where the cause of the intervention is of a financial nature. There is no legislation to regulate interventions in municipalities arising from other causes. The Intergovernmental Monitoring, Support, and Interventions (IMSI) Bill is therefore intended to fill this void and to regulate interventions in terms of both sections 100 and 139 of the Constitution. However, in order not to encroach on the area already covered by the Municipal Finance Management Act, the Bill will apply to discretionary financial interventions and section 139(4) and (5) interventions only to the extent that the Bill's provisions are not inconsistent with the Municipal Finance Management Act, 2003.

The main objects of the Local Government Municipal Structures Amendment Bill are to address the problems that have been experienced in the implementation of the Act since its inception, most notably around the administration and the management of municipal elections; to promote the effective and efficient implementation of the Act; and to strengthen oversight and governance in municipalities. The amendments are, amongst others, intended to address electoral and governance-related matters as follows:

- (i) Clarify the term “declared elected” to be defined to provide a uniform interpretation of the date of assumption of duty, since there is presently misinterpretation with some councils interpreting it as the date of the election, and some councils as the date when the publication of the results in the government gazette takes place.
- (ii) The abolishment of the plenary-type of municipality and remain with the executive type of municipalities;
- (iii) Ensuring that the IEC will, in future, not be constrained by the seven days’ period to call for a by-election as currently specified in the Electoral Commission Act, 1996, but will have recourse to apply to the Electoral Court for an extension to declare the result of the election of a municipal council;
- (iv) Requiring the municipal manager to inform the MEC and the IEC of the vacancy within 14 days of occurrence;
- (v) Authorising the MEC, after consulting the IEC, to call and set a date for by-elections (instead of the municipal manager) by Notice in the Provincial Gazette (instead of a local newspaper), so as to avoid delays;
- (vi) Allowing the MEC to deviate by not more than 20% if the geographical area of a municipality is greater than 20 000 square kilometres if less than 35 councillors are determined for the municipality by formula;
- (vii) Political parties are given two days to supplement their list, when the existing list of the party has fewer candidates that the party is entitled to. The main aim is to avoid delays for the IEC to declare the results of elections;
- (viii) A person removed from office as a councillor may not stand for re-election within 2 years after vacating office. The aim is to ensure that there is a “waiting”

- period for a person to be eligible to be a councillor again after such a person is removed from office as being a councillor;
- (ix) A person designated by the MEC must call a meeting in instances where the Speaker/ Acting Speaker refuses to do so. The aim is to ensure that the MEC intervenes in instances where a speaker or acting speaker of a municipal council refuses to call a meeting when required to do so;
 - (x) Confirming the number of councillors that must be considered when determining the quorum for a meeting of the council;
 - (xi) A presiding officer does not have a casting vote in respect of matters listed in Section 160(4) of the Constitution. These matters include passing of by-laws; approval of budgets; Imposition of rates and other taxes, levies and duties; and raising of loans;
 - (xii) Strengthening the functions and oversight role of the Speakers. The amendment will clarify that only reports from Section 80 committees may be submitted to the Executive Committee (EXCO);
 - (xiii) Creation of the Office of the Whip since presently there is no provision that provides for the appointment /election of a whip in council;
 - (xiv) Ensuring that there is a uniform formula that will be implemented across the country for the composition of an EXCO. The formula is similar to the one in Schedule 1 of the Act. Political parties will be able to identify their own members to occupy seats in EXCO;
 - (xv) Strengthening the powers and functions of Executive Mayors;
 - (xvi) Ensuring that all municipalities must establish ward committees within 4 months after a “general” election of all municipalities (unless extenuating circumstances permit otherwise); and
 - (xvii) Provide for the establishment of the Municipal Public Accounts Committees (MPACs) in terms of Section 79 of the Structures Act. The aim is to strengthen oversight and promote governance in municipalities.

On 16 March 2021, the National Assembly considered the CoGTA Portfolio Committee report on the Bill and resolved to submit it to the President for assent. It should be noted that the Local Government: Municipal Structures Amendment Act, 2021 will only come into operation on a date determined by the President by proclamation in the *Government Gazette*.

8.11.1 Provincial support and interventions

Provinces reported the following initiatives to improve public participation:

38 municipalities in the **Eastern Cape** were supported to establish functional ward committees. Ward committees of Inxuba Yethemba, Kouga and Ngqushwa municipalities were inducted. Seventeen municipalities were supported to respond to community concerns and 8 municipalities were supported with community participation and citizen empowerment partnerships. CDWs were supported through the procurement of 530 working tools in the form of tablets.

The **Eastern Cape** reported a regression in municipal performance in good governance and public participation due to limited information provided by municipalities and the restriction of public gatherings due to COVID-19 regulations.

Gauteng province supported three municipalities with public participation initiatives and supported 9 municipalities with initiatives to maintain functional Ward Based War Rooms. The province also developed a Provincial Public Participation Framework supported by a strategic framework for implementation.

KwaZulu-Natal has promoted the use of ICT platforms to enhance community participation in municipalities and capacity building sessions have been conducted with municipalities in development, review and implementation of public participation strategies. Support has been provided in Ugu District to facilitate engagements with communities on water provisions challenges and to avert service delivery protests.

Limpopo conducted capacity building session for all appointed ward committee members.

Mpumalanga provided capacity development to non-functional ward committees.

Provinces reported very few initiatives on IGR, oversight and anti-corruption in their Section 47 reports:

Gauteng supported 11 municipalities with ethics and integrity management, including capacity building on Accountability and Ethical Conduct for Councillors and Officials.

Limpopo conducted engagement sessions with municipalities highlighting a need to enforce discipline and apply consequence management in accordance with applicable legislation.

Mpumalanga highlighted the provision for the office of the Whip of the Council, as provided in amendment of local government legislation, to assist in the institutionalisation of Troika functionality in municipalities. The information sharing platform created by national DCoG provides an opportunity for all provinces to learn and share experiences on the functionality of MPACs, all municipal council committees, Disclosure and Declarations, Code of Conduct and Breaches.

In 2020/2021, anti-corruption awareness was conducted in the local municipalities of Thaba Chweu, Victor Khanye, Lekwa, Dr JS Moroka and Msukaligwa on their request.

8.11.2 Provincial recommendations

The following recommendations were made to improve public participation in municipalities:

Gauteng identified the need for exploring alternative measures to ensure ward committee functionality even during pandemics, Municipalities could consider financing airtime to committee members for special meetings.

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 recommended an in-depth capacity building of Ward Councillors and ward committees. The filling of the high number of vacancies in CDWs should be fast tracked.

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 called for improved relationships and communication between the Audit Committee and other oversight structures of Council, including Council itself, MPAC and management. Cogta and SALGA should also consider the provision of NQF level training for MPAC.

Mpumalanga proposed that all municipalities must review their Standing Rules and Orders of council to ensure chairpersons of section 79 and section 80 committees call meetings adhering to their schedule. Emakhazeni LM and Victor Khanye LM must be engaged to properly establish Section 80 committees.

