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PROVINCIAL NOTICE

The following Provincial Notice is published for general information.

DR HC MALILA,
DIRECTOR-GENERAL

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21 February 2025



**Western Cape
Government**

Local Government

FOR YOU

Annual Consolidated **Municipal Performance Report**



DEPARTMENT OF LOCAL GOVERNMENT

2022/23



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LIST OF ACRONYMS

AFS	Annual Financial Statements
AG	Auditor-General
CDW	Community Development Worker
DEADP	Department of Environmental Affairs and Development Planning
DWS	Department of Water and Sanitation
IDP	Integrated Development Plan
JDMA	Joint District and Metro Approach
JPI	Joint Planning Initiative
KPI	Key Performance Indicators
LED	Local Economic Development
MFMA	Municipal Finance Management Act
MSA	Municipal Systems Act
MIG	Municipal Infrastructure Grant
MISA	Municipal Infrastructure Support Agent
MGRO	Municipal Governance Review and Outlook
NI	No Information Provided
SALGA	South African Local Government Association
SCM	Supply Chain Management
SDBIP	Service Delivery and Budget Implementation Plan
TOR	Terms of Reference

MINISTER'S FOREWORD

It is my pleasure to present to you the Consolidated Annual Municipal Performance Report for the financial year 2022/23. This report, compiled in accordance with Section 47 of the Municipal Systems Act, provides a comprehensive overview of the performance of municipalities within the Western Cape Province.

The Western Cape, with its diverse geography and rich cultural heritage, is home to approximately 7.2 million people. Over the past decade, our Province has faced significant challenges, including a severe drought, economic recession, and ongoing load-shedding. Despite these challenges, the Province has seen a net increase of 292,521 residents between 2016 and 2021. This growth rate is slightly higher than those of other provinces.

Climate change is a reality that has significantly impacted the Western Cape. Natural phenomena such as heavy rains, gale-force winds, and sea surges have led to severe flooding, causing extensive damage to infrastructure. The Province has shown that it is resilient and that the lessons learnt during Covid-19 and the drought have stood it in great stead.

The Province's economic prosperity has been impacted on by population growth outpacing the GDP growth. The Cape Metro area remains the largest contributor to provincial employment and GDP, with the finance sector leading the way. However, the Province must address the decline in GDP per capita and work towards sustainable economic growth.

Within a constrained fiscal environment, the Department continued to support municipalities by prioritising initiatives that would contribute to the strengthening of governance structures, institutional arrangements as well as building capacity towards enhanced service delivery of municipalities. A slight increase in the vacancies in key strategic positions has been noted. This is concerning as it has the potential to impact service delivery, strategic planning, financial sustainability as well as compliance with relevant laws and regulations.

Future proofing municipalities to ensure sustainability and accountability is a challenging goal that the Department is striving towards as Municipalities are constantly facing new challenges, and this period was no different, e.g. cyber security exploitations sparked a global concern and was thus also at the forefront of municipalities' priorities. Through collaborative efforts, the Department is working together with municipalities and SITA to identify security risk and vulnerabilities that could be a cause of concern.

Once again, a call is made to all role players in the local government space to improve collaboration and coordination of efforts to support municipalities as all work towards improving the lived experiences of citizens.



Anton Bredell
Minister for Local Government,
Environmental Affairs
and Development Planning

A handwritten signature in black ink, appearing to read 'Bredell', with a large, stylized flourish at the end.

EXECUTIVE SUMMARY

Municipalities in the Western Cape have made significant progress, striving towards improved living conditions and economic prospects for residents. While challenges persist, the commitment to responsible governance and development remains.

Municipalities have a constitutional responsibility towards communities to provide a government that is democratic and accountable in nature. To this end, municipalities have ensured that all political and governance structures have been put in place.

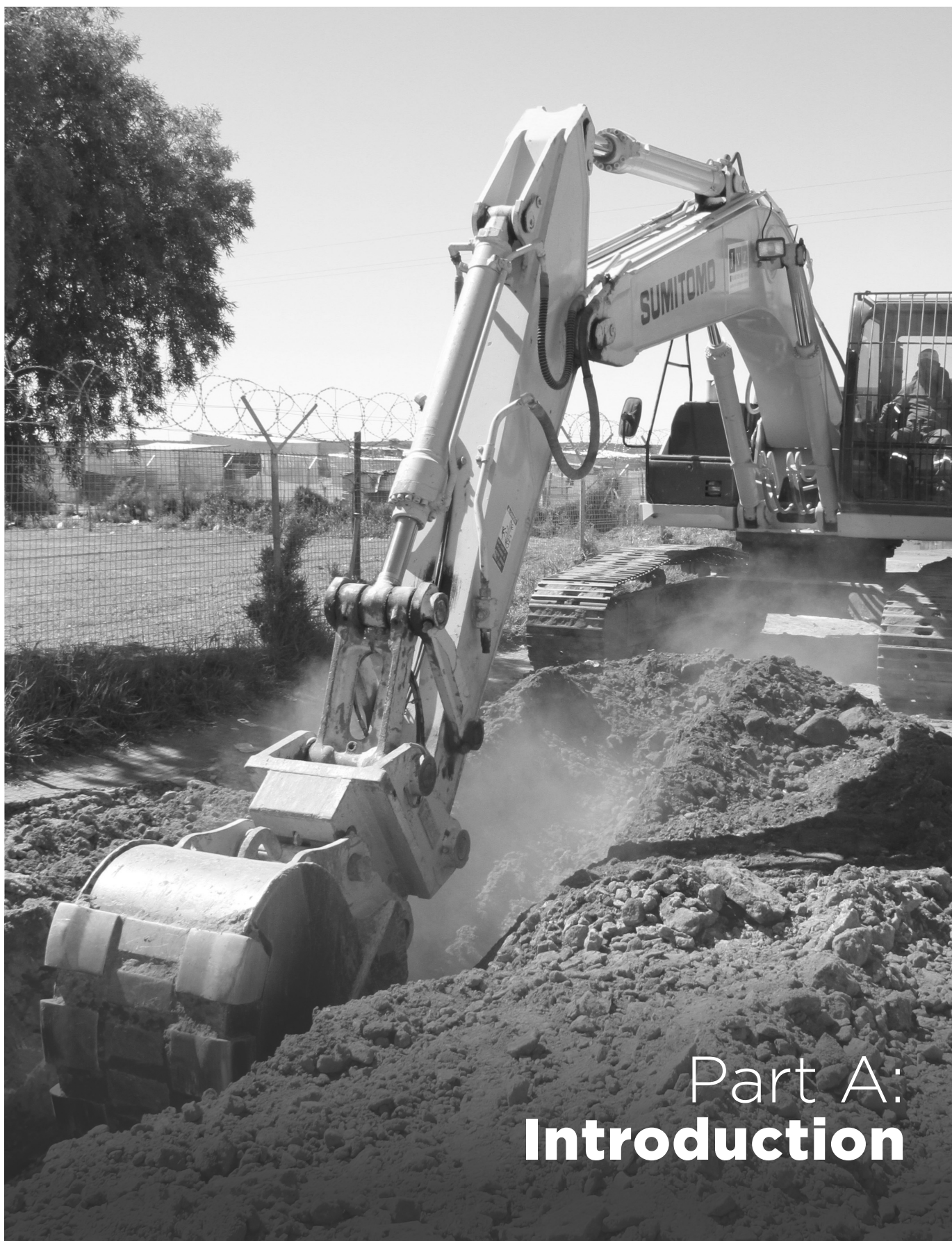
Section 152 of the Constitution further requires that municipalities ensure the provision of services to communities and encourage the involvement of communities and community organisations in the matters of local government. The ward committee system and other public participation measures ensures that citizens are represented and included in decision making.

The aftermath of Covid-19 and the ensuing lockdown has brought many opportunities for innovation and adapting to the changing needs of communities to the extent that some councils have now opted for virtual meetings to effectively improve functionality.

Communities continued to access government services and information through Thusong Service Centres and the Community Development Workers located in various municipalities. This enabled empowerment in communities aimed at improving access to services and economic opportunities across municipalities.

The provision of basic services has a direct impact on the quality of life of communities in the Western Cape. Municipalities are at the coalface of service delivery and are faced with historical backlogs in the provision of basic infrastructure and housing as well as the maintenance of existing infrastructure. Municipalities have maintained good service delivery conditions overall.

While the City of Cape Town had shown an improvement with a clean audit, six municipalities had received unqualified audits with findings. The Auditor-General has identified various areas of concern, including inadequate performance indicators, deficiencies in project delivery, irregular expenditure, and incomplete reporting. She has however reported good controls in municipalities overall, which positively impacted and resulted in 21 municipalities obtaining a clean audit opinion.



Part A: **Introduction**

BACKGROUND AND PURPOSE OF THE REPORT

The 2022/23 Consolidated Annual Municipal Performance report is compiled in terms of Section 47 of the Municipal Systems Act (MSA) which places an obligation on the MEC for Local Government to annually compile and submit to the Provincial Legislature and the National Minister a consolidated report on the performance of municipalities in the Province. The purpose of the report is to identify municipalities that are underperforming and propose remedial actions to be taken. It offers a comprehensive view of the province's operational, social and environmental successes and challenges experienced for the financial year 2022/23.

This report is hugely informed by the reports compiled by municipalities in terms of Section 46 of the MSA. In terms of the same section, municipalities are required to prepare for each financial year a performance report reflecting the performance of the municipality during that financial year, with set targets compared with previous financial years and measures taken to improve performance.

The Local Government Municipal Systems Act (MSA) established a framework for planning, performance management systems, effective use of resources and organisational change. This Act requires that all municipalities prepare an Integrated Development Plan (IDP) which sets a five-year strategic plan that enables municipalities to achieve service delivery and development goals for their municipal areas in an effective and sustainable way. The municipal annual performance plan forms part of the municipality's annual report obligation in terms of Chapter 12 of the Municipal Finance Management Act.

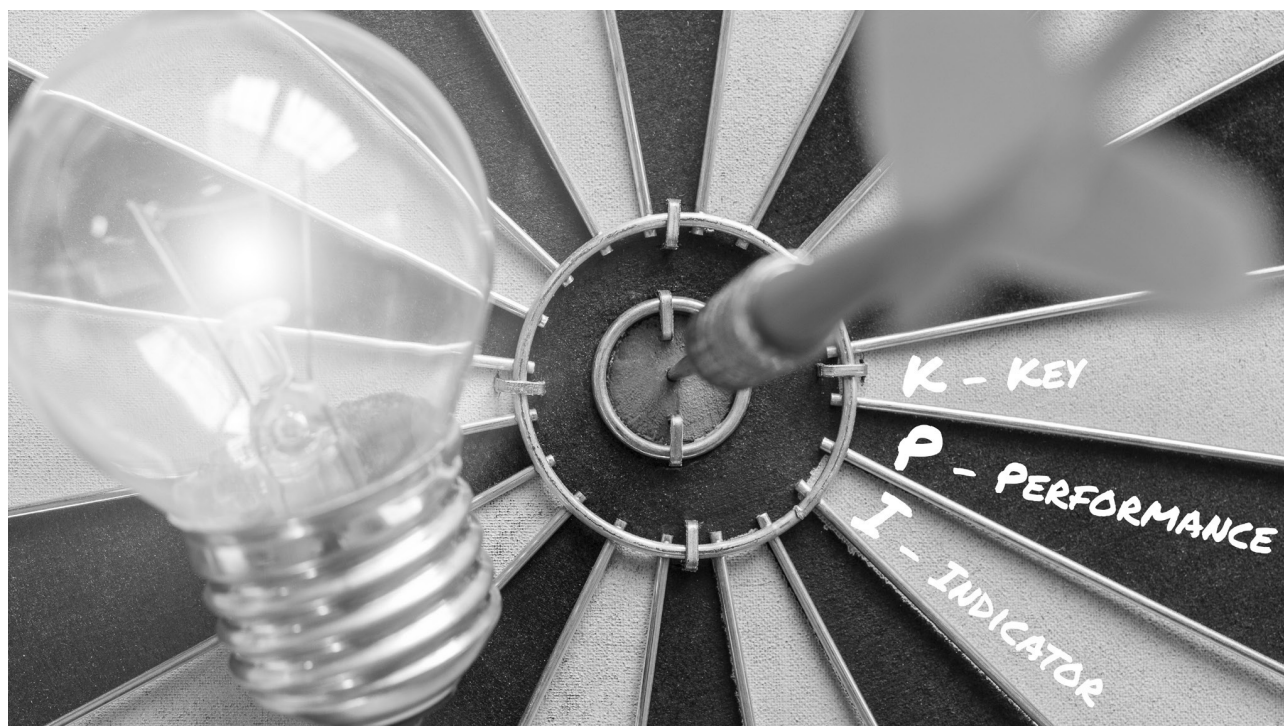
Section 47 of the MSA further requires that this Consolidated Annual Municipal Performance report be published in the Provincial Gazette and a copy of the report must be submitted to the National Council of Provinces.

The Statutory Annual Report process is presented in the table below that outlines the key responsibilities and due dates for submission:

Table 1: Statutory annual report process

REPORT	APPLICABLE LEGISLATION	RESPONSIBLE ENTITY/ PERSON	BY WHEN
Submission of financial statements	MFMA Section 126(1)	Municipalities	31 August (2 months after the end of a financial year)
Auditor-General to audit financial statements and submit report	MFMA Section 126 (4)	Auditor-General	30 November (within 3 months after receiving financial statements)
Draft annual report to be prepared	MFMA Section 121 (1)	Municipal Manager	31 December (within 6 months after the end of the financial year)
Tabling of municipal annual report to council	MFMA Section 127 (3)	Mayor	31 January (within 7 months after the end of the financial year)
Make annual report public and invite the local community to make representations	MFMA Section 127 (5)	Accounting Officer of municipality	After tabling

REPORT	APPLICABLE LEGISLATION	RESPONSIBLE ENTITY/ PERSON	BY WHEN
Make annual report public and invite the local community to make representations	MFMA Section 127 (5)	Accounting Officer of municipality	After tabling
Submit annual report to PT and MEC for Local Government	MFMA Section 127 (5)	Mayor	After tabling
Adopt an oversight report containing the council's comments	MFMA Section 129 (1)	Council	By no later than 31 March (within 2 months after the tabling)
Copies of minutes of the council meeting during which the annual report was adopted and the oversight report must be submitted to the AG, PT and the MEC	MFMA Section 129 (2b)	Accounting Officer of municipality	Within 7 days after the meeting during which the oversight report was adopted
Submit oversight report and annual report to the Provincial Legislature	MFMA Section 132 (1)	Accounting Officer of municipality	Within 7 days after the meeting during which the oversight report was adopted
Monitor submission process of municipal annual reports to the Provincial Legislature	MFMA Section 132 (3)	MEC for Local Government	From 1 February to mid-April
Drafting of Consolidated Municipal Performance Report and submission to MEC	MSA Section 47	Head of Department (Local Government)	No timeframe in legislation – only possible after receipt of all AG reports, municipal annual reports and municipal oversight reports
Submit consolidated municipal performance report to Provincial Legislature and Minister of Cooperative Governance	MSA Section 47	MEC for Local Government	As soon as possible after receipt of all municipal annual reports, including municipal performance reports and the oversight reports of the councils



WESTERN CAPE POPULATION AND SOCIO-ECONOMIC OVERVIEW

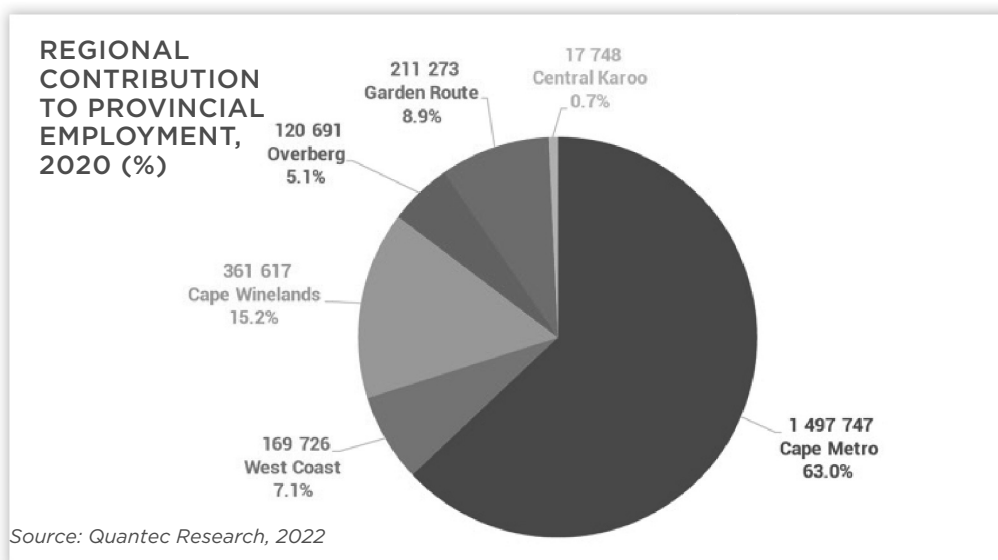
The Western Cape is situated on the southwestern tip of the African continent and is one of the nine provinces of South Africa. The Province is also home to South Africa's oldest city, Cape Town. The Western Cape's natural beauty, complemented by its hospitality, cultural diversity, excellent wine and colourful cuisine, makes the province one of the world's greatest tourist attractions. The Western Cape province is bordered to the North and East by the Northern Cape and Eastern Cape province, respectively, the Atlantic Ocean in the West and the Indian Ocean in the South. The Province is geographically diverse, encompassing areas as vastly differentiated as the Metropolitan area, Boland, West Coast, Southern Cape and the Karoo. The Province is divided into five district councils, which are made up of 24 local municipalities and one metropolitan municipality.

According to the Provincial Economic Review and Outlook (PERO) in 2022, the South African population was estimated at 60.6 million, a 1.03 per cent increase from the 2021 estimate. Gauteng has the largest population (16.1 million) followed by KwaZulu-Natal (11.5 million) and the Western Cape (7.2 million). More than half (57.5 percent) of the population live in Gauteng, KwaZulu-Natal and the Western Cape. The Northern Cape has the smallest population (1.3 million).

The Western Cape saw a net increase of 292 521 residents between 2016 and 2020. Currently, 7.1 million people call the Western Cape home, making up 11.8% of all South Africans. The 2022 South African census recorded the population of the Western Cape as 7,433,020 people living in 2,264,032 households. The 2022 South African census recorded the population of the Western Cape as 7,433,020 people living in 2,264,032 households. According to the Provincial Economic Review and Outlook, the Western Cape Gini Coefficient increased from 0.60 to 0.63 between 2012 and 2020. The Western Cape made improvement in human development, with the HDI rising from 0.709 to 0.769 over the same period, in contrast to the worsening of income inequality (PERO, 2021).

The table below reflects the population per region as depicted in the municipal annual reports of 2021/22.

Graph 1: Regional contribution to provincial employment



According to Provincial Economic Review and Outlook 2022, The Western Cape's economic prosperity (GDP per capita) declined over the past decade. The decline is due to population growth (18.9 per cent) exceeding GDP growth (11.7 percent) over the same period. The sluggish expansion of GDP can largely be attributed to the slow growing national economy, a severe drought (2015 - 2019), the Cape Metro water crisis (2017/18), the 2020 recession and load-shedding (since 2015). In 2021, real GDP per capita was 9.2 percent lower than in 2013. The highest GDP per capita level (R99 258) over the past decade was in 2013, while the lowest level (R87 332) was in 2020 (PERO2022).

WESTERN CAPE REGIONAL CONTRIBUTION TO PROVINCIAL EMPLOYMENT

According to the PERO 2021, the Cape Metro area contributed the largest share to provincial employment at 63.0 percent in 2020. This was followed by Cape Winelands District and Garden Route District, contributing 15.2 percent and

8.9 percent respectively. The West Coast District and Overberg District contributed 7.1 percent and 5.1 percent respectively, while Central Karoo District contributed the least to employment in the Province at 0.7 percent.

The PERO 2022 indicates that the Western Cape created relatively more youth employment opportunities in comparison to South Africa. In the first quarter of 2021, the youth cohort (38.1 percent) made up a relatively larger portion of total employment than in South Africa (34.4 percent), despite having a relatively smaller representation in the Western Cape labour force (0.7 percentage points). Between the first quarters of 2017 and 2021, the youth in the Western Cape (-6.5 percent) had relatively fewer employment losses compared to South Africa (-18.6 percent). However, over the period the older age cohort in South Africa (-1.3 percent) had relatively fewer employment losses than the Western Cape (-3.3 percent).

According to the PERO 2022 the Western Cape follows the national trend concerning education cohorts and informal employment. In the first quarter of 2022 the less than secondary education cohort (27.4 percent) had the largest portion of informal to total employment followed by the Secondary (18.4 percent) and Tertiary (6.4 percent) education cohorts. Between the first quarters of 2017 and 2022 informal employment among the Less than secondary education cohort (-32.7 per cent) declined substantially whilst the Secondary (29.8 percent) and Tertiary (14.4 percent) education cohorts expanded. In the Western Cape, the portion of informal to total employment varies significantly among different sectors. In the first quarter of 2022, Private households (56.4 per cent) had the largest share of informal to total employment, followed by the Construction (39.6 percent), Mining (34.3 percent), Trade (25.6 percent) and Transport (23.6 percent) sectors. In comparison with South Africa, the Western Cape relies substantially less on informal employment in the agriculture sector (-20.0 percentage points).

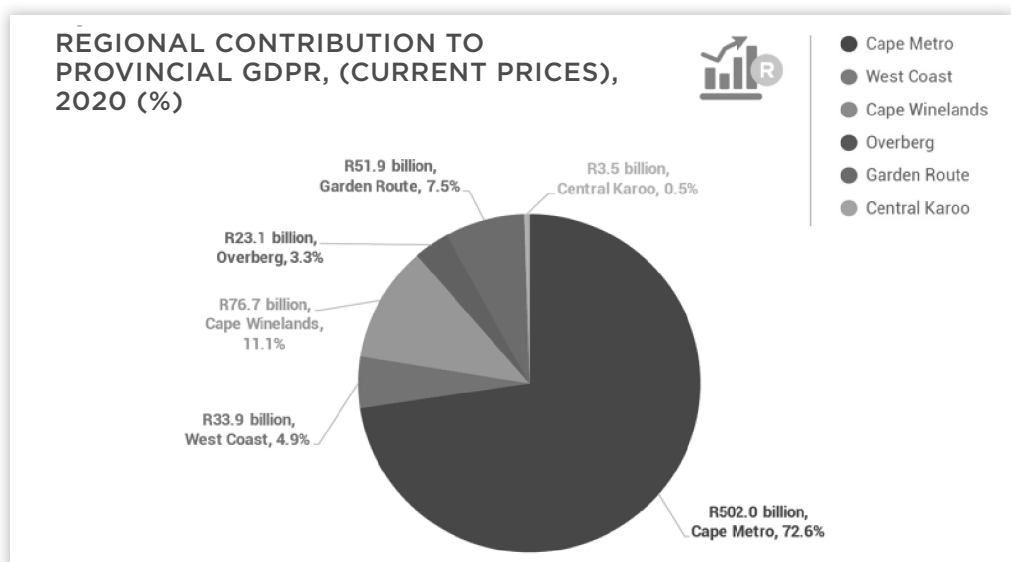
Between 2011 and 2013 there were year-on-year increases in Provincial employment, which increased jobs from 40 390 in 2011 to 73 312 in 2013. These recoveries can be attributed to the high GDP growth rates recorded during the same period, as well as recoveries

in the labour market following the global financial crisis. Furthermore, the high number of jobs created in 2013 can be ascribed to the roll-out of public infrastructure initiatives during the year.

Despite recording a slowdown in new employment opportunities in 2014, Provincial employment increased substantially in 2015, with 107 530 jobs created during the year. The Cape Metro area, with 40 253 jobs, contributed the largest share to this increase, followed by CWD and WCD with 29 490 and 16 370 jobs created respectively.

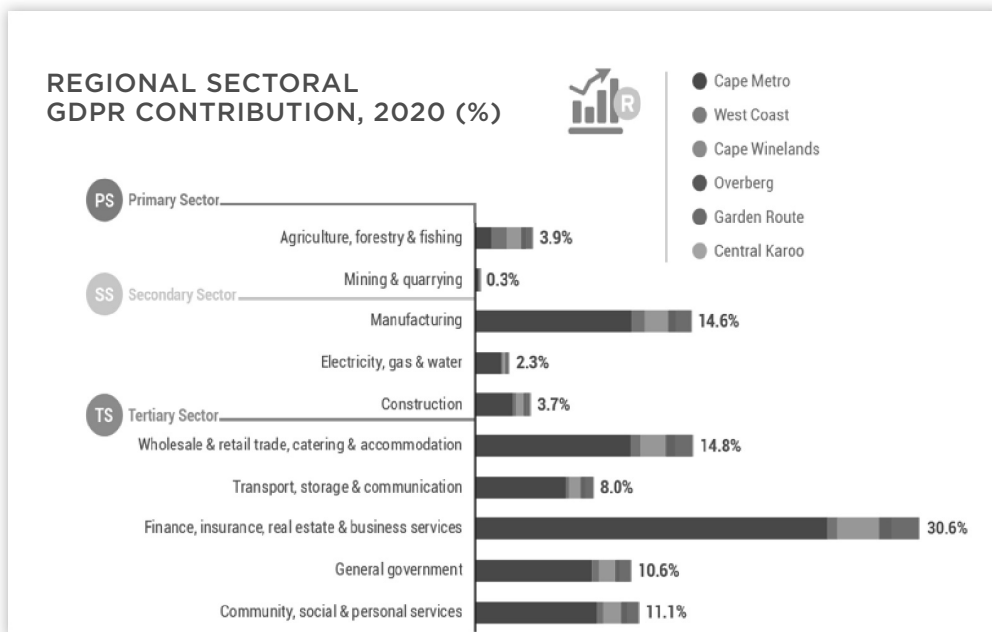
In 2016, all regions apart from the Cape Metro area recorded declines in employment opportunities. However, provincial employment still increased by 7 532 jobs during the year. The slowdown in new employment opportunities was most likely due to the continued drought conditions throughout the Province, amplified by the Western Cape's reliance on the agriculture sector as a source of employment.

Graph 2: Regional Contribution to GDP



Source: Quantec Research, 2022

With a contribution of R502 billion, the Cape Metro area contributed the largest share to total Gross Domestic Product per Region (GDPR) in the Province in 2020 at 72.6 percent. The Cape Winelands District (CWD) contributed the second-largest share to Provincial GDPR during the same year, with a contribution of 11.1 percent. This was followed by the Garden Route District (GRD) and West Coast District (WCD), with contributions of 7.5 percent and 4.9 percent respectively in 2020. Valued at R3.5 billion in 2020, the Central Karoo District (CKD) was the smallest contributor to the Provincial economy (0.5 percent) (MERO 2022, Quantec Research 2022).

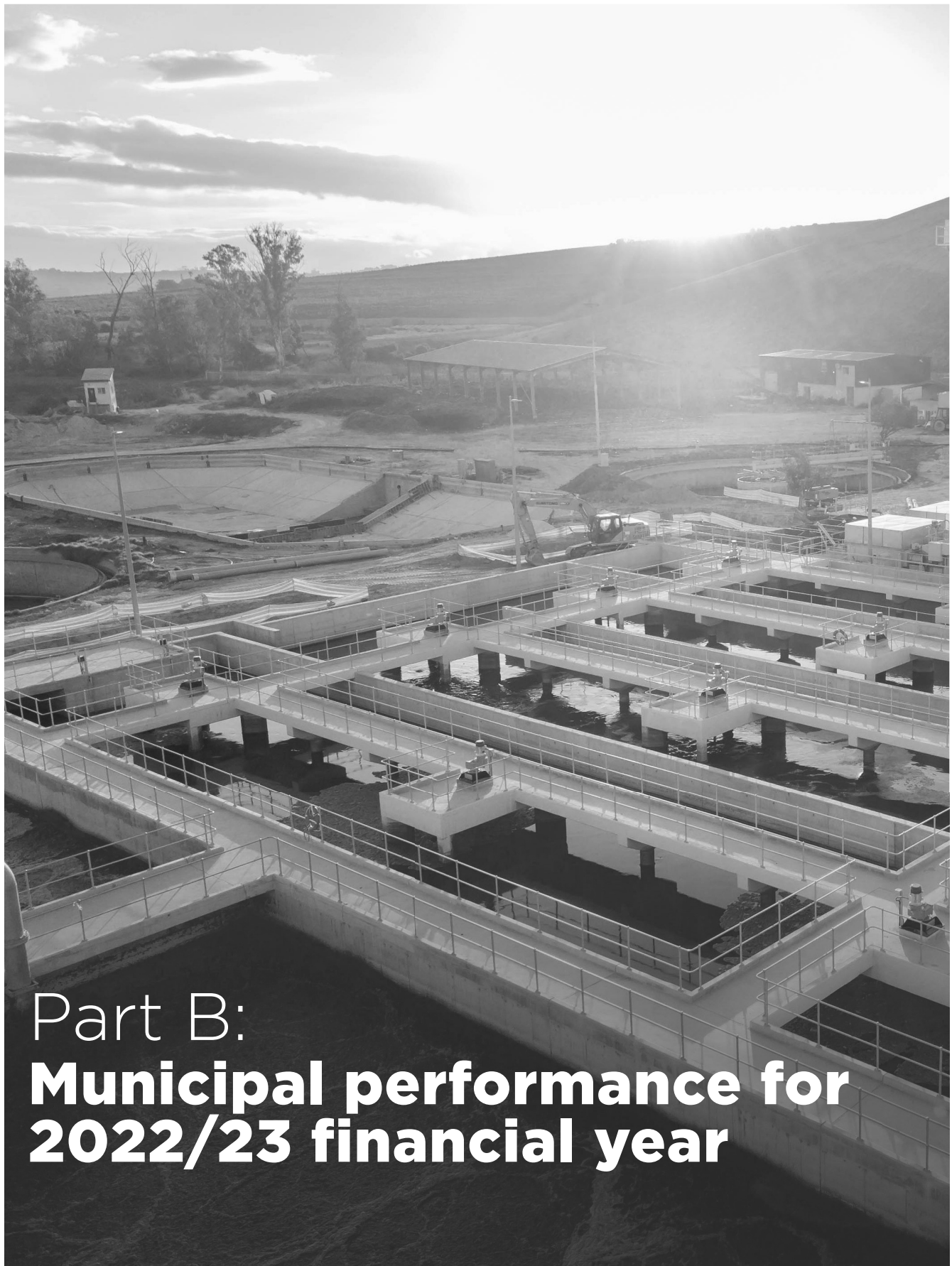


Source: Quantec Research, 2022

In the Province, the finance sector was the leading contributor to GDP at 30.6 percent in 2020. This was followed by the trade sector (14.8 percent) and the manufacturing sector (14.6 percent). The two largest contributing sectors were concentrated in the Cape Metro area, the CWD and the GRD. Contribution to growth measures the relative impact of each sector on total growth in the Province and is a function of the relative size of each sector combined with the growth over a specific period.