Municipalities should include MPAC support staff when reviewing their organograms and there should be ongoing capacity building programmes for MPACs and oversight committees. Municipalities should also continue use the MPAC Toolkit guidelines developed by National DCoG, National Treasury, Provincial Treasury, Provincial COGTA, AGSA and SALGA to enhance MPAC functionality.

Mpumalanga recommended that all municipalities should annually review and approve anti-corruption measures together with budget related policies.

8.11.3 National recommendations

- Good local governance requires approaches which are participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive and following the rule of law. The empowerment of communities is therefore a key responsibility of local government.
- It is critical that trust in local government as an institution be restored. Community engagements must have meaningful outcomes that are implemented by municipalities, and this must include the use of technology in this process, including improving citizen-government communications channels which are user-friendly, streamlined, integrated and most importantly responsive.
- There is a need for a far more effective customer complaints management system and a means through which communities can engage around specific work being done in their area.
- Smart technologies should be introduced wherever possible to improve engagement with citizens, such as e-services, citizen portals, but these technologies must empower and engage citizens, without excluding those who are not able to participate electronically.
- There is a need for increased engagement between municipalities and the private sector. This should include formal regular engagements as well as ongoing communication. These should provide the basis for the development of plans and

programmes to identify ways in which jobs and businesses can be retained and expended, and new business can be developed.

- Ward committees must be representative of the diverse interests at a ward level. Overall, a properly established ward committee must be one which is seen by the ward community as a whole as a structure representing their interests. In addition, too, municipalities should ensure that ward committees are made more functional with decentralised powers and resources provided to them.
- Some of the mechanisms that would help promote and strengthen public participation in local governance, include: the creation of an enabling environment for citizen participation; building strong social capital; promoting collaborative engagements; increase capacity in the local community; holding regular public meetings and building strong ward committees.

SECTION 9: CROSS-CUTTING INTERVENTIONS

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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 following challenges have been identified over time in IDP assessments:

- 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.

9.2.2 Provincial reporting

The **Gauteng** Department of CoGTA reported that all municipalities in Gauteng have approved and submitted their IDP frameworks. All municipalities in Gauteng have also reviewed its IDPs over the past three financial years (2018/19 to 2020/21), in partnership with state-owned enterprises and sector departments. However, the alignment of IDPs with government priorities remains a challenge as the participation of sector Departments in the IDP process is voluntary. According to Gauteng the IDPs are compliant to primary guiding legislation, but not adequately aligned to the priorities of the other spheres of government. To address this issue, the provincial government should institutionalise the IDP.

The **Free State** province conducted District IDP Engagement Sessions, Bi-annual Provincial IDP capacity building sessions, support teams meetings and IDP Managers' Forums.

The IDP Coordination Unit in **KwaZulu-Natal** reviewed the adopted 2020/2021 IDPs. 53 Municipalities adopted their IDP's within the statutory deadline of 30th June 2020, only Emadlangeni adopted their IDP on the 01st July 2020, due to internal governance challenges.

41 of the 54 municipalities(76%) had improved the credibility of their IDP's. Eight municipalities scored 80% and above. Seven municipalities improved their credibility between 11%- 31%, Zululand IDP indicated the highest improvement of 31%. 34 Municipalities improved between 1% to 9%.¹³ Municipalities regressed, Umgeni indicated the highest regression of 10%. Inkosi Langalibalele received the lowest score of 44% indicating that this was the weakest ranked IDP.

In **Limpopo**, all 27 municipalities approved and submitted their IDP frameworks to the provincial department in 2020/21. Six municipalities (Makhuduthamaga LM, Lepelle-Nkumpi LM, Greater Tzaneen LM, Thulamela LM, Musina LM, Mopani DM) in Limpopo

did not have their SDBIPs aligned with their IDPs in 2020/21. This non-alignment had implications in performance auditing in terms of measuring predetermined objectives.

The provincial average for IDP credibility/legal compliance in **Mpumalanga** was 82%, improving from 72% in 2017/18, 68% in 2018/19 and 78% in 2019/20. The district averages were 90% in Ehlanzeni, 82% in Nkangala and 76% in Gert Sibande. According to the province, most municipalities are gradually improving in addressing legislative compliance issues. Some are still struggling in terms of content, in particular on issues relating to sector plans which are outdated and no funding is available to review them.

In terms of the adoption of frameworks and process plans, only Chief Albert Luthuli and Lekwa local municipalities failed to comply with legislative requirements on the adoption of the process to be followed on the review of the IDP and preparation of annual budget. None-compliance letters were issued to the two municipalities urging them to convene special Council meetings to adopt the plan as a matter of urgency.

All twenty municipalities were able to table the final reviewed IDPs before respective Municipal Councils for adoption by end of June 2021. Eighteen municipalities were successful in adopting reviewed IDPs by 31 of May 2021. Only Dr JS Moroka and Lekwa local municipalities adopted reviewed IDPs in June 2021. These two municipalities have been experiencing challenges during the strategy review process with the latter having been placed under the administration of National Cabinet in terms of Section 139 (7) of the Constitution. Dr JS Moroka local municipality was released by the Provincial Executive from its Section 139 administration in April 2021, but some work was needed to be done to ensure that there was alignment between the planning and budgeting process before the IDP and Budget could be adopted.

The **Northern Cape** reported that challenges were experienced with the approval of IDPs due to the lock-downs, as well as with the confirmation of dates on the tabling and adoption of IDPs.

In **North West**, all 22 municipalities submitted their IDPs to the provincial Department and all municipalities have been supported to develop their IDPs through public participation processes.

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 that municipalities need to ensure that SDFs and Land-Use Management Systems (LUMS) are aligned with SPLUMA.

In the **Free State**, the Spatial Planning Directorate supported the municipalities with the drafting of Spatial Development Framework (SDF), Land Use Schemes (LUS) and functional MPTs.

In **KwaZulu-Natal**, uMgungundlovu LM, Zululand DM, Mthonjaneni LM and Okhahlamba LM all had Spatial Development Frameworks that are older than 5 years. uGu DM, uMgungundlovu LM, Zululand DM, uMzimkhulu LM, Dannhauser LM, Endumeni LM were partially compliant with the provisions of SPLUMA(Sec 21), while Msinga LM, Amajuba

DM, uMvoti LM and Umzinyathi DM were not compliant. Thirteen local municipalities have not adopted the Single Land Use Schemes in terms of SPLUMA - Abaqulusi, Mtubatuba, Mpofana, Impendle, uMvoti, uMdoni, Msunduzi, uPhongolo, Jozini, Big Five Hlabisa, Maphumulo, Ndwedwe and Mthonjaneni.

All municipalities in the **Mpumalanga** have approved, submitted and implemented their Spatial Development Frameworks (SDFs) for the period 2018/19 to 2020/1. A number of municipalities have reviewed their SDFs to be SPLUMA compliant. The department will be supporting the review of the SDFs of Nkangala and Gert Sibande District Municipalities and Dr JS Moroka, Thembisile Hani, Emakhazeni, Victor Khanye, Emalahleni, Govan Mbeki and Thaba Chweu Local Municipalities.

Bushbuckridge, Dipaleseng and Dr. Pixley ka Isaka Seme local municipalities need to improve and speed up processes to complete and adopt their SPLUMA compliant LUS's. Only local municipalities such as City of Mbombela, Chief Albert Luthuli, Dipaleseng, Govan Mbeki, Mkhondo, Lekwa, Dr Pixley Ka Isaka Seme, Emalahleni and Steve Tshwete implemented enforcement of land use management.

In the **Northern Cape**, during 2020/21 Sol Plaatje LM, Frances Baard DM and Magareng LM gave notice of their intention to review their SDF in terms of SPLUMA. Gamagara LM and Frances Baard DM had published a notice of their draft SDF for inspection and public comment. The local municipalities of Ga-Segonyana, Siyathemba and Gamagara adopted their SDFs through council resolutions during 2020/21. Umsobomvu LM published a notice on amending its Spatial Planning and Land-Use By-Law during 2021.

North West reported that there are six municipalities in the province, which did not have Town planners: Ratlou LM, Mamusa LM, Kagisano-Molopo LM, Maquassi Hills LM, Bojanala Platinum DM and Dr Ruth Segomotsi Mompoti DM. The number of Town Planners within the province has, however, increased from 31 during 2019/20 to 36 in 2020/21.

A number of municipalities in North West, were still reviewing their SDFs, including Bojanala Platinum DM, Rustenburg LM, Moretele LM, Kgetlengrivier LM, Dr Ruth Segomotsi Mompati DM, Naledi LM, Mamusa LM, Kagisano-Molopo LM, Greater Taung LM, Dr Kenneth Kaunda DM, JB Marks LM.

All municipalities in the province were supported with the implementation of SPLUMA. All municipalities in the province have appointed and established their Appeals Authority. Municipal Planning Tribunals have been established in all municipalities, except Ramotshere Moiloa LM. All municipalities have adopted SPLUMA by-laws and all municipalities have adopted their SPLUMA compliant tariff structures, except Mamusa LM.

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.

The Sendai Framework for Disaster Risk Reduction 2015-2030 (Sendai Framework) advocates for the substantial reduction of disaster risk and losses in lives, livelihoods, and health, as well as for the economic, physical, social, cultural, and environmental assets of persons, businesses, communities, and countries. The Sendai Framework recognises that the State has the primary role to reduce disaster risk, but that responsibility should be shared with other stakeholders including local government, the private sector, and other stakeholders.

Disaster risk reduction (DRR) is already a central focus of the Disaster Management Act and the National Disaster Management Centre, together with those centres established

at provincial and municipal level, is assuming the role of coordinating, promoting, and facilitating DRR.

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:

In the **Free State**, a provincial fire services unit is not established yet. The Provincial Disaster Management Centre has generated a submission to Executive Management for consideration of the establishment of the unit. The unit needs to be equipped with dedicated and qualified personnel to perform the function adequately. No dedicated and qualified personnel to perform the function. A disaster management official is performing fire management function on an interim basis.

All the metros and districts in **Gauteng** had disaster management plans in place by the end of 2020/21, however the plans were only partially compliant and require further development to align with national guidelines. Ekurhuleni Metro is the only municipality that have reported level 1 with level 2 elements in place.

The Provincial Disaster Management Centre in **KwaZulu-Natal** conducted an exercise of assessing the Municipal Disaster Management Centres (MDMCs) using a set of indicators derived from the Act and National Disaster Management Policy Framework, 2005 (the NDMF) as well as the KwaZulu-Natal Provincial Disaster Management Framework, 2010 (the KZN-PDMF). The three highest scores were achieved by Ugu DM (90%), Hary Gwala DM (86%) and Ethekeini Metro (86%). The lowest scores were all below 60%: Amajuba DM (59%), Zululand DM (55%) and uMkhanyakude (52%).

All three Districts Municipalities in **Mpumalanga** performed their disaster management function as required by the Act, with the exception of Gert Sibande District, which is still in the process of establishing its own DMC and is currently working from Msukaligwa

DMC. Ehlanzeni, Gert Sibande and Nkangala district municipalities do have policy frameworks and are aligned with Provincial and National Disaster Management frameworks. All the municipalities have disaster management plans in place.

North West has reported that the Provincial Disaster Management Centre (PDMC) provided support to the Municipal Disaster Management Centres in monitoring and implementing disaster legislation and policies. Five local municipalities (Kagisano-Molopo, Greater Taung, Moretele, Madibeng, Moses Kotane) were supported to review disaster management plans. Financial support was given for the renovation of the Mahikeng LM Emergency Control Room.

District municipalities in the **Western Cape** committed to invest in disaster programmes and 12 Disaster management interns were appointed in various areas to enhance capacity. The provincial Disaster Management Centre provided financial and technical support to district and local municipalities to undertake disaster risk assessments. All municipalities in the province have developed Disaster Risk Assessments.

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). This includes the lack of analysis on relations to nodes and corridors of neighbouring municipalities and the Gauteng City Region. According to Gauteng province, IDPs were not adequately aligned to the priorities of the other spheres of government.

The Disaster Management Regulations implemented as a result of the National State of Disaster discouraged the department in **KwaZulu-Natal** from convening assessments of

IDPs through physical meetings. The department, nevertheless, developed creative mechanisms to ensure that 2021-22 Draft IDPs submitted to the department are evaluated as part of support provided to municipalities. KPA groups were encouraged to organise themselves in terms of remote evaluation and small group assessments during the allocated timeline to finalize the assessments.

The following challenges were recorded in **Mpumalanga**:

- The non-alignment of Infrastructure Master Plans to Priority Development Areas identified in SDFs;
- The incremental introduction and implementation of spatial planning and land use management tools (SDFs and Land Use Schemes) to areas previously excluded i.e. slums, informal settlements, traditional authority areas are a challenge;
- Alignment of IDP projects and programmes to Spatial Development Framework strategic interventions and projects remain a problem;
- SDF strategies and projects not fully implemented;
- Land invasion resulting in the mushrooming of informal settlements in identified strategic development areas, thereby preventing spatial transformation.

The inability of some municipalities in Mpumalanga to adapt and find ways to perform and operate during the state of disaster contributed towards their poor performance in terms of SPLUMA implementation. The staff component of municipalities to effectively implement SPLUMA, especially from an administrative, technical and compliance point of view is insufficient. This is especially the case with land use enforcement where in many instances, no dedicated personnel exist to perform such function. Officials and office holders in the different SPLUMA roles are under capacitated and lack the necessary skills.

In Mpumalanga it was also reported that the National Lockdown Regulations implemented following the National State of Disaster, disheartened municipalities from convening public gatherings such as consultations on draft IDPs.

The **Northern Cape** stated that provincial intergovernmental integration remains a challenge due to minimum participation of sector departments during the IDP review process. There is also minimal municipal planning capacity as the level of municipalities.

In **North West** there were challenges with supporting municipalities with the implementation of SPLUMA during 2020/21, including lack of funding to support municipalities to review their SDFs, lack of cooperation from municipalities lagging behind in SPLUMA implementation and lack of council resolutions require for projects, due to lack of council sittings.