Between 2017 and 2021 the Western Cape economy is estimated to have expanded by 0.3 percent on average, with finance, agriculture and community services sectors making the largest contributions to growth. The relatively smaller agriculture sector expanded by 4.2% on average over the same period.





Part B: **Municipal performance for 2022/23 financial year**

CHAPTER 1: GOVERNANCE

1.1 INSTITUTIONAL ARRANGEMENT AND CAPACITY BUILDING

1.1.1 Political Governance

A municipality is established by the MEC for local government by means of a Section 12 notice, referring to Section 12 of the Municipal Structures Act (MSA). Among other things, this notice determines the choice between having an Executive Mayor, Executive Committee or no separate Executive at all. The Section 12 notice is rightly seen as the constitution of a new municipality. The Western Cape municipalities have opted for the option of a Mayoral Committee system.

Section 151(2) of the Constitution provides that the council possesses both legislative and executive powers to make laws (by-laws) and implement them. Council is the source of executive power and bears the responsibility of overseeing the executive. Section 53 of the Municipal Systems Act (MSA) further provides that a municipality defines the roles and responsibilities of each political structure and each political office bearer of the municipality.

Section 151(3) of the Constitution gives the council of a municipality the right to govern, on its own initiative, the local government affairs of the local community in a democratic and accountable manner, to perform legislative and executive functions and generally fulfil its roles and responsibilities as set out in the Constitution. The municipal council as designed by the Constitution is an executive body that has the highest authority within the municipality and is essentially the employer of all municipal staff as mandated by the MSA, specifically senior managers.

Section 160(3) of the Constitution prescribes the way Council takes decisions. A quorum of all Councillors must be present to take any decision and most of the votes cast result in legal decision. The exception to this rule is that when any of the following issues are determined, it is determined by a decision taken upon a supporting vote of a majority of all its members:

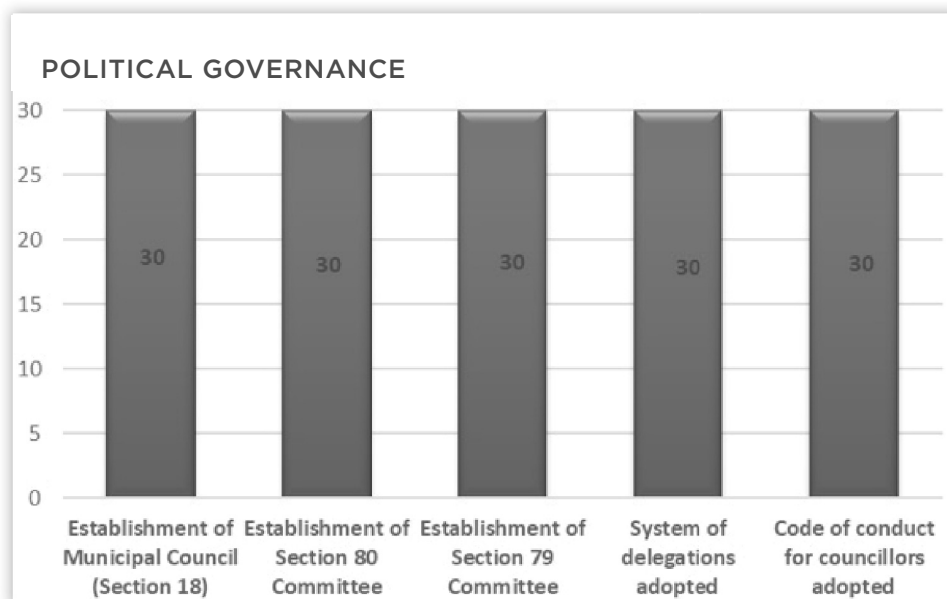
- The passing of bylaws;
- The approval of budgets;
- The imposition of rates and other taxes, levies and duties; and
- The raising of loans.

Councils have delegated executive functions of the Executive Mayor. The Executive Mayor is supported by a Mayoral Committee, with each member holding a portfolio with specific functions. An Executive Mayor may delegate specific responsibilities to each member of the Mayoral Committee. Any powers and duties delegated to the Executive Mayor by

the Municipal Council must be exercised and performed by the Executive Mayor together with other members of the Mayoral Committee.

The table below depicts the compliance to the establishment of political committees and related policy documents.

Graph 3: Political Governance



Source: Municipal Annual Reports 2022/23

In order to achieve a well-maintained political governance that strengthens administrative governance and oversight, municipalities must ensure that they are focussed on applying professional risk management principles, anti-corruption strategies and effective monitoring of internal auditing functions. Municipalities must schedule fixed monthly meetings for all Section 80 Committees as well as fixed meetings for the Municipal Public Accounts Committee.

Based on the information obtained from the annual reports, all 30 municipalities have adopted their system of delegations in line with Section 59 of the MSA, ensuring the maximisation of administrative and operational efficiency. The respective Codes of Conduct were adopted in accordance with the MSA.

1.1.2 Administrative Governance

The administrative arm of the municipality is headed by the Municipal Manager as the Accounting Officer as required by Section 54A of the Municipal Systems Act. He is the chief advisor of the municipality with extensive, delegated powers and duties to advise and enforce decisions of the political office-bearers of the municipality. He is also required by Section 60(b) of the MFMA to provide guidance on compliance with the Act.

Municipalities must, within their administrative and finance capacities establish and organise their administration to be responsive to the needs of local communities. For

that to be achieved, key structures of the municipality must be in place and strategic vacancies must be filled. For the period under review, vacancy rate is at 12%, 2% higher than the previous year.

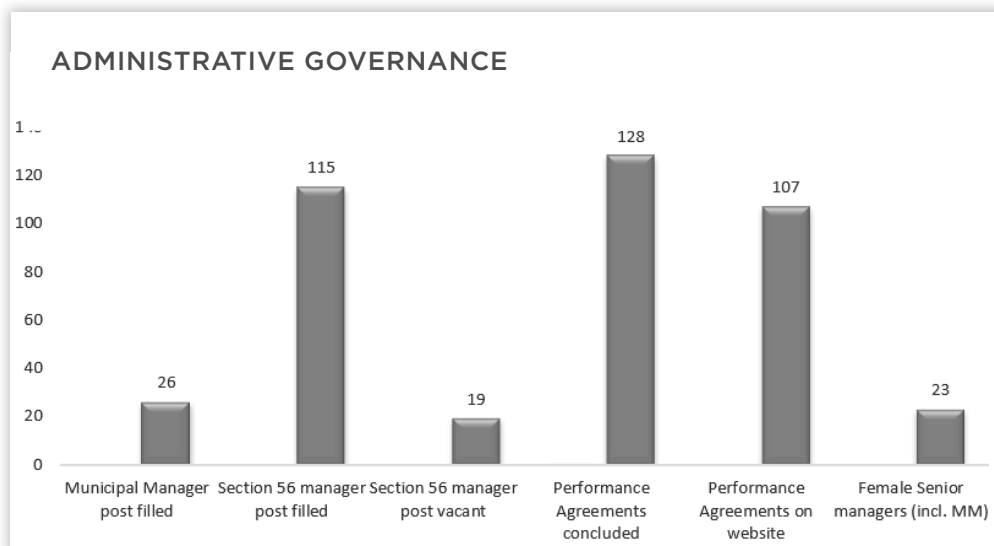
The Local Government Municipal Systems Act 2000 (Act 32 of 2000), and Municipal Performance Regulation 805 of August 2006 requires that the Municipal Manager and the Managers reporting directly to the Municipal Manager enter into Annual Performance Agreements. Performance agreements provide clear goals to the municipal council of what should be expected from their managers and managers directly accountable to municipal managers.

The Municipal Systems Act in Section 57 requires that the performance agreement must be concluded within a reasonable time after a municipal manager and/or after a manager directly accountable to the municipal managers has been appointed, and thereafter within one month after the beginning of the financial year of the municipality.

Section 53(3)(b) of the MFMA requires that the performance agreements referred to above be made public no later than 14 days after the approval of the municipality's service delivery and budget implementation plan, copies thereof be submitted to the council and MEC for local government in the province.

Not all Municipal Managers and managers directly accountable to the Municipal Managers in the Western Cape have signed and submitted performance agreements to the MEC for Local Government.

Graph 4: Administrative Governance



Source: Municipal Annual Reports 2022/23

1.1.3 Capacity Building

The 1998 White Paper on Local Government states that significant support and investment are required to build administrative capacity for local government. Capacity in the context of local government means the ability to exercise its powers and to deliver municipal

constitutional obligations. National and provincial departments are obliged by Section 154(1) of the Constitution to support local government. Furthermore, a cooperative intergovernmental environment where all parties work together is required to support local government in realising its mandate.

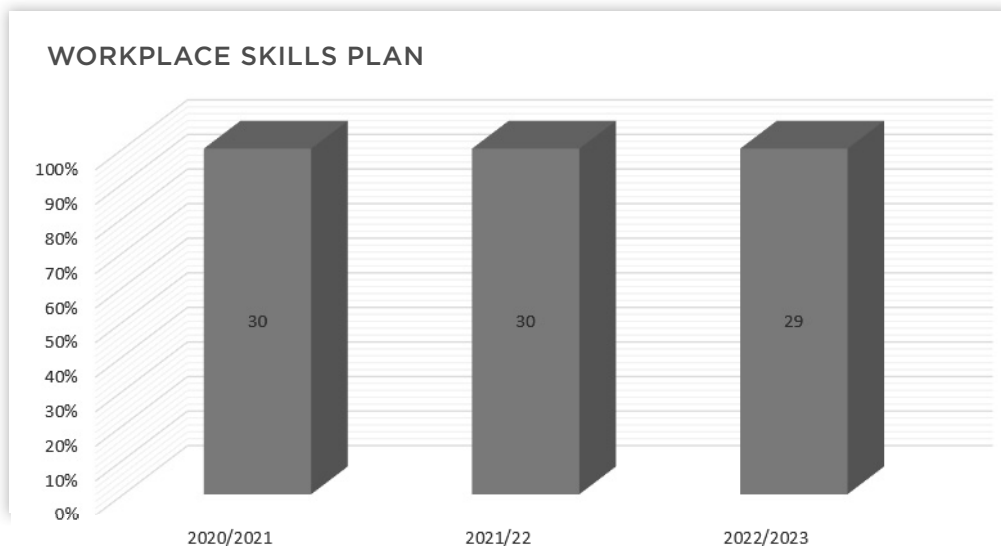
Details of conceptualising capacity within local government are contained in the Municipal Systems Act. The act defines capacity in relation to the administrative and financial management capacity and infrastructure that enables a municipality to collect revenue and to govern on its own initiative the local government affairs of its community.

The definition of capacity is biased towards skills development through training and capacity building initiatives, which should be linked to the national legislative and policy framework for skills development put forward by the Department of Labour.

The Skills Development Act and the Municipal Systems Act require that there be programmes that focus on capacitating individuals. These programmes are in the form of training, workshops, skills development initiatives and in some instances, expert deployment which aims at filling temporary capacity gaps with the hope that the expert in question will succeed in increasing skills of the person that he or she is working with. Municipalities are required to submit to the Local Government SETA, Workplace Skills Plans which are used as their skills audit.

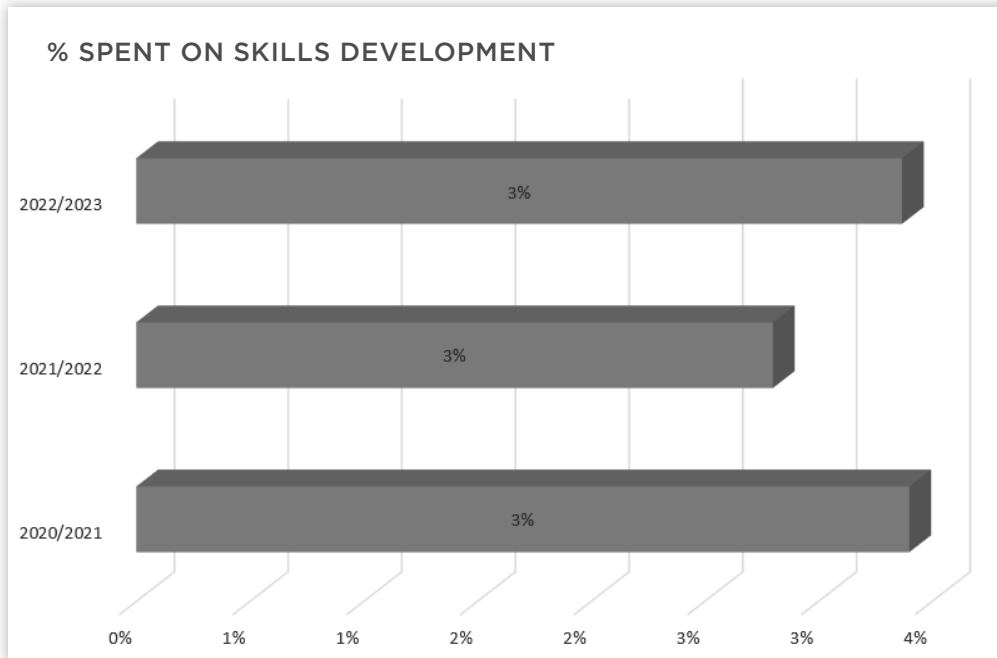
All municipalities have complied with the requirements of the Local Government: Municipal Planning and the Performance Management Regulations of 2001 and have submitted the Workplace Skills Plans, except for Kannaland Municipality.