In the **Western Cape** there is a need for better alignment to legislative spatial and environmental indicators within the SDBIP to improve impact through the IDP and Budget.

9.5.2 Disaster management

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

- No allocation for disaster risk reduction and disaster response budget allocation - PDMC is unable to effectively conduct awareness programmes, develop, implement and spearhead identified projects due to limited financial resources.
- The department still has to appoint fire services personnel and equip the unit.
- Most municipalities still do not have disaster management plans that have been adopted by the respective councils. In cases where municipalities have disaster management plans, these are generic and still at Level 1.
- Most municipalities have not yet established institutional arrangements for co-ordination of disaster management programmes and projects (Interdepartmental Committee on Disaster Management; Disaster Management Advisory Forum)
- Budget allocation for the disaster management function is insufficient and, in most cases, non-existent in municipalities.

In **KwaZulu-Natal** some of the challenges in disaster management, include:

- Local municipalities are functioning below the required minimum standards with inadequate specialised equipment, vehicles, fire stations, personnel and training.
- Insufficient budget for disaster management, fire and rescue services.
- Lack of compliant Disaster Management Centre for the district.

In **Mpumalanga**, there was insufficient budget to fund disaster management recourses such as personnel, humanitarian relief and equipment.

North West identified the following challenges:

- Lack of funding for proactive and reactive disaster management functions;
- Lack of institutional capacity for disaster management functions in the local municipalities of Maquassi Hills, Kgetlengrivier, Ramotshere Moiloa, Ditsobotla, Ratlou, Tswaing, Leekwa-Teemane and Mamusa.
- Weak commitment, cooperation and coordination of disaster at municipal and line departments.
- Lack of structure and community participation at ward level and poor and uncoordinated disaster response and recovery activities.

9.6 Support, interventions 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

Gauteng CoGTA supported 11 municipalities with development of IDPs and infrastructure planning. Six local municipalities were supported to spatially reference

capital projects in the SDBIPs, while Sedibeng DM was supported to conduct a Land Use Audit.

The KwaZulu-Natal MEC for Local Government has in terms of section 32(2) of the Municipal Systems Act pronounced to the Mayors of poor performing municipalities how they can improve their credibility rating per IDP KPA and this has been communicated with the respective municipalities. Support meetings were held with municipalities regarding the challenges identified and assistance regarding the remedial action was provided where possible.

In **KwaZulu-Natal grant** funding from COGTA was provided to review the outdated SDFs and partial SPLUMA compliance of Umgungundlovu LM and Zululand DM, and technical support provided for the in-house annual SDF Review by Mthonjaneni LM and Okhahlamba LM. Grant funding was also provided from COGTA for assisting Umzinyathi DM to address non-compliance with SPLUMA. Technical support was provided for addressing partial compliance in Ugu DM, uMzimkhulu LM, Dannhauser LM and Endumeni and addressing non-compliance in Msinga LM, Amajuba DM and Umvoti LM. All municipalities are currently in the process of preparing LUMS with technical support from COGTA and some with grant funding from COGTA.

Limpopo continued to provide support to municipalities which are struggling to align their IDPs and SDBIPs.

In **Mpumalanga** support was provided by COGTA, SALGA and Department of Rural Development and Land Reform through training on the different areas of SPLUMA including training of Appeal Authorities as well as Councillors on land use management and spatial planning. Technical support was provided to the Bushbuckridge, Dipaleseng and Dr Pixley Ka Isaka Seme local municipalities to finalise and adopt SPLUMA LUS prior to 30 June 2022.

The department issued out the assessments of 2021/22 reviewed IDPs and MECs comments in accordance with Section 32 of the Municipal Systems Act and engaged the Municipal Infrastructure Support Agent (MISA) and the Development Bank of Southern Africa (DBSA) regarding support to municipalities on the development of master plans for key services such as water, electricity and roads.

Disaster management

The **Free State** PDMC supported Mangaung Metropolitan Municipality to establish municipal disaster management advisory forum. The forum consists of relevant stakeholders and disaster management practitioners within the metropolitan municipality, but has not yet been able to hold meetings.

Gauteng CoGTA supported five Disaster Management Centres to remain functional. West Rand DM and Lesedi LM were supported on fire brigade services.

In **Mpumalanga**, support Interventions included Global Climate Change initiatives and activity coordination, disaster risk reduction campaigns in all municipalities and implementation and monitoring of drought projects.

In **North West**, integrated community-based awareness campaigns were conducted in high risk areas and COVID-19 awareness campaigns. The PDMC supported and guided municipalities to develop COVID-19 Disaster Management Preparedness and Response Plans.

In the **Western Cape** the province has developed content guidelines for municipalities to include a Disaster Management Chapter in the IDP. The province has also initiated the Disaster Risk Reduction School Pilot Project to integrate Disaster Risk Reduction into the school curriculum. The Disaster Management Framework developed by the DLG sets out an uniform approach to asses and monitor disaster risks. Within this Framework a standardised best practice risk assessment methodology were develop ed, including both community-based risk assessment and scientific-based disaster risk assessment.

9.6.2 National support and interventions

Disaster management

The Tropical Storm “Eloise” made its landfall within South Africa on 24 January 2021 caused heavy down pours, heavy winds and excessively dangerous conditions particularly in KwaZulu-Natal; Limpopo and Mpumalanga on 24 January 2021. Thus far in the three affected provinces, heavy rains negatively affected a number of households, in both formal and informal settlements. Bridge structures and major arterial roads have also been negatively affected causing entrapment of vehicles along some major roads. As of 03 February 2021, a total of 16 fatalities were registered. The NDMC convened the National Joint Floods Coordination Committee (NJFCC) to oversee national response to the storm. Disaster Operations Centres in affected areas were activated to monitor the situation.

The White Paper on Fire Services was approved by Cabinet in May 2020 and published for public comments on 25 September 2020. The White Paper seeks to prioritise fire risk reduction as a core element of the proposed fire brigade services legislation. While fire-fighting services are provided at both local government level and by designated services, the White Paper also clearly outlines the roles and responsibilities that both national and provincial governments must execute in support of municipalities and other stakeholders involved in fire services across the country.

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;
- 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.

Mpumalanga stated that the budget and staff component of municipalities to effectively implement SPLUMA, especially from an administrative, technical and compliance point of view is insufficient. This is especially the case with land use enforcement where in many instances, no dedicated personnel exist to perform such functions.

In **Mpumalanga**, municipalities and sector departments were advised to prioritise the integration of the District Development Model (DDM) in their IDPs and APPs respectively to strengthen coordination and integration across the three spheres of government

The **Western Cape** government identified priorities to address spatial development and environmental management challenges and risks, including the following:

- Development of an Integrated Drought and Water Response Plan (15-year Water Resilience Strategy).
- Waste management, including waste minimisation training; development of Integrated Waste Management Plan and waste management planning interventions; and monitoring of waste management facilities for compliance.
- Biodiversity capacity building and mainstreaming.
- Implementation of the Climate Change Municipal Support Programme with the Revised Western Cape Climate Change Response Strategy Implementation Plan.
- Various initiatives to improve coastal management, including supporting municipalities in the implementation of the Western Cape Provincial Coastal Access Strategy and Plan.

9.6.4 National recommendations

In reviewing the local government system, DCoG has found that

- Mechanisms to ensure other spheres of government participate in local government planning processes must be strengthened as well as ensure that their planned future activities are known to municipalities. IDPs and other strategic plans must be known and owned by all spheres of government.
- There must also be a strengthening of national and provincial oversight towards municipal planning systems to ensure that the planning systems used (e.g. town planning schemes) reflect the aspirations and principles of policies and legislations such as SPLUMA.
- Spatial transformation should be an all-of-government goal, not just the responsibility of local government and an agreed and focussed spatial transformation strategy must be included in the development agenda of all spheres of government.
- There is a need to focus on building climate resilience, ensuring infrastructure is adequately climate change safe, to deal with at least some of the most critical hazards increasingly facing municipalities: flash/surface flooding, heat waves, rainstorms, extreme heat and drought. Local regulations should be tailored to increase the use of energy efficiency and resource-efficient technologies.
- There is an urgent need to build capacity for mitigation and adaptation in municipal governance. Funding and the profile of disaster management and disaster risk reduction must be increased.

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.

Although in some cases underperforming municipalities were identified, in other instances only general areas of poor performance were highlighted. 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.

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. 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 province reported that 7% of municipalities had 46% and above of all approved and funded posts as vacant, while 8% of municipalities reported 69% and less of non-filling of senior managers and section 56 managers posts.

The aggregate performance of the municipalities in Chris District were the worst. The province reported support in the areas of filling of vacancies, aligning organograms with IDPs, HR plans, labour disputes and employment contracts of senior management.

Service Delivery

The aggregate performance of the municipalities in Amathole District, OR Tambo District, Sarah Baartman District, Joe Gqabi District, Chris Hani District all recorded less than 50%. 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 (Koukamma LM, Sakhisizwe LM), decreasing from five municipalities in 2019/20 to two in 2020/21.
- Credible LED Strategies (Amahlathi LM, Koukamma LM, Dr Beyers Naude LM, Makana LM, Enoch Mgijima LM, Port St Johns LM and Nelson Mandela Bay Metro), decreasing from 8 municipalities in 2019/20 to 7 in 2020/21.

The five worst performing municipalities in LED overall were Blue Crane Route LM, Sakhisizwe LM, Enoch Mgijima LM, Ndlambe LM, and King Sabatha Dalindyebo 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: Amathole DM again obtained an adverse opinion, while four municipalities received disclaimers: Makana LM, Sunday's River LM, Chris Hani DM (all three municipalities unchanged) and Walter Sisulu LM (regressed from qualified opinion).
- Capital expenditure less than 70%: Mhlontlo (66%), Blue Crane Route (65%), King Sabatha Dalindyebo (64%), Port St Johns LM (60%), Ingquza Hill LM (52%), Ntabankulu LM (44%), Matatiele LM (43%), Amathole DM (41%) Sarah Baartman DM (28%) and Senqu LM (27%). The number of municipalities in this category remained at 10 from 2019/20.
- Salaries more than 45% of operational budget: Sakhisizwe LM (76%), Intsika Yethu (64%), Amahlathi LM (62%), Ngqushwa LM (51%), Chris Hani DM (48%), Great Kei LM (48%), OR Tambo (47%) and Blue Crane (46%). There was a slight decrease in the number of municipalities in this category from 10 in 2019/20 to 8 in 2020/21.
- Trade creditors more than 60% of municipal own revenue: Walter Sisulu LM (136%), Sarah Baartman DM (117%), Inxuba Yethemba LM (102%), Dr Beyers Naude LM (89%), Chris Hani DM (89%), Enoch Mgijima LM (77%), Makana (62%) and Port St Johns (61%). There was a substantial decrease in the number of municipalities in this category from 21 in 2019/20 to 8 in 2020/21.
- Own revenue less than 40% of total municipal budget: Amahlathi LM (39%), Matatiele LM (35%), Alfred Nzo DM (33%), Senqu (33%), Joe Gqabi DM (29%), Ngqushwa LM (26%), Chris Hani DM (25%), Mnquma LM (23%), Amathole DM (22%), Sakhisizwe LM (18%), OR Tambo DM (17%), Mhlontlo LM (13%), Nyandeni LM (8%), Mbhashe LM (8%), Ingquza Hill LM (7%), Port St Johns LM

(7%), Intsika Yethu LM (7%), Sarah Baartman DM (6%), Engcobo LM (5%). This represents a decrease from 22 municipalities in 2019/20 to 19 municipalities in 2020/21.

- Increase in municipal consumers debtors: Mnquma LM (119%), Sakhisizwe LM (79%), Alfred Nzo (53%), Sunday's River Valley LM (53%), Winnie Madikizela Mandela LM (47%), Joe Gqabi DM (36%), Dr Beyers Naude LM (36%), Walter Sisulu LM (35%), Raymond Mhlaba LM (34%), Inxuba Yethemba LM (32%), Buffalo City Metro (27%), Ndlambe LM (20%), King Sabata Dalindyebo LM (15%), Chris Hani DM (14%), Amahlathi LM (13%), Senqu LM (11%), OR Tambo DM (10%), Makana LM (5%), Ngqushwa LM (4%), Umzimvubu LM (3%), Ingquza Hill LM (2%), Blue Crane LM (2%), Kouga LM (0.3%). This represents a decrease from 28 municipalities in 2019/20 to 23 municipalities in 2020/21.
- Less than 80% of MIG budget spent: Koukamma LM (79%), Ngqushwa LM (78%), Dr Beyers Naude LM (77%), Sakhisizwe LM (69%), Engcobo LM (65%), and Senqu (53%). Municipalities in this category decreased from nine municipalities in 2019/20 to six in 2020/21.
- Non-provision of audit committee reports: Alfred Nzo DM, Intsika Yethu LM, Emalahleni LM, Makana LM, Amathole DM, Great Kei LM, Ndlambe LM.

Sarah Baartman DM performed the poorest, with 62%, in overall financial management and viability performance. The province held a Municipal Post Audit Symposium Session to reflect on improving audit outcomes. The MEC for Finance had engagements with Mayors, MPACs Chairpersons and Portfolio Councillors for Finance and Engineering Services to look at plans to deal with escalating Unauthorised, Irregular, Fruitless and Wasteful expenditure and non-spending of conditional grants.