Graph 5: Workplace Skills Plan

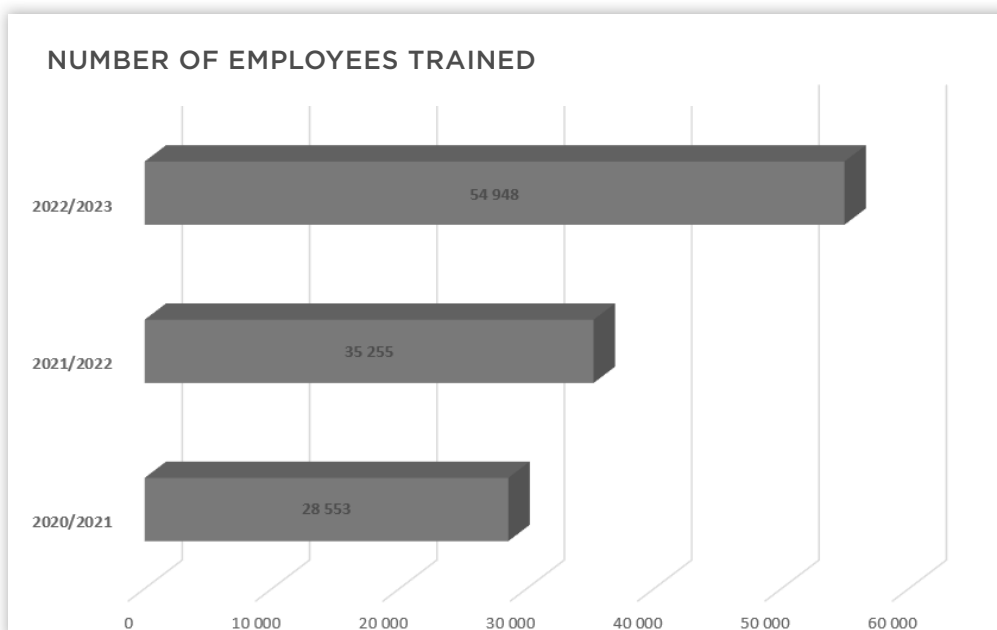


An average spending of 3% of municipal personnel budgets on skills development was achieved for the past three years.

Graph 6 below depicts the number of personnel trained over the three-year period. During the 2022/23 financial year municipalities ensured that about 55 000 employees are empowered with skills. This is a significant improvement compared to the previous two financial periods as indicated below.

Graph 6: *Percentage spent on skills development*

Source: *Municipal Annual Reports 2022/23*

Graph 7: *Capacity Development training*

Source: *Municipal Annual Reports 2022/23*

CHAPTER 2: ACCOUNTABILITY

2.1 COMMUNITY PARTICIPATION

Public participation is a crucial part of South African democracy. It allows citizens to be involved in how their communities are governed.

Section 16(1) of the Municipal Systems Act states that a municipality must develop a system of municipal governance that complements formal representative governance with a system of participatory governance. Section 18(1) further states that a municipality must supply its community with information concerning municipal governance, management and development amongst other things.

A key requirement for achieving good governance is effective public participation. Such participation is necessary for:

- The preparation, implementation and review of the IDP.
- Establishment, implementation and review of the performance management system.;
- Monitoring and review of performance, including the outcomes and impact of such performance.
- Preparation of the municipal budget.

Public participation allows for constituents to monitor the actions of their elected officials and encourages the community to play an active role in the performance of their municipality. This enables citizens to assess whether their interests are considered and their needs met.

At the local level the Local Government: Municipal Structures Act, 1998 requires, among others, that municipalities must develop mechanisms to consult communities and community organisations in performing their functions and exercising their powers. Such structures are known as ward committees.

2.1.1 Ward Committees

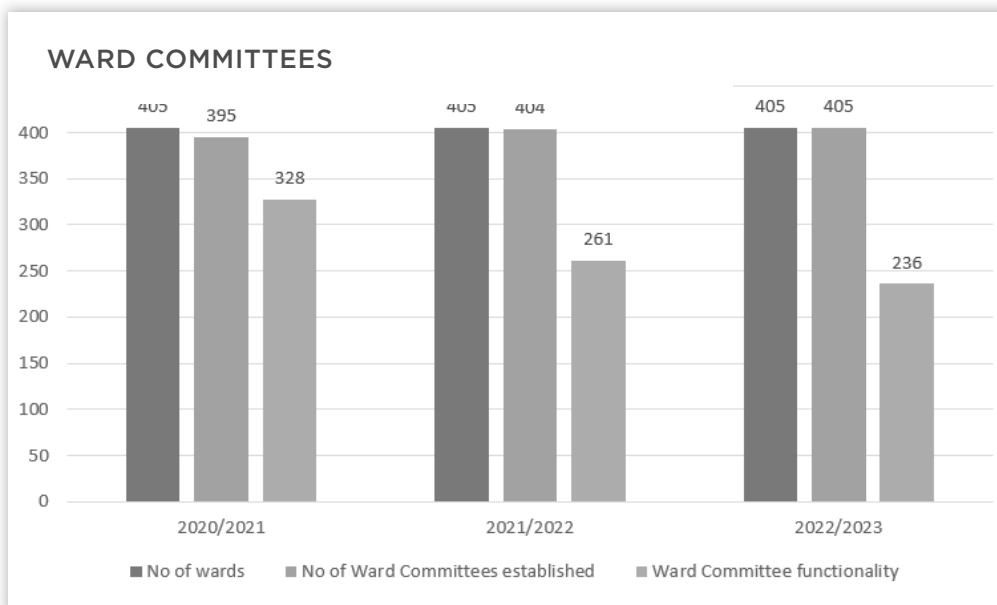
Local Government is a level of government that is closest to the people. Ward committees are one way to ensure that citizens give input to the decisions that local councils make. Hence, they are said to create a link between the councillor and the community.

Ward committees are the statutory structures recognised by the municipal council to, among other things:

- Represent the community on the compilation and implementation of the Integrated Development Plan.
- Ensure a constructive and harmonious interaction between the municipality and the community.
- Attend to all matters that affect and benefit the community.
- Act in the best interest of the community.
- Ensure that active participation of the community in the municipality's budgetary process takes place.

The table below provides information on the establishment of ward committees and their functionality.

Graph 8: Ward Committees



Source: Municipal Annual Reports 2022/23

For ward committees to be fully functional, they should at least meet four times in a year to effectively achieve the spread of information to the community. The graph above indicates that in all 405 wards, all have established ward committees. However, only 236 of the 405 ward committees are fully functional.

2.1.2 Citizen Participation and Community Development Workers Programme

The Community Development Worker Programme is a national programme that was announced by former President Thabo Mbeki in 2003. The programme was officially implemented in the Western Cape in 2005.

The objective is to:

- Assist with improving service delivery and accessibility of services to the public.
- Assist with inter-governmental coordination both between line departments and the three spheres of government.
- Facilitate community development, stronger interaction and partnerships between government and communities.
- Support participatory democracy.

The Community Development Workers (CDWs) play an important role in establishing and maintaining relationships between communities and government services. They are enablers rather than implementers. They are catalysts between the community and

Government by informing communities of the basket of government services that is at their disposal, such as free basic services, indigent grants and the application processes to access those services.

At the end of the 2022/23 financial year, CDWs also continued to achieve the objectives stated above through regularly communicating governmental information, facilitating government assistance to community projects where required and improving community linkages to relevant public entities.

2.1.3 Information Communication Technology (ICT)

With the dawn of the concept of the Fourth Industrial Revolution (4IR) the attention of municipalities increasingly moves towards business enablement and functional optimisation using technology in service delivery. There is increased emphasis on the adoption of technology to improve both operations and service delivery.

The adoption of technology, that is information and communication technology (ICT) must, similarly to finance and human resources, be governed in such a way that it creates value in the overall organisation. Information is the lifeblood of any organisation; it is information according to which strategic direction and material decision making is based. It therefore goes without saying that valuable information is the kind that can be accessed, verified timeously and corrected as and whenever a need arrives.

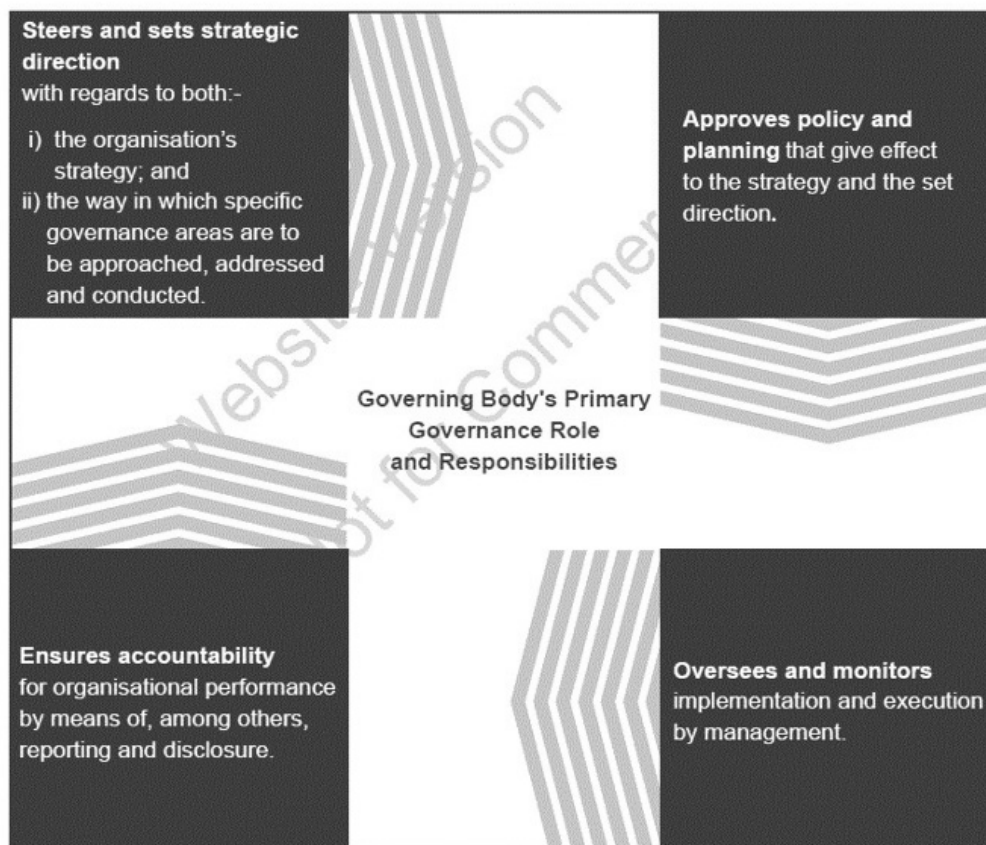
In 2015 a Municipal Corporate Governance of ICT Policy Framework was developed with the intention of providing a guideline for municipalities in how they direct the use of information and related systems, as well as accounting for the value derived, return on investment and compliance to industry and regulatory requirements. The governing body (Council) is charged with the responsibility for oversight and delegation in this respect. It (the governing body) must oversee that ICT responsibilities are clearly defined, appropriately resourced and managed. This is succinctly articulated under Principle 12 of the King Code, King IV.

This report shall be viewed and accepted as an account of the contents of the annual reports by the municipalities in the Western Cape. The Department of Local Government annually embarks on a journey with the aim of providing a holistic account of the prevailing state of ICT affairs across the local sphere of government in the province and we believe the outcomes of such an undertaking are pivotal to this report. Hereunder we will therefore attempt to highlight issues pertinent to the corporate governance of ICT, such as the existence and function of relevant structures, policy direction, development as well as implementation, the management of risks, particularly those which pertain to ICT, the effectiveness of ICT in enabling continuity in the business of the municipality, and lastly the overall security above and beyond cyber security.

CORPORATE GOVERNANCE OF ICT

The term “corporate governance” in terms of its definition proffered in King IV encapsulates leadership that is premised and bound to ensuring that the municipality acts ethically in all its dealings (internally and externally) through inculcating an attitude which seeks to promote a culture underpinned by ethics, legitimacy, effective control aimed at continuously improving the overall performance of the municipality. It offers a system of

delegation to manage the implementation of already approved business strategy, through operational plans and/or policy to the Municipal Manager. Contrary to the previously held view which favoured the establishment of specific management roles, the current dispensation is more open and inclined to the idea of the municipal council exercising an oversight role to ensure that key functional areas are headed by competent people and that adequate resources are made available. Below is a schematic summary of the roles and responsibilities of the council as the governing body.



What becomes apparent from this diagram is that the governing body takes responsibility for directing.

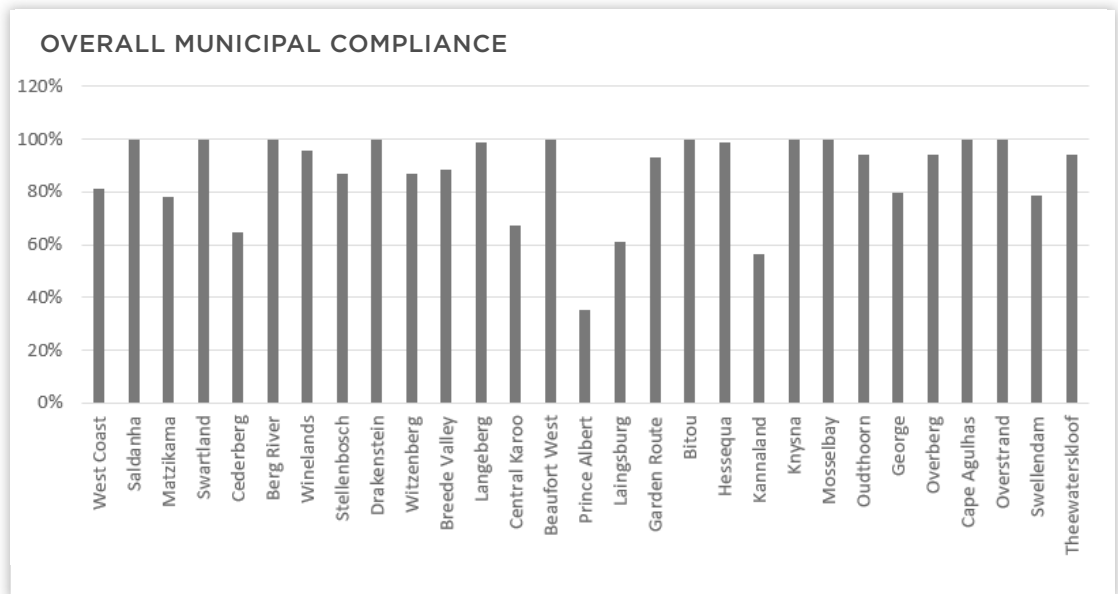
As has been mentioned elsewhere, it is according to the 12th principle contained in King IV that the council of a municipality bears the peremptory responsibility for the governance of ICT. It supports the organisation as it steers to achieve its strategic objectives.