The province reported assessment of adequacy of audit action plans, monitoring of implementation of audit improvement plans, mentoring and best practice sharing through partnership with New Business Initiative, 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:

- No written proof of tabling resolutions by ward committees and no minutes of feedback meetings: Buffalo City Metropolitan Municipality, Mbashe LM, Raymond Mhlaba LM, Dr Beyers Naude LM, Sunday's River Valley LM, Enoch Mgijima LM, Ingquza Hill LM
- No effective monitoring of CDWs: Ntabankulu LM, Umzimvubu LM, Amahlathi LM, Ngqushwa LM, Blue Crane Route LM, Dr Beyers Naude LM, Koukamma LM, Makana LM, Emalahleni LM, Mhlonto LM, King Sabata Dalindyebo LM.
- No IGR strategy developed or adopted: Buffalo City Metropolitan Municipality, Alfred Nzo DM, Winnie Madikizela-Mandela LM, Amathole DM, Amahlathi LM, Great Kei LM, Mbashe LM, Mnquma LM, Ngqushwa LM, Raymond Mhlaba LM, Sarah Baartman DM, Blue Crane Route LM, Kouga LM, Makana LM, Sunday's River Valley LM, Chris Hani DM, Emalahleni LM, Sakhisizwe LM, OR Tambo DM, Elundini LM.
- No adopted Terms of Reference for District IGR Forums: Sarah Baartman DM and Joe Gqabi DM.
- No fraud policy adopted by council or no awareness workshops or reporting mechanism for fraud: Matatiele LM, Ntabankulu LM, Great Kei LM, Ngqushwa LM, Blue Crane Route LM, Makana LM, Sunday's River Valley LM, Chris Hani DM, Enoch Mgijima LM, Inxuba Yethemba LM, Sakhisizwe LM, Ingquza Hill LM, 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 Sarah Baartman DM and Buffalo City Metro were the lowest performing.

The province reported progress in four of the five KPAs for 2020/2021. The provincial department has together with National DCoG and other sector departments in the

province started with an annual assessment of the status quo in municipalities through the drafting of a State of Local Government report. This is supported by the development and adoption of Municipal Support and Intervention Plans (MSIPs).

FREE STATE

The 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 mentioned:

- Investigation in terms of Section 106 of the Systems Act were undertaken at three municipalities: Mathjabeng LM, Nala LM and Tswelopele LM.
- Due to unrest in Tokologo LM and concerns with regard to the safety of the Audit Team, the AG withdrew the Audit Team from the municipality.
- National Treasury stopped MIG funds during March 2021 in four municipalities: Tokologo LM (R3m), Setsoto (R2m), Dihlabeng (R5m), and Metsimaholo (R12,2m). This was due to underperformance as at 31 December 2020.
- The LED Units within Letsemeng LM and Phumelela LM only had one LED officer each.
- Overall Free State municipalities owed Bloem Water and Sedibeng Water Board R6,9 billion at 3 June 2021.
- As at 30 June 2021, Free State municipalities owed ESKOM R14,1 billion.
- In relation to revenue collection and rising consumer debt the main challenges were faced by Mangaung Metro and the intermediate cities of Matjhabeng, Maluti-a-Phofung and Metsimaholo.
- The financial viability of the following 12 municipalities was assessed as unfavourable with intervention required: Xhariep DM, Letsemeng LM, Mohokare LM, Tokologo LM, Tswelopele LM, Matjhabeng LM, Nala LM, Dihlabeng LM, Phumelela LM, Moqhaka LM, Ngwathe LM and Mafube LM.
- 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). A committee was established in Mohokare LM, but was not functional. The province has also been working with stakeholders and municipalities on financial management challenges, including the implementation of consequences management, revenue and expenditure linked to performance management and improvements on revenue collection and debt management.

The province reported support offered to all municipalities on MIG spending for infrastructure development, including registration of projects, submission of project implementation plans, approval of funding for project management units and meeting reporting requirements.

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, Strategic Support to MAP Water, Administrator.

GAUTENG

Gauteng province identified challenges, as well as support interventions by national and provincial government under 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:

- Merafong City LM (71%), Sedibeng DM (67%), and Emfuleni LM (37%) (highest staff vacancies).

The province supported Emfuleni LM with an organisational structure and institutional review and supported municipalities through placing four experts in regional teams to assist with organisational development and design, labour issues and legal issues.

Basic Service Delivery:

- City of Johannesburg Metro and Emfuleni LM (prolonged water interruptions)
- City of Johannesburg Metro and Emfuleni LM (challenges with sewer services)
- Emfuleni LM and City of Merafong LM (high water and electricity losses)

The Department of Water and Sanitation appointed contractors to unblock sewer pipelines in Emfuleni LM. MISA supported district municipalities with technical skills in engineering and town planning and the development of ToRs for landfill sites expansion and closure, repair and maintenance of weighbridges.

Local Economic Development:

- Merafong City, Mogale City, and the City of Johannesburg Metro (highest vacancies in LED departments).

The Gauteng Department of Economic Development supported 200 small enterprises in the West Rand and Sedibeng Regions, 160 Co-operatives through grants and business development support, 320 SMMEs benefited from mentorship.

Good Governance and Public Participation:

City of Tshwane MM (establishment of ward committees).

The province supported 11 municipalities on ethics and integrity management, threemunicipalities were supported with public participation initiatives and nine municipalities were supported to maintain functional Ward Based War Rooms.

The provincial department of COGTA in Gauteng established Regional Support Teams to support municipalities with identified challenges, including service delivery and financial management. The support teams included sector departments and other stakeholders.

KWAZULU-NATAL

The provincial department of COGTA in KwaZulu-Natal, identified challenges and recommendations or remedial actions for three focal areas: governance and administration, sound financial management and service delivery and socio-economic development.

Governance and Administration

- Four municipal councils and Executive Committee structures were not fully functional in January 2021: Mtubatuba LM, Emadlangeni LM, Nquthu LM and Ukhanyakude DM.
- The following MPACs were not functional: Mpofana LM, Amajuba DM, Umkhanyakude DM, Uthukela DM, Alfred Duma LM, Abaqulusi LM, King Cetshwayo DM, Harry Gwala DM, Umgungundlovu DM, Impendle LM, Dannhauser LM, Zululand DM, Big Five Hlabisa LM, Ubuhlebezwe LM, Msunduzi LM, Inkosi Langalibalele, Umzinyathi DM, Ugu DM, Richmond LM and Nongoma LM.

Sound financial management

- The number of disclaimers increased from 2 in 2016/17 to 4 in 2019/20.
- High Eskom debt was recorded in Mpofana LM, Newcastle LM, Ulundi LM and Inkosi Langalibalele LM and Msunduzi LM.
- Out of 54 municipalities, 17 approved unfunded budgets for 2021/22.

Service delivery and socio-economic development

- Five municipalities have LED strategies older than five years (uMzumbe LM, Nquthu LM, Harry Gwala DM, Mfolozi LM and Zululand DM).
- Five municipalities have incomplete or no LED strategy. Emadlangeni LM and Dannhauser LM have no current LED strategies, but their strategies are under review.
- uMgungudlovu DM, Zululand DM, Mthonjaneni LM and Okhahlamba LM have Spatial Development Frameworks older than five years.
- Ugu DM, uMgungudlovu DM, Zululand DM, uMzimbhulu LM, Dannhauser LM, Endumeni LM and partially compliant with provisions of SPLUMA.
- Msinga LM, Amajuba DM, Umvoti LM and Umzinyathi DM are not compliant with the provisions of SPLUMA.
- 13 municipalities have not adopted the Single Land Use Scheme in terms of SPLUMA: Abaqulusi LM, Mtubatuba LM, Mpofana LM, Impendle LM, uMvoti LM, uMdoni LM, Msunduzi LM, uPhongolo LM, Jozini LM, Big Five Hlabisa LM,
- Maphumulo LM, Ndwedwe LM and Mthonjaneni LM.

As at June 2021, 10 municipalities were under intervention due to a number of challenges, these included: Mpofana LM, Msunduzi LM, Richmond LM, uThukela DM, Inkosi Langalibalele LM, uMzinyathi DM, Nquthu LM, Abaqulusi LM, Umkhanyakude DM and Mtubatuba LM. The province resolved to terminate the intervention at Richmond LM.

The province further reported on the achievements to date with remedial actions taken. This included improvement in filling of senior management positions and support plans have been developed to address performance gaps.

LIMPOPO

Limpopo have identified underperforming municipalities in the following areas:

- MIG expenditure below 80% in 2020/21: Mogalakwena LM, Modimolle-Mookgopong LM, Makhuduthamaga LM, Fetakgomo-Tubatse LM, Lepelle-Nkumpi.
- Not all ward committees in Mogalakwena LM were functional.
- Collins Chabane LM did not have an approved anti-fraud strategy for 2020/21.

Some of the challenges identified by Limpopo were filling of senior management vacancies as a result of contracts lapsing, provision of water, and improvement on waste collection in rural areas,

Limpopo has put plans in place to assist municipalities with filling of vacancies. Payment of debt owed by sector departments and state-owned enterprises has improved significantly due to support and system at provincial level. Audit opinions improved, with no adverse or disclaimers in 2020/21, and 17 unqualified audit opinions and one clean audit.

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, LED strategies, improving audit outcomes and collecting government debt, improvement of public participation through capacitated ward committees and good governance, sufficient budget for disaster management and land use management administration.

In a number of areas, specific municipalities were identified for intervention:

- Sewer spillages and overflowing of Waste Water Treatment Works (Govan Mbeki LM, Msukaligwa LM, Emalahleni LM and Dr Pixley Ka Isaka Seme).
- IDPs (Dr JS Moroka LM and Lekwa LM did not adopt their IDPs on time).
- High Eskom debt (Govan Mbeki LM, Lekwa LM, Mkhondo LM, Msukaligwa LM, Dipaleseng LM, Emalahleni LM, Victor Khanye LM, Thaba Chweu LM and City of Mbombela LM).
- Lack of LED Stakeholder Forums (Msukaligwa LM and Bushbuckridge LM).
- MIG spending below 100% (Dr Pixley Ka Isaka Seme LM and Govan Mbeki LM).

Mpumalanga province reported that it monitored and assessed the performance of municipalities, identifying areas of poor performance and recommended remedial actions to be taken. The provincial department together with relevant stakeholders continued to support and monitor the implementation of Municipal Support Plans.

NORTHERN CAPE

Annual Financial Statements

Four municipalities received disclaimers (Renosterberg LM, !Kheis LM, Kgatelopele LM and Joe Morolong LM), while two municipalities were outstanding (Phokwane LM and Kai !Garib LM).

Performance Management Systems

The AG identified some challenges with the PMS Frameworks of the following local municipalities: Karoo Hoogland, Emthanjeni and Ga-Segonyana.

MIG expenditure

Slow spending by municipalities of MIG funds, lead to the grant being stopped to 13 municipalities and re-allocation to municipalities spending well on the grant. A number of municipalities recorded expenditure below 55%: Richterveld LM, Umsobomvu LM, Emthanjeni LM, Kareeberg LM, !Kheis, LM, Magareng LM, Phokwane LM, Gamagara LM.

WSIG

To accelerate the number of households with access to water and sanitation services, government has introduced the Water Services Infrastructure Grant (WSIG). Seventeen municipalities in the Northern Cape were allocated R300,743 million to implement projects under WSIG. During the adjustment budget, Umsobomvu LM was also added and the total increased to R333, 692 million. Provincial expenditure of the grant was reported at 62.15%, with expenditure below that amount in Nama Khoi LM, Kareeberg LM, Sicyancuma LM, Dawid Kruiper LM, Phokwane LM. Expenditure was not reported in Hantam LM, Siyathemba LM, Kai !Garib LM, Kgatelopele LM, Sol Plaatje LM, and Joe Morolong LM.

RBIG

Two 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 R98,651 million was awarded to the municipalities through the budget and this amount was reduced to R93,651 million in the adjustment budget. Hantam LM reported 100% expenditure of the grant, while Kareeberg reported 28.47% expenditure

INEP Grant

Municipalities in the Northern Cape received R177,285 million for the Integrated National Electrification Programme Grant (INEP) to fund bulk infrastructure (substations and lines). This amount was adjusted downwards to R125,911 million during the adjustment budget, as the allocations were reduced for 10 municipalities, increased for two municipalities and allocated newly to one municipality. A total of 94.67% of the total provincial budget was reported as spent. Emthanjeni LM was the only municipality that reported expenditure below 50%, while Siyathemba LM, Kai !Garib LM, Sol Plaatje LM did not report their final expenditure.

Public participation

Joe Morolong LM, Ga-Segonyana LM and Gamagara LM did not have Ward Operational Plans in place.

Internal Audit and Audit Committees

The Frances Baard DM and ZF Mgcawu DM supported under-capacitated local municipalities in their district with the internal audit and audit committee functions. Richtersveld LM and Khai-Ma LM reported no internal audit unit. There were no audit committees in Richtersveld LM, Khai-Ma LM, and Gamagara LM.

Provincial interventions in municipalities

The Renosterberg Council was dissolved in terms of section 139 (1)(c) and 139(5) of the Constitution on 20 August 2020 and an administrator was appointed from 7 September 2020 until a new municipal council was declared elected. The province seconded officials to act as municipal managers in Kareeberg LM, Siyancuma LM and Renosterberg LM as the municipalities were unable to fill the posts. In Renosterberg LM, officials were also seconded to act as Director: Technical Services and Director: Corporate Services. The Provincial Treasury seconded an acting CFO to the municipality.

The Northern Cape expressed the view that interventions and support provided to municipalities in 2020/21 has had limited improvement on the functionality of municipalities. According to the province, municipalities will have to take ownership on their processes to improve their performance.

NORTH WEST

North West have identified underperforming municipalities in the following areas:

- **Municipalities without town planners:** Ratlou LM, Mamusa LM, Kagisano-Molopo LM, Maquassi Hills LM, Bojanala Platinum DM and Dr Ruth Segomotsi Mompati DM.
- **Implementation of SPLUMA:** Ramotshere Moiloa LM (Municipal Planning Tribunal not established), Mamusa LM (compliant tariff structures not adopted)
- **Performance under 80% access to water:** Tswaing LM, Ratlou LM and Kagisano-Molopo LM.