METHODOLOGY

The Western Cape is demarcated into 30 municipal areas, with a jurisdictional make up of ONE metropolitan municipality, FIVE district municipalities and TWENTY-FOUR local municipalities. In collating this section of the report, we supplemented the information contained in the annual reports of various municipalities with the information we collect continuously through our regular engagements with municipalities and information harnessed from the National Treasury Financial Management Capability Maturity Model (FMCMM) (2023) survey.

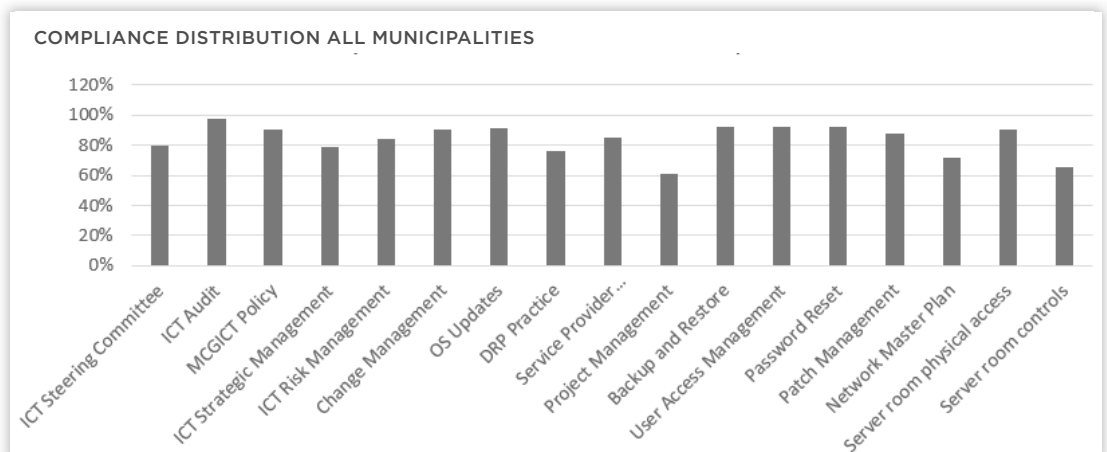
These were collated into compliance assessment areas in which the information of each municipality could be analysed.

The following graph depicts the ICT governance compliance in all municipalities, save for the Metropolitan, the City of Cape Town. It is important to emphasise the point that what is being portrayed is mainly from a compliance perspective as opposed to a perspective premised exclusively on performance.



The graph reveals a somewhat satisfactory situation pertaining to the governance of ICT in municipalities generally. An average of 87% corporate governance of ICT compliance rate has been achieved, with Prince Albert and Kannaland at the far bottom. Noteworthy to observe is that Central Karoo as a district made up of FOUR municipalities, shows poor performance in most of its municipalities.

In the following graph we will attempt to demonstrate the compliance specific to each indicator considered in this evaluation exercise.



STRUCTURES

The data reveals that most of the municipalities do have appropriate ICT governance structures in place for the management and oversight of ICT value delivery performance. The structures pertinent in this regard are the ICT Steering Committee which exercises the oversight responsibility and the dedicated ICT unit structure comprising of all technical skills required for the execution of ICT activities, in addition to the directive role incumbent on the Council.

POLICY ENVIRONMENT

The Municipal Corporate Governance of ICT Policy Framework serves as a foundation upon which all ICT related decisions shall be premised. It provides mechanisms for clarification of related roles and responsibilities, and the absence of it can be attributed to leadership deficiencies at a strategic level. Since the development of the 2015 MCGICTPF, an overwhelming majority, except for Prince Albert and Kannaland, have customised and adopted the MCGICTPF. However, there seems to be an overwhelming deficiency around the role of development of ICT Strategies. The standard practice seems to leave this imperative task to the ICT Manager and even the strategy emanates from such anomalous configurations. It is usually not prioritised during the allocation of funds. Noteworthy is to highlight that full compliance to the MCGICT has not been achieved by all municipalities and there are multi-faceted reasons for such a state of affairs, however the progress continuously being made is in some respects commendable, in some respects it can be criticized for its focus on compliance over value delivery.

RISK MANAGEMENT

Over 80% of municipalities do have an overall risk management strategy for the organisation where ICT specific risks are incorporated. Capacity and financial challenges have a bearing on the risk management models adopted by each individual municipality, thus there are variations prevalent across the spectrum. It must be noted also that the substantive functioning of the overall risk management measures varies significantly even amongst municipalities who rate high compliance scores.

BUSINESS CONTINUITY PLANS AND STRATEGIES

The environment within which each municipality operates, demands that there be a continuous servicing of the people residing in that municipal area. It thus becomes obvious that each individual municipality, as part of its risk management imperative, develops Business Continuity Plans and strategies. Though this looks adequate and somewhat successful from a compliance perspective (92% Backup and Restore, and 76% Disaster Recovery Practices), the situation proves to be quite unreliable, owing to the fact that the enacted DRP plans have not been subjected to robust testing. There appears to be major discrepancies between municipalities when it come to the effectiveness of the Business Continuity plans and these discrepancies can be attributed to both leadership and financial resources.

SECURITY

From a technological point of view, there is so much that goes into securing assets of the municipality. Data is the most imperative and underpins the servicing of residents. Operating System updates, User Access Management, physical access to business premises, and various parts within the premises, are all elements of security. The main purpose is to secure the integrity of the data, in that only people authorised to access information, access information and they must only be able to perform that which is permissible by virtue of the role they perform in an organization.

Every organisation is almost compelled to strike a balance between technological innovation and security. This is so because technical innovation is inversely proportional to security, meaning the more an organisation innovates, the more susceptible it becomes to security risks and vice versa.

This is one area where Western Cape municipalities are gradually improving on, both from a compliancy and a substantive function point of view. For example, in almost all municipalities, access into the premises is controlled using access cards, biometric logging, and security guards. Each individual computer user is assigned a unique username and password to authenticate and prove in cases of non-repudiation. Access to the ICT infrastructure is restricted only to specific ICT personnel, for example motion detection cameras, biometric access scanners, storeroom and server room keys to dedicated individuals, as well as a register for recording anyone who gains access into the server room, and must record his/her intention, and the ICT Manager will inspect and retain the logs.

CONCLUSION

It is without doubt that our municipalities are faced with multiple challenges impeding the speed with which the implementation of corporate governance of ICT proceeds. The evident gaps in the leadership have a bearing on ICT investments, as well as the inherent responsibility to direct the use of technology in municipalities such that emphasis is on improving efficiency over just being compliant. There is a need for intergovernmental collaboration aimed at capacitating the various structures key to the realisation of a substantive corporate governance of ICT.

The municipalities in remote rural areas have difficulty generating revenue and consequently attracting skilled young professionals. The seemingly plausible countermeasure to this challenge would be to offer competitive remuneration, this is obviously a challenge considering the financial constraints.

As you will have noticed, we have not provided any account on the progress of effecting remedial actions pertaining to ICT AG Audits. This is so because of the manner and timelines with which the envisaged report gets concluded and disseminated. In this regard an effective communication mechanism needs to be established between the AG and DLG for the timeous communication of the Report.

2.2 CORPORATE GOVERNANCE

2.2.1 Anti-Corruption and Fraud Prevention

South Africa has a comprehensive legal and regulatory framework to combat corruption and fraud. Key pieces of legislation for municipalities that guide municipalities on fraud and corruption include the MFMA and the Municipal Systems Act.

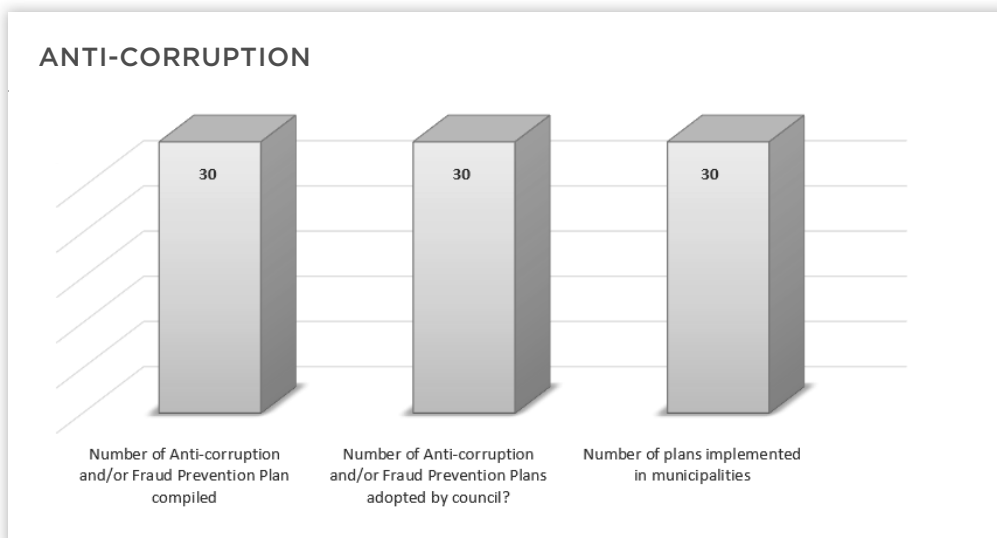
The MFMA ensures sound and sustainable management of financial affairs of municipalities and other institutions in the local sphere and places certain reporting obligations on the Accounting Officer as a means of ensuring that fraud and corruption is combated.

The MFMA requires of Accounting Officers to take steps to ensure the implementation of proper mechanisms and separation of duties in the supply chain management system to minimise the likelihood of fraud, corruption, favouritism and unfair irregular practices. Section 112(1)(m)(1) places emphasis on Section 115(1) and states that the municipality must institute measures to combat fraud and corruption, favouritism, and unfair and irregular practices in municipal supply chain management.

Section 6(2)(c) of the Municipal Systems Act states that the municipality must take measures to prevent corruption while Section 83(1)(c) of the same act refers to the implementation of effective bidding structures to minimise the possibility of fraud and corruption.

Section 83(1) of the MSA provides guidance as to how a municipality can ensure that competitive bidding is achieved when it decides to provide a municipal service through a service delivery agreement with a service provider.

Graph 9: Anti-corruption and Fraud prevention plans



Source: Municipal Annual Reports 2022/23

The graph above shows the status and implementation of Anti-corruption and Fraud Prevention Plans in municipalities. No new strategies were developed during 2022/23. All municipalities in the Province have effectively adopted and implemented anti-corruption and fraud prevention plans.

2.2.2 Risk Management

Risk management for municipalities involves identifying, assessing and addressing potential risks that could negatively impact the operations, finances, reputation, and overall functioning of local government. Effective risk management helps municipalities protect public safety, maintain financial stability and ensure the continuity of essential services.

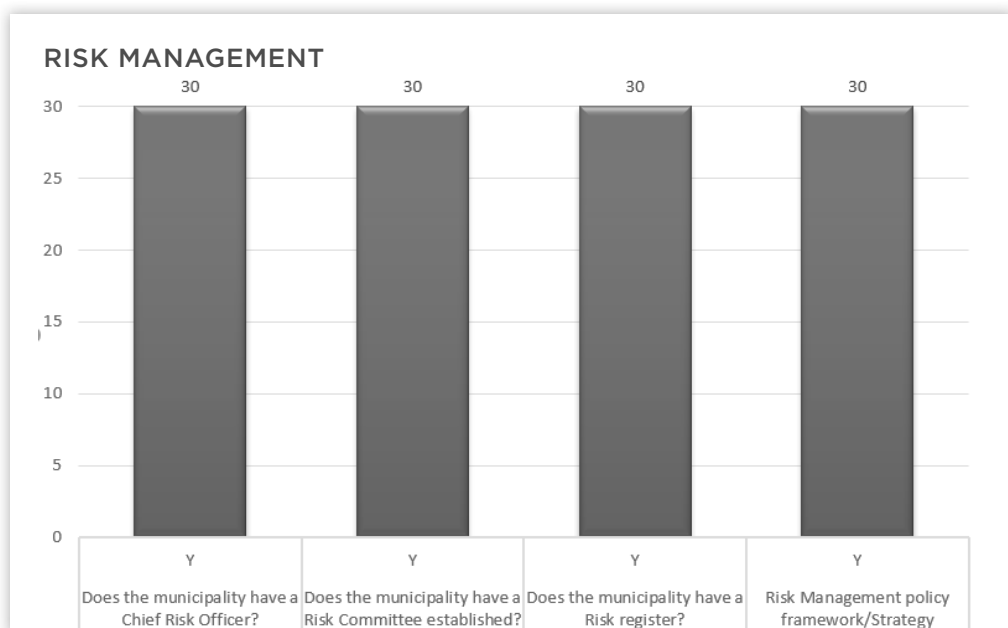
Section 62(1)(c) of the MFMA stipulates that the Accounting Officer is responsible for managing the financial affairs of the municipality and must ensure that the municipality has and maintains an effective, efficient and transparent system of financial and risk management and internal control.

Municipalities need to ensure that Risk Management units are functional and that:

- A Chief Risk Officer is appointed.
- A Risk Committee is established.
- A Risk register is in place.
- A Risk Management Policy / Strategy is formulated.

The graph below illustrates the number of municipalities fulfilling the risk management functions.

Graph 10: Risk Management



Source: Municipal Annual Reports 2021/22

During the year under review, 30 municipalities had appointed CROs and 30 municipalities had reported to have Risk Management Committees established and functioning effectively. Due to capacity constraints in municipalities, some municipalities are using the Internal Audit Unit to fulfil the responsibilities of risk management.

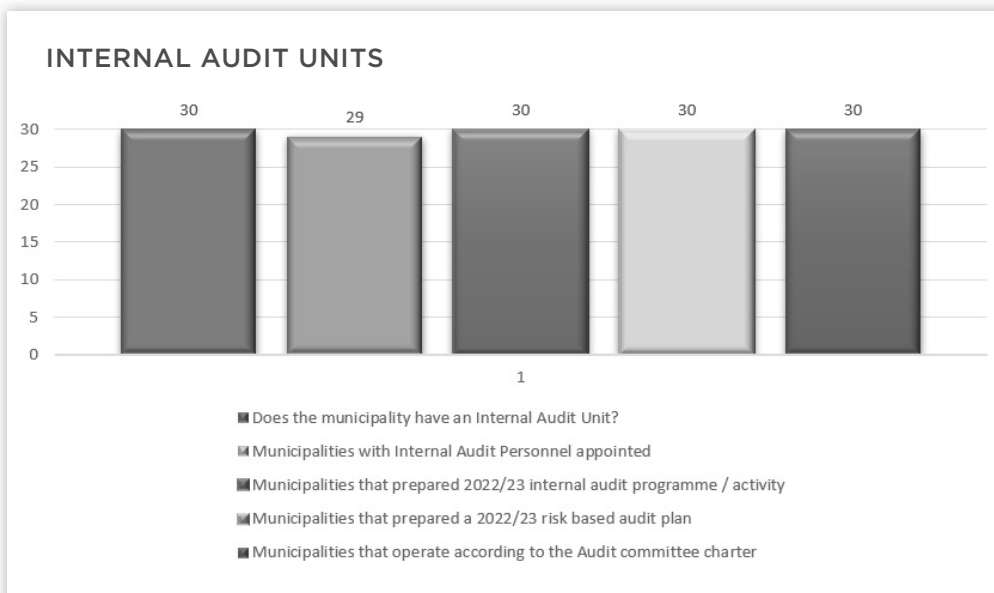
There are 30 municipalities with risk registers that are monitored and reported against on a quarterly basis and 30 municipalities have developed risk management policy frameworks/strategies which have been adopted by the Municipal Council.

2.2.3 Internal Audit Units and Audit Committees

According to Section 165 of the MFMA, an Internal Audit Unit is an independent function that administratively reports to the Municipal Manager and functionally reports to the Audit and Performance Audit Committee. Internal Audit Units in municipalities play an important role in strengthening the financial management control environment.

For effectiveness, Internal Audit Units in municipalities must be adequately staffed with appropriately qualified officials and must have a well-informed risk-based annual audit plan approved by the Audit Committee and supported by the Municipal Manager and the Municipal Council. In addition, they should be guided by an Internal Audit Charter that is supported by the Audit Committee, Municipal Manager and the Municipal Council.

Graph 11: Internal Audit Units



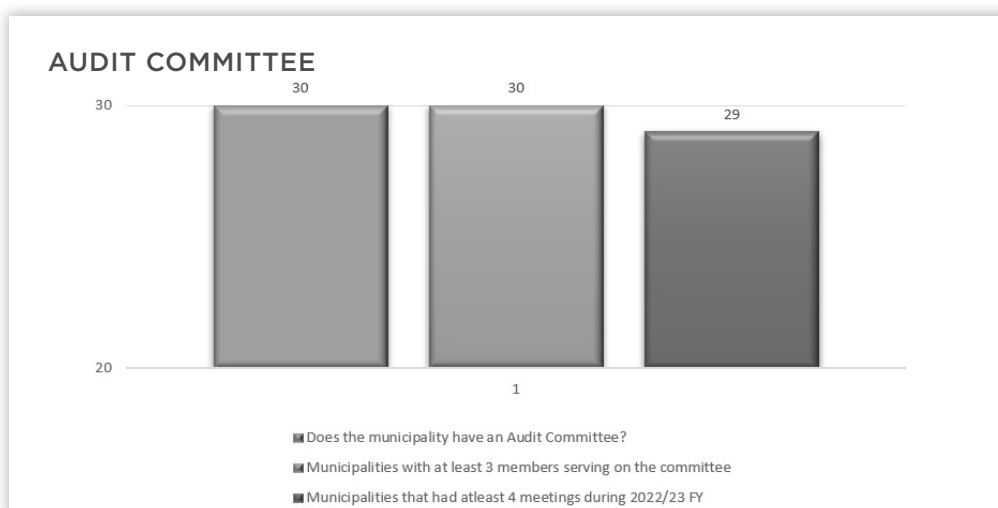
Source: Municipal Annual Reports 2022/23

The graph above shows that 30 municipalities were reported to have Internal Audit units in place. Twenty-nine municipalities appointed a dedicated person to drive the internal auditing function whilst one is assisted by a service provider.

It was also reported that 30 municipalities prepared their 2022/23 internal audit programme. Thirty municipalities prepared their risk-based audit plans. Thirty municipalities were reported to operate their audits in accordance with their Internal Audit Charter.

In terms of the MFMA Section 166, an Audit and Performance Audit Committee must be established as an independent committee that adopts its own formal terms of reference which are regularly updated and approved by Council. The Audit Committee must consist of a minimum of three members who have adequate qualifications, experience and the ability to provide independent appraisal function. These members must mostly be non-municipal employees. The committee must at least meet four times a year, additional special meetings may be called as the need arise.

Graph 12: Audit Committee



Source: Municipal Annual Reports 2022/23

Audit committees with at least three members have been established in all 30 municipalities in the Western Cape Province and are functioning as required. During the 2022/23 financial year, 29 municipalities have had at least four meetings.

2.2.4 Council Oversight

Section 129(1) of the MFMA requires all municipalities to table and adopt an Oversight Report on their Annual Report. The Council of a municipality are to annually consider the Annual Report by no later than two months from the date on which the Annual Report was tabled to Council in terms of Section 127(2).

The Oversight Report must be adopted and contains all comments made by council on the Annual Report, which must include a statement whether the Council has:

- Approved the Annual Report with or without reservations.
- Rejected the Annual Report.
- Referred the Annual Report back for revision of those components that can be revised.

Section 129(2)(a) further requires that copies of the minutes of the meeting where the Oversight Report has been adopted must be submitted by the Accounting Officer to the Auditor General, relevant Provincial Treasury and the Department of Local Government.

The table below provides a status of compliance of all municipalities in line with the above requirements:

Table 2: Annual Report Tabling and Oversight report

MUNICIPALITY	FINANCIAL YEAR	ANNUAL REPORT TABLING	OVERSIGHT REPORT ADOPTION	ANNUAL REPORT APPROVED WITHOUT RESERVATIONS	ANNUAL REPORT APPROVED WITH RESERVATIONS	ANNUAL REPORT REJECTED
City of Cape Town	2020/2021	27-Jan-22	31-Mar-22			
	2021/2022	26-Jan-23	29-Mar-23	a		
	2022/2023	30-Jan-24	27-Mar-24	a		
West Coast DM	2020/2021	25-Aug-21	20-Jan-22			
	2021/2022	24-Aug-22	18-Oct-22		a	
	2022/2023	30-Aug-23	25-Oct-23	a		
Matzikama	2020/2021	25-Jan-22	29-Mar-22	a		
	2021/2022	31-Jan-23	23-Mar-23	a		
	2022/2023	30-Jan-24	15-Mar-24		a	
Cederberg	2020/2021	31-May-22	05-Apr-22			
	2021/2022	13-Mar-23	31-May-23		a	
	2022/2023	31-Jan-24	29-Apr-24	a		
Bergrivier	2020/2021	29-Mar-21	31-May-22	a		
	2021/2022	24-Jan-23	28-Mar-23	a		
	2022/2023	23-Jan-24	28-Mar-24	a		
Saldanha Bay	2020/2021	27-Jan-22	23-Mar-22			
	2021/2022	30-Jan-23	22-Mar-23	a		
	2022/2023	30-Jan-24	14-Mar-24	a		
Swartland	2020/2021	27-Jan-22	31-Mar-22			
	2021/2022	26-Jan-23	30-Mar-23	a		
	2022/2023	10-Jan-24	28-Mar-24	a		
Cape Winelands DM	2020/2021	27-Jan-22	24-Mar-22			
	2022/2023	30-Jan-24	31-Mar-24	No info		
	2021/2022	26-Jan-23	23-Mar-23	a		
Witzenberg	2020/2021	No info	No info	No info	No info	No info
	2021/2022	25-Jan-23	25-Jan-23			
	2022/2023	15-Jan-24	No info	No info		

MUNICIPALITY	FINANCIAL YEAR	ANNUAL REPORT TABLING	OVERSIGHT REPORT ADOPTION	ANNUAL REPORT APPROVED WITHOUT RESERVATIONS	ANNUAL REPORT APPROVED WITH RESERVATIONS	ANNUAL REPORT REJECTED
Drakenstein	2020/2021	26-Jan-22	10-Mar-22			
	2021/2022	31-Jan-23	16-Mar-23	a		
	2022/2023	30-Jan-24	11-Mar-24	a		
Stellenbosch	2020/2021	28-Jan-22	23-Mar-22	a		
	2021/2022	31-Jan-23	3-Mar-23	a		
	2022/2023	24-Jan-24	27-Mar-24	a		
Breede Valley	2020/2021	1-Dec-21	7-Dec-21			
	2021/2022	25-Nov-22	15-Dec-22	a		
	2022/2023	04-Dec-23	14-Dec-23	No info		
Langeberg	2020/2021	22-Feb-22	22-Feb-22			
	2021/2022	6-Dec-22	8-Feb-23	a		
	2022/2023	12-Dec-23	7-Feb-24	a		
Overberg District	2020/2021	31-Jan-22	28-Mar-22			
	2021/2022	30-Jan-23	27-Mar-23	a		
	2022/2023	29-Jan-24	25-Mar-24	a		
Theewaterskloof	2020/2021	25-Jan-22	30-Mar-22			
	2021/2022	25-Jan-23	23-Mar-23	a		
	2022/2023	25-Jan-24	07-Mar-24	a		
Overstrand	2020/2021	26-Jan-22	30-Mar-22			
	2021/2022	31-Jan-23	29-Mar-23	a		
	2022/2023	31-Jan-24	27-Mar-24	a		
Cape Agulhas	2020/2021	14-Dec-21	17-Mar-22			
	2021/2022	31-Jan-23	24-Mar-23	a		
	2022/2023	23-Dec-23	25-Jan-24	a		
Swellendam	2020/2021	31-Jan-22	23-Mar-22			
	2021/2022	24-Jan-23	24-Mar-23			
	2022/2023	27-Mar-24	07-May-24	a		
Garden Route District	2020/2021	28-Sep-21	10-Dec-21			
	2021/2022	24-Aug-22	14-Dec-22	a		
	2022/2023	30-Aug-23	12-Dec-23	a		
Kannaland	2020/2021	28-Feb-22	No info	No info	No info	No info
	2021/2022	31-Jan-23	No info			
	2022/2023	29-Feb-23	No info	No info		
Hessequa	2020/2021	7-Feb-22	22-Mar-22			
	2021/2022	25-Jan-23	13-Mar-23	a		
	2022/2023	No Info	27-Mar-24	No info		
Mossel Bay	2020/2021	25-Jan-22	31-Mar-22	A		
	2021/2022	3-Feb-23	27-Mar-23	A		
	2022/2023	30-Jan-24	20-Mar-24	A		

MUNICIPALITY	FINANCIAL YEAR	ANNUAL REPORT TABLING	OVERSIGHT REPORT ADOPTION	ANNUAL REPORT APPROVED WITHOUT RESERVATIONS	ANNUAL REPORT APPROVED WITH RESERVATIONS	ANNUAL REPORT REJECTED
George	2020/2021	31-Jan-22	28-Mar-22			
	2021/2022	31-Jan-23	30-Mar-23	A		
	2022/2023	25-Jan-24	20-Mar-24	A		
Oudtshoorn	2020/2021	31-Jan-22	18-Mar-22			
	2021/2022	31-Jan-23	29-Mar-23	A		
	2022/2023	31-Jan-24	14-Mar-24	A		
Bitou	2020/2021	31-Mar-22	31-Mar-22			
	2021/2022	31-Jan-23	31-Mar-23	No info		
	2022/2023	25-Jan-24	31-Mar-24	No info		
Knysna	2020/2021	28-Feb-22	28-Apr-22			
	2021/2022	31-Jan-23	23-Mar-23		a	
	2022/2023	31-Jan-24	31-Mar-24	No info		
Central Karoo District	2020/2021	28-Jan-22	No info	No info	No info	No info
	2021/2022	25-Jan-23	16-Mar-23	No info	No info	No info
	2022/2023	25-Jan-24	26-Mar-24	No info		
Laingsburg	2020/2021	24-Jan-22	25-Mar-22			
	2021/2022	31-Jan-23	29-Mar-23		a	
	2022/2023	29-Jan-24	28-Feb-24	A		
Prince Albert	2020/2021	28-Jan-22	29-Mar-22			
	2021/2022	28-Jan-23	31-Mar-23	No info	No info	No info
	2022/2023	06-Dec-23	26-Jan-24	No info		
Beaufort West	2020/2021	30-Jan-22	28-Mar-22			
	2021/2022	31-Jan-23	No info	No info	No info	
	2022/2023	30-Jan-24	26-Mar-24	No info		

Source: Municipal Annual Oversight Reports 2022/23

As indicated, all Annual Reports and Oversight Reports of the municipalities were adopted in accordance with Section 129(1) of the MFMA. Municipal annual reports of 19 municipalities were approved without reservations. Only one municipality, Matzikama Municipality, was approved with reservations. Ten municipalities reflected no information in terms of the tabling and adoption of the Annual Reports.

CHAPTER 3: SERVICE DELIVERY

3.1 SERVICE DELIVERY PERFORMANCE

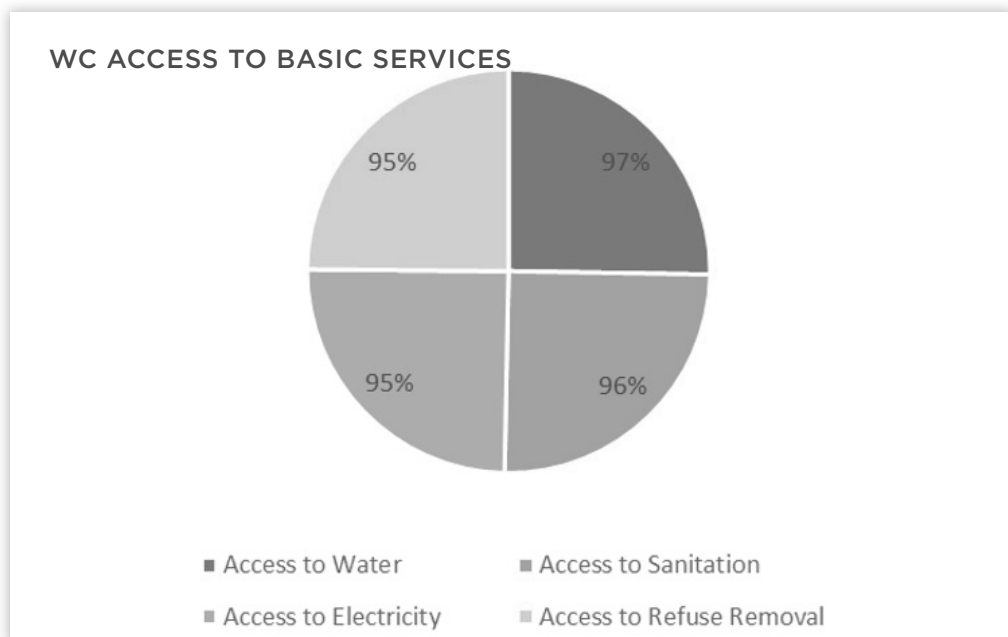
The South African Constitution assigns municipalities the responsibility of guaranteeing that every resident has access to basic services and other essentials of life. These services have an immediate and direct impact on people's quality of life. Energy, waste collection, sanitary conditions, and access to potable water are all essentials for a decent existence.