- **Performance under 50% access to sanitation:** Tswaing LM, Ratlou LM, Kagisano-Molopo LM, Ramotshere Moiloa LM, Moses Kotane LM and Madibeng LM.
- **Performance under 90% on electricity:** Tswaing LM, Ratlou LM, Kagisano-Molopo LM, Ramotshere Moiloa LM and Ditsobotla LM.
- **Performance under 50% on solid waste:** Ratlou LM, Kagisano-Molopo LM and Ditsobotla LM.
- **Underperformance in MIG Expenditure (below 80%):** Tswaing LM, Naledi LM, Kgetleng Rivier LM, Lekwa Teemane LM and JB Marks LM.
- **Municipalities with high vacancy rate in senior management:** Ratlou LM, Ditsobotla LM, Madibeng LM and Tswaing LM.
- **Low capacity in implementing LED:** Tswaing LM, Kgetleng Rivier LM, Ratlou LM, Ditsobotla LM, Mamusa LM, Lekwa-Teemane LM, Naledi LM, Maquassi Hills LM.
- **Municipalities receiving Adverse or Disclaimer of Audit Opinion for the past 3 years or more consecutively:** Kgetleng Rivier LM, Madibeng LM, Maquassi Hills LM, Mamusa LM, Naledi LM, Ngaka Modiri Molema DM, Ditsobotla LM, Ramotshere Moiloa LM, Lekwa-Teemane LM, Madibeng LM.
- **Negative cash flow balance:** Tswaing LM, Ramotshere Moiloa LM and Kagisano Molopo LM had negative closing balances at as the end of June 2021.
- **Revenue collection less than 95%:** Moses Kotane LM, Lekwa-Teemane LM, Maquassi Hills LM, Moretele LM, Madibeng LM, Ratlou LM, Ramotshere Moiloa LM, Kagisano-Molopo LM.
- **Ward Committee functionality:** Overall ward functionality was impacted by COVID-19 lockdowns. The following municipalities had dysfunctional wards: Mahikeng LM (one ward), Lekwa-Teemane LM (one ward), Mamusa LM (all nine wards, not functional since previous council was disbanded), Naledi (three wards), Maquassi Hills LM (one ward), City of Matlosana LM (two wards), JB Marks LM (one ward), Kgetlengrivier LM (one ward), Rustenburg LM (one ward) and Moses Kotane LM (one ward).

- **Dysfunctional MPACs:** Ditsobotla LM, Maquassi Hills LM and Mamusa LM have a backlog of oversight reports from 2008/09 to 2017/18.
- **No Anti-Corruption Policy:** JB Marks LM, Ditsobotla LM, Mahikeng LM and Dr Kenneth Kaunda DM
- **No implementation plan of Anti-Corruption Policy:** Bojanala DM, Rustenburg LM, Moses Kotane LM, Kgetleng Rivier LM, Ngaka Modiri Molema DM, Ratlou LM, Tswaing LM, Naledi LM, Kagisano-Malopo LM, Greater Taung LM, Lekwa-Teemane LM and Mamusa LM.
- **Lack of institutional capacity for disaster management functions:** Maquassi Hills LM, Kgetleng Rivier LM, Ramotshere Moiloa LM, Ditsobotla LM, Ratlou LM, Tswaing LM, Leekwa-Teemane LM and Mamusa LM.

The province identified remedial action to resolve challenges in Basic Services, Municipal Institutional Development and Transformation, LED, Municipal Financial Viability and Management, and Good Governance and Public Participation.

Key actions include:

- Capacity building interventions to ensure compliance with MSA regulations on appointment and conditions of employment of officials;
- Supporting municipalities to develop their capacity to effectively manage the delivery of infrastructure.
- Supporting municipalities to implement LED programmes in line with the National LED Framework.
- Support municipalities with revenue enhancement management initiatives.
- Assessment of Post Audit Action Plans and monitoring of MPACs on council oversight.

WESTERN CAPE

The Western Cape reported that 20% of municipalities had vacant Municipal Manager positions at the end of June 2021. Nine municipalities had acting Municipal Managers at

June 2021: Cederberg LM, Matzikama LM, George LM, Kannaland LM, Knysna LM, Oudtshoorn LM, Mossel Bay LM, Beaufort West LM and Central Karoo DM.

The report indicated that only 328 of 395 ward committees established were functional, but did not identify the relevant municipalities. In terms of compliance to ICT strategy, the municipalities that did not comply with the majority of the 7 indicators were Prince Albert LM (5), Laingsburg LM (4) and Kannaland LM (4).

The province reported that a number of municipalities did not comply with corporate governance requirements on Chief Risk Officer (6), risk register (7), operating according to the Internal Audit charter (10) and Audit Committees that did not meeting at least 4 times annually (8). However, the non-compliant municipalities were not listed in the report. Knysna LM was the only municipality whose Audit Committee did not have at least 3 members.

The adoption of annual reports and oversight reports according to prescripts were reported in all municipalities, except for four municipalities whose information could not be obtained: Matzikama LM, Witzenberg LM, Kannaland LM and Central Karoo DM.

In terms of service delivery, Cederberg LM reported the lowest level of access to water (84%), sanitation (73%) and electricity (75%) in the province. Water quality failures from the Clanwilliam Dam and electricity bulk challenges from Eskom are contributing factors. Langeberg LM reported challenges with limited water tanks and limited water access points. Refuse removal in the municipality also declined from 79.3% in 2019/20 to 71.5% in 2020/21. Cederberg LM, Swartland LM and Knysna LM experienced challenges in providing 100% free basic services to all indigent households.

Eight municipalities in the Western Cape had deficit operating budgets at June 2021, namely: Cederberg LM, Bergrivier LM, Oudtshoorn LM, Bitou LM, Knysna LM, Garden Route DM, Laingsburg LM and Prince Albert LM. Eighteen municipalities have under spent their adjusted capital budget by more than 20% at the end of 2020/21. Nine

municipalities have spend less than 60% of their capital budget: Saldanha Bay LM, Langeberg LM, Cape Winelands DM, Theewaterskloof LM, Cape Agulhas LM, Swellendam LM, Kannaland LM, Garden Route DM and Central Karoo DM. The main reason for this underspending was delays in the SCM value chains, further exacerbated by the effects of COVID-19.

There were only three qualified audit reports in the Western Cape for 2020/21 (Beaufort West, Kannaland and Laingsburg) and no adverse opinions or disclaimers.

Over the last four years, Kannaland LM and Laingsburg LM submitted their financial statements late, at least twice. The other municipalities either obtained clean audits (22 municipalities) or unqualified audits with findings (5 municipalities).

In terms of LED, Beaufort West LM was the only municipality without a dedicated LED officer and LED strategy. The municipality has engaged with SALGA and MISA to assist in the development of a LED strategy.

The Section 47 report of the Western Cape also included the transversal governance and performance challenges identified in all municipalities through the Technical Integration Municipal Engagements (TIME) assessments. The province has identified specific responses in the areas of municipal governance, SCM governance, asset management, spatial development and environmental management, planning, infrastructure management and service delivery, growing revenue and expenditure challenges. Some of the measures indicated by the province include continued support, collaboration, training, guidance, monitoring, advice, and capacity building of municipalities.

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