To remove the historical backlog in the provision of fundamental infrastructure for service delivery, municipalities must carefully balance preserving and expanding their current infrastructure, as well as offering and enhancing their current services.

The demand for public services, particularly access to basic and free basic services, is still high due to the comparatively high levels of in-migration. This is worsened by rapid population growth.

The graph below depicts the overall level of basic services provided by municipalities to households in the Western Cape:

Graph 13: WC Access to Basic Services



Source: Municipal Annual Reports 2022/23

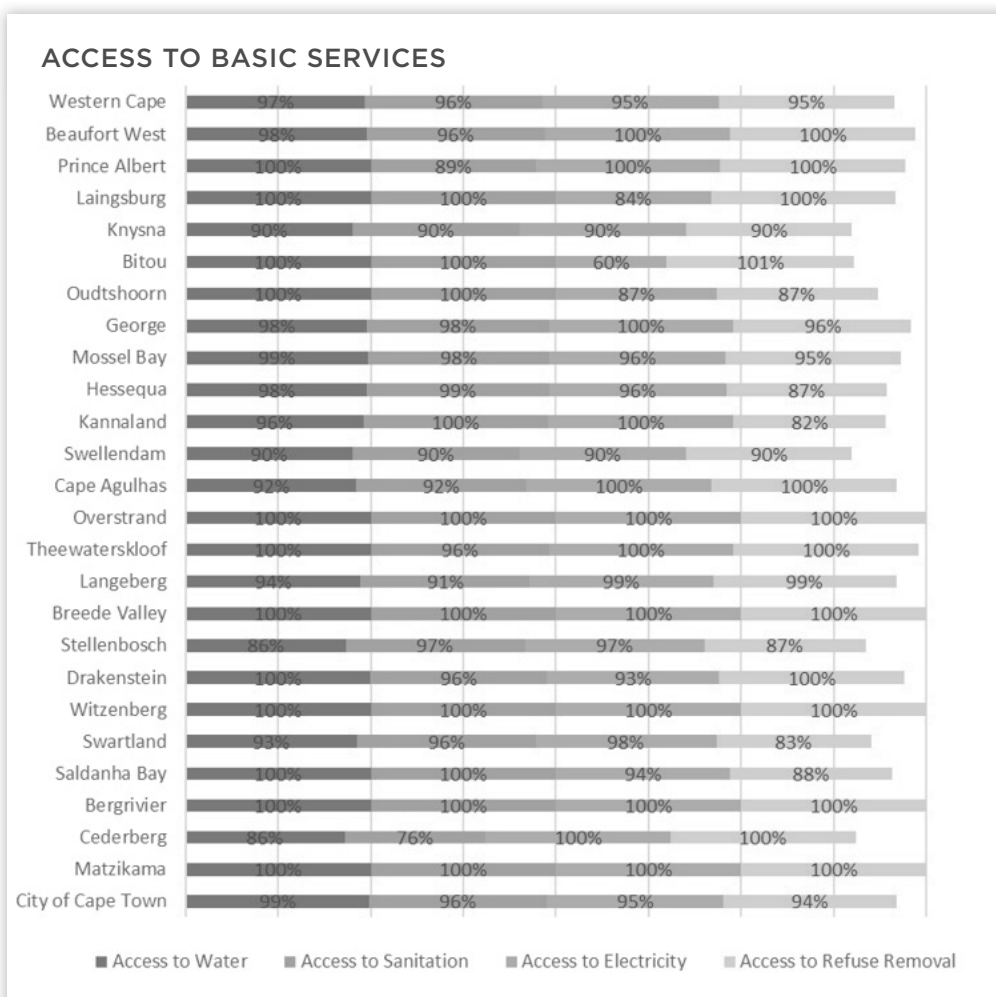
3.1.1 Provision of Basic Services

Providing basic services is one of the main responsibilities of local government, as it directly assists underprivileged households in ending the cycle of poverty. Essential services such as power, water, wastewater treatment, and garbage pickup are necessary for a safe and healthy environment.

Increased land invasions, urbanisation, infrastructure vandalism, illicit electricity connections, and immigration, make it more challenging to provide adequate basic services.

The tables below depict the provision of basic services in municipalities in the Western Cape.

Graph 14: Access to Basic Services



Source: Municipal Annual Reports 2022/23

The Province has exceptionally high levels of basic services, as depicted in the table above, with several municipalities reporting 100% availability of water, sanitation, power, and refuse removal.

According to Saldanha Bay Municipality, they have no dedicated bulk water resources manager, thus resulting in delayed augmentation planning. Additional issues highlighted by the Municipality include: load-shedding impacts on operations and increased energy cost due to pumping in peak times, loss of direct electricity feed from ESKOM which was exempt from load-shedding, vandalism and theft of infrastructure. Vandalism and theft remain a serious problem as it directly impacts on service delivery.

According to the City of Cape Town there is an increasing number of sewer spillages due to underinvestment in refurbishment of pump stations and pipe replacement, vandalism, and disposal of foreign objects into manholes. Three wastewater treatment plants have reached capacity due to rapid development, with significant investment in these areas planned for the next five years.

The Cape Agulhas Municipality indicated that they have an ongoing implementation of the Cape Agulhas Municipality Water Master Plan. They are also installing new bulk water meters, new bulk monitoring equipment, new bulk water pipes and refurbishing the Bredasdorp Water Treatment Works. The refurbishment has resulted in good water quality that indicates that the Municipality's water complies with SANS 241.

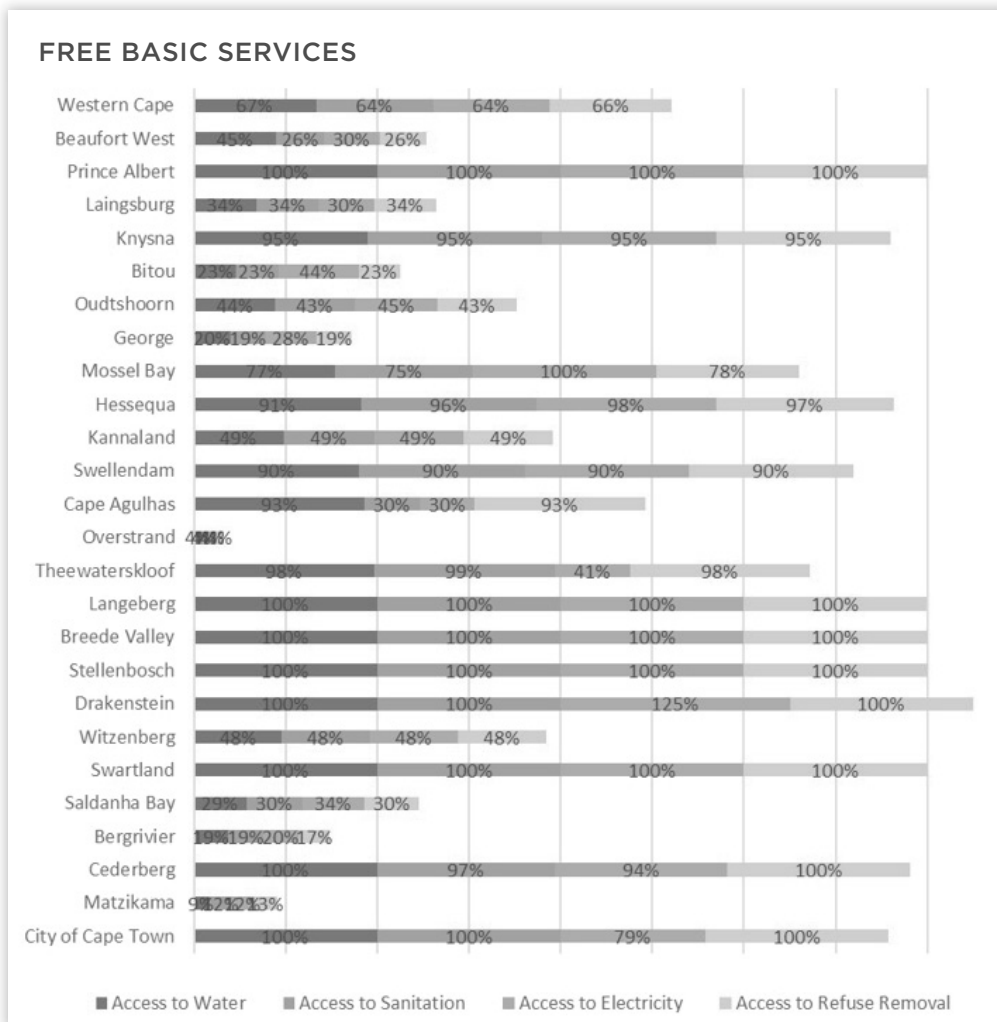
According to the Prince Albert Municipality, the reason for their percentage in access to water is due to continuous training conducted for the water process controllers, as well as the appointment of additional water process controllers for the greater Prince Albert Municipal Area.

3.1.2 Provision of Free Basic Services

The Free Basic Services Programme was established by the National Government to alleviate the suffering of the impoverished and guarantee that every citizen has access to essential services. To combat poverty, the government declared in 2005 that free access to essential services would be provided. This led to the adoption of the National Indigent Policy. Municipalities were compelled to create registers of impoverished homes under their control and implement policies pertaining to the needy. The strategy outlined a social package that offers free basic services to impoverished households, such as weekly garbage collection, 50 kWh of energy, free sanitation, and 6 kl of water.

Western Cape municipalities have continued to provide the nationally mandated free basic services to registered indigent households within their areas. Over and above the national standards stipulated in the National Indigent Policy, some municipalities have put procedures in place in their policies that allow their residents to receive more than what is required in terms of the national policy.

The graph below illustrates provision of free basic services by municipalities in the Western Cape.

Graph 15: Free Basic Services

Source: Municipal Annual Reports 2022/23

According to George Municipality, various legal and legislative requirements were neglected in the preceding years and resulted in their low percentage in access to water. The Directorate appointed consultants to assist the GM with the updating of the water safety plans and performing water treatment plant audits as part of the Blue Drop assessment process as required by the Department of Water and Sanitation (DWS). Many of the Blue Drop requirements are being addressed in-house by the Directorate, including various infrastructure audits. The aim is to achieve the maximum possible score during the next assessment period.

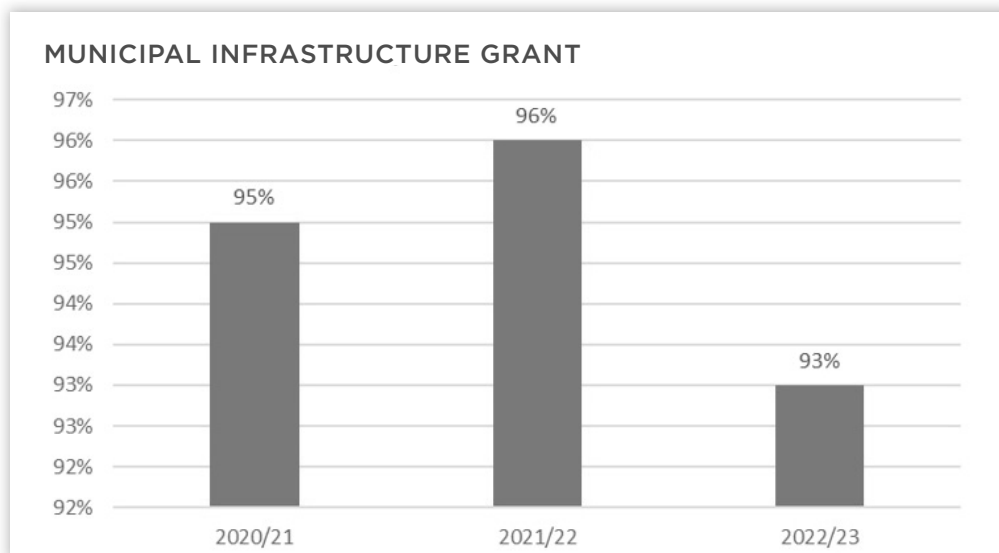
Theewaterskloof Municipality is experiencing cable theft occurring on a regular basis, which effects the service delivery of the Municipality. This is a huge problem and can be seen as sabotaging service delivery in Botrivier. The Town Office reports all interruptions, theft, and vandalism immediately to Eskom and SAPS. The cost of replacing cables is very high and the funds for replacement could have been used for service delivery.

3.1.3 Municipal Infrastructure Grant

The Municipal Infrastructure Grant (MIG) is a national grant that enables municipalities to carry out capital projects and to lengthen the lifespan of assets. It is one of the major reforms implemented by the South African Government to improve service delivery in a coordinated manner. The key principles guiding the design of the MIG are outlined below:

- a. Focus on the infrastructure necessary for a basic level of service: The MIG programme aims to provide only basic infrastructure.
- b. Target the poor: The programme aims to provide services to the poor, so funds will be directed to reach them.
- c. Maximise economic benefits: The programme will be managed to ensure that the local economic spin-offs from providing infrastructure are maximised, including employment creation and the development of local businesses;
- d. Equity in the distribution and use of money: In order to make consistent progress toward closing the infrastructure gap, the method for funding distribution must ensure that the poor have fair access to such funds.
- e. Decentralisation of spending authority within the bounds of national standards.
- f. It is better to make decisions on the prioritisation of local infrastructure expenditure at the municipal level, subject to the following conditions:
 - i. The operating finance and management arrangements must be in place.
 - ii. Unexpected repercussions should be kept to a minimum; the grant must encourage sound management practices rather than the opposite.
 - iii. There must be some degree of national and provincial influence over capital spending, articulated through clear norms, standards, and spending requirements.
- g. Effective use of resources: Resources must be put to the best use feasible to increase access to essential services at the lowest possible cost. The following is implied by this:
 - i. Incentives and conditions must ensure that grant funds are mixed with other funds to prevent leakage to non-eligible households and service levels.
 - ii. The mechanism for allocating funds must be straightforward and simple enough to monitor.
 - iii. The results of municipal spending must be simple to evaluate.
- h. Predictability and transparency: According to the medium-term budgeting approach, funds should be distributed to individual municipalities on a three-year basis. Year-to-year modifications should be limited to those based exclusively on clearly specified criteria.

The table below depicts the MIG performance in the Western Cape for the last three years.

Graph 16: *Municipal Infrastructure Grant*

Source: *Western Cape MIG Expenditure Report as of June 2023*

The original MIG allocation for the Western Cape was promulgated in the 2022/23 DoRA at an amount of R520 297 000. The cumulative year-to-date overall provincial expenditure performance achieved is 93.62% as at the end of June 2023.

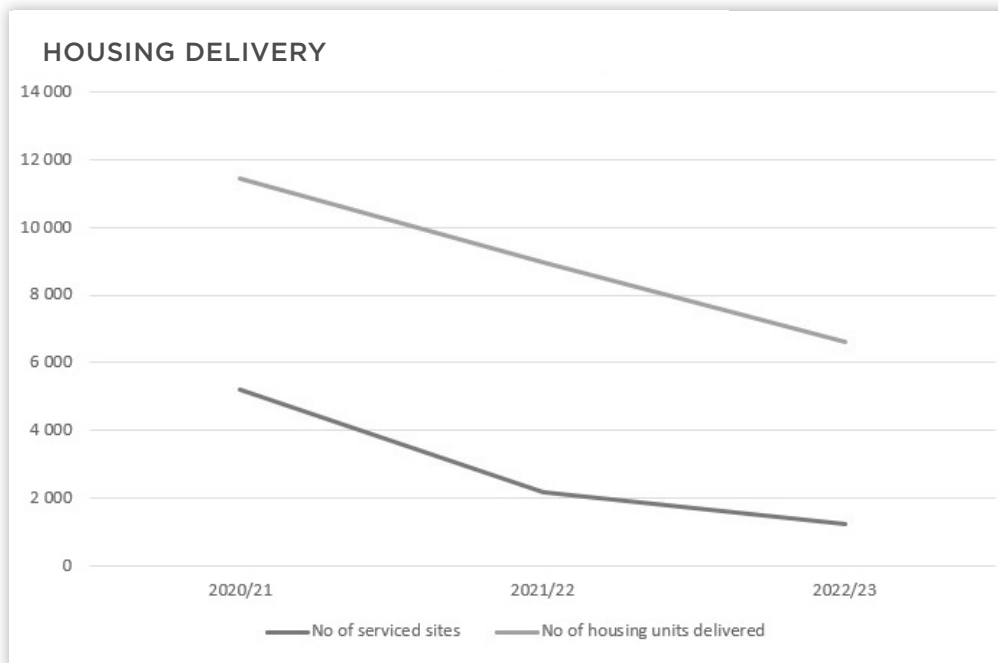
3.1.4 Provision of Human Settlements (Housing)

Housing is a concurrent national and provincial competency under Part A of Schedule 4 of the Constitution. The Housing Act of 1997 (Act 107 of 1997) outlines the duties of municipalities regarding housing provision. Housing is directly related to the supply of essential services, making it a complicated task that requires close coordination between municipalities and the provincial and national Human Settlements departments.

The Western Cape province has maintained the encouraging trend of spending more than 100% of its Human Settlement Development Grant allocation. The Department of Human Settlements was able to fulfil its goal by giving Western Cape inhabitants housing opportunities by implementing various initiatives.

In its quest to execute the mandate as provided in Section 26 of the Constitution, the Western Cape Department of Human Settlements delivered a total of 11 495 housing opportunities in line with the MTSF 2019-2024 aspirations.

Graph 16 illustrates the delivery of housing and serviced sites while Graph 17 illustrates the related grant expenditure against the Division of Revenue Act for the past three financial years.

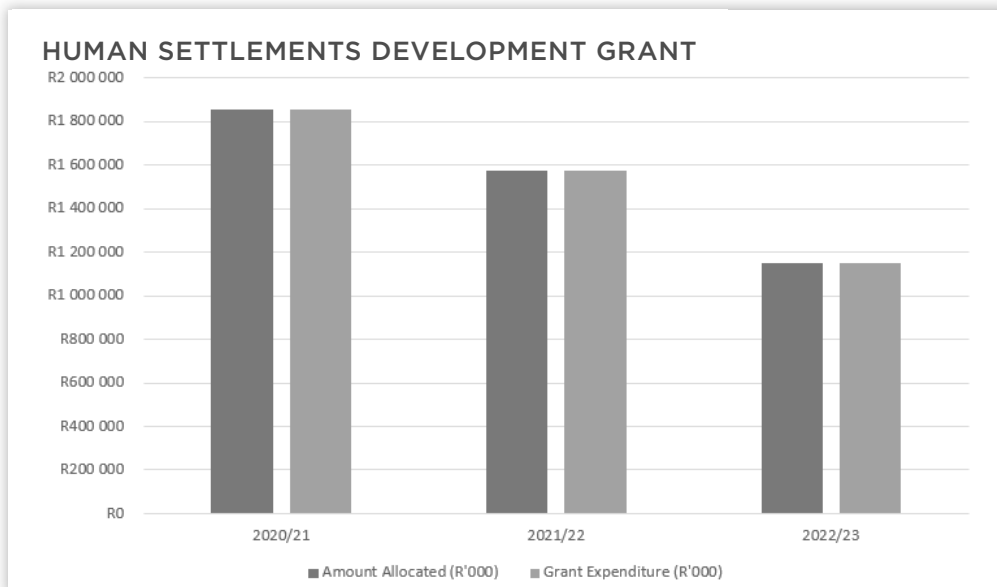
Graph 17: Housing Delivery

Source: Department of Human Settlements Annual Report 2022/23.

The Department of Human Settlements delivered 1 230 service sites against a target of 2 747. The Department further transferred 5 380 title deeds against a target of 8 463.

During the 2022/23 financial year, numerous factors impacted the Department's ability to deliver services to its beneficiaries. These factors can largely be attributed to the social and economic conditions on a local and international landscape. However, the Department remained steadfast in its commitment to deliver. In doing so and in line with transversal coordination through the Joint District Management Approach (JDMA), extensive engagements with sector departments involved in creating integrated sustainable human settlements strengthened the capacity of municipalities across the Province and formed the foundation of departmental business planning.

In terms of the safety focus area, the Department continued to design and develop settlements with safety features such as adequate streetlighting and lighting in public open spaces and courtyards. In line with the wellbeing focus area, the Department continued to live out the value of integrity and dignity by ensuring that citizens in the Western Cape have access to shelter and the associated basic services. Although faced with numerous challenges, the Department still made a significant contribution towards this focus area through providing access to basic services and upgrades in informal settlements. The ISUPG was used for the sole purpose of improving the wellbeing of the citizens of the Province, particularly those living in informal settlements. The delivery of over 7 000 housing opportunities for the 2022/23 financial year is evident of the Department's commitment to the wellbeing of its beneficiaries.

Graph 18: Human Settlements Grant Expenditure

Source: Department of Human Settlements Annual Report 2022/23

Graph 18 above depicts the changes in expenditure year-on-year with a significant drop in the allocation for the 2022/23 financial year.

The purpose of this grant is to provide basic infrastructure, top structure and basic social and economic amenities that contribute to the establishment of sustainable human settlements. Despite the worthwhile investment, the Department continues to suffer from poor contractor performance, procurement delays, community unrest, lack of cooperation from key stakeholders and instances of extortion on projects resulted in under- performance.



3.2 DISASTER MANAGEMENT

The mission of the Western Cape Provincial Disaster Management Centre (WC: PDMC) is to coordinate effective disaster management preparedness, intergovernmental fora and recovery, to coordinate the reduction of potential risks posed by hazards and to improve the fire and rescue services capability. The purpose is to manage disaster management at provincial and local level to ensure the establishment of effective and efficient disaster management mechanisms.

The WC: PDMC has a Western Cape Disaster Management Framework, which outlines the implementation of the Act and the National Disaster Management Framework of 2005. The WC: PDMC embarked on the fourth phase of reviewing and updating the Western Cape Disaster Management Framework, considering the amendments to the Disaster Management Act 16 of 2015.

The focus of the WC: PDMC is to provide financial and technical support to district and local municipalities in the Province to undertake disaster risk assessments. To date, all district municipalities and local municipalities have developed Disaster Risk Assessments.

The WC: PDMC has developed a standard operating procedure for disseminating impact-based severe weather warnings in the province. This was developed in collaboration with the South African Weather Service (SAWS) and District Disaster Management Centres.

The Province held workshops with each district municipality to understand their approach to early warning dissemination; based on these discussions, a standard operating procedure (SOP) for each district was defined and agreed to and recorded in the province's Severe Weather Early Warning SOP.

The 2022/23 financial year saw the revival of the Disaster Awareness Campaign following a Covid-19-induced hiatus. This break allowed the WC: PDMC to investigate a new approach to this awareness campaign.

A multi-stakeholder approach was undertaken, aligned with the JDMA, and saw Departments and organisations working together to educate primary school learners about hazards in their communities and the environment. The WC: PDMC rolled out the awareness campaign with the assistance of the Western Cape Department of Education's Safe Schools Programme.

The awareness campaign occurred on 17 February 2023 at Hawston Primary School in the Overstrand Municipality. Eight hundred and twenty (820) learners from Grade R to Grade 5 attended the campaign. The campaign included the following: Road safety was presented by ChildSafe, where learners were educated on how to use roads safely, the South African Foundation presented pollution and its effect on the marine environment for the Conservation of Coastal Birds (SANCCOB), EMS raised awareness of the emergency number, the Overstrand Municipality's fire services provided fire awareness and fire demonstration, introduction of Gerry the Giraffe (WC: PDMC's mascot) to learners, and awareness materials and teaching resources were provided to learners and teachers.

CHAPTER 4: FINANCIAL MANAGEMENT

4.1 FINANCIAL PERFORMANCE

The financial performance shows how well financial resources are managed and financial goals achieved. The analysis of financial performance often involves the comparison of financial ratios, trends over time, and benchmarking against similar municipalities. This enables stakeholders to make informed decisions and take the necessary actions to improve financial governance.

4.1.1 Performance against budget

Budget performance evaluates how well the municipality adheres to its planned budget and how effectively it is managing its financial resources throughout a specific period.

Analysing budget performance aids municipalities to understand their financial health, make informed decisions, and improve budget practices for the future. It's a crucial part of financial management and accountability.

Table 4 below summarises the operating revenue and expenditure per municipality and identifies municipalities with surplus/deficit budgets. It further illustrates the differences in scale of the various municipal budgets in the Province.

Table 3: Operating Revenue and Expenditure

MUNICIPAL FINANCIAL PERFORMANCE						
MUNICIPALITY	2021/22			2022/23		
	OPERATING REVENUE ('000)	OPERATING EXPENDITURE ('000)	SURPLUS/-DEFICIT 2020/21 ('000)	OPERATING REVENUE ('000)	OPERATING EXPENDITURE ('000)	SURPLUS/-DEFICIT 2021/22 ('000)
City of Cape Town	48,765,723	45,862,538	2,903,185	52,091,103	48,387,663	3,703,440
Matzikama	441,422	451,763	10,341	405,560	389,378	16,182
Cederberg	345,502	384,866	39,364	371,542	366,668	4,874
Bergervier	425,195	417,156	8,039	465,585	460,336	5,249
Saldanha Bay	1,288,463	1,232,468	55,995	1,381,821	1,362,702	19,119
Swartland	994,607	912,254	82,353	1,072,743	934,531	138,212
West Coast DM	482,893	480,073	2,820	552,816	511,181	41,635
Witzenberg	767,281	695,921	71,360	863,866	745,628	118,238
Drakenstein	2,649,870	2,624,204	25,666	2,750,927	2,727,726	23,201
Stellenbosch	2,042,353	1,925,898	116,455	2,201,123	1,947,880	253,245
Breede Valley	1,188,006	1,135,989	52,017	1,272,082	1,236,610	35,472

MUNICIPAL FINANCIAL PERFORMANCE						
Langeberg	963,356	859,085	104,271	912,923	816,936	95,987
Cape Winelands DM	390,528	363,563	26,965	450,291	400,541	49,750
Theewaterskloof	548,525	519,020	29,505	664,099	779,485	-115,386
Overstrand	1,516,190	1,495,800	20,390	1,682,299	1,571,001	111,298
Cape Agulhas	421,218	388,923	32,295	433,135	423,240	9,895
Swellendam	327,193	324,716	2,477	380,076	327,716	52,360
Overberg DM	267,817	244,441	23,376	268,097	256,134	11,963
Kannaland	197,488	211,494	-14,006	205,215	218,474	-13,259
Hessequa	619,590	559,710	59,880	662,247	613,142	49,105
Mossel Bay	1,405,249	1,567,263	-162,014	1,490,725	1,366,559	124,166
George	2,407,173	2,382,746	24,427	3,057,206	2,646,358	410,848
Oudtshoorn	656,046	676,202	-20,156	800,987	728,698	72,289
Bitou	854,536	806,588	47,948	839,992	796,807	43,185
Knysna	968,084	1,025,937	-57,853	995,230	1,069,271	-74,041
Garden Route DM	395,802	409,349	-13,547	425,907	456,022	-30,115
Laingsburg	80,953	101,289	-20,336	114,570	137,912	-23,342
Prince Albert	81,392	80,434	958	98,289	97,668	621
Beaufort West	312,818	344,445	-31,627	383,891	364,886	19,005
Central Karoo DM	103,190	99,644	3,546	105,152	100,055	5,097

Source: Municipal Annual Reports 2022/23

The table above depicts the operating revenue vs expenditure surplus. It reflects how effective municipalities' resources are managed. As indicated in the graph, the Theewaterskloof, Kannaland, Knysna, Garden Route District, Laingsburg and Beaufort West Municipalities had reported operating deficits for the period ended June 2023.

The operating revenue generated by Western Cape municipalities for the period under review amounted to R76.52 billion or 97 percent of their total aggregated adjustment budget of R78.86 billion. The performance reported is slightly above the 96.1 percent reported for the same period in 2021/22, however slightly lower than the 97.7 percent reported at the same point in 2020/21.

Less than the anticipated revenue was realised in 27 municipalities, in terms of their adjusted operating revenue budgets. This is mainly due to the lower than projected revenue from service charges - electricity, agency services, surcharges and taxes, licenses or permits, transfers and subsidies and operational revenue - gains on disposal of assets as well as other gains.

An underperformance in aggregated service charges of 3.6 percent was noted mainly due to an underperformance of R1.33 billion against the electricity revenue adjusted budget as a result of the impact of the continued load-shedding. (Provincial Treasury Consolidated Municipal Budgets Performance Report for the period ended 30 June 2023).

For the period under review, municipalities' operating expenditure is reported at R71.89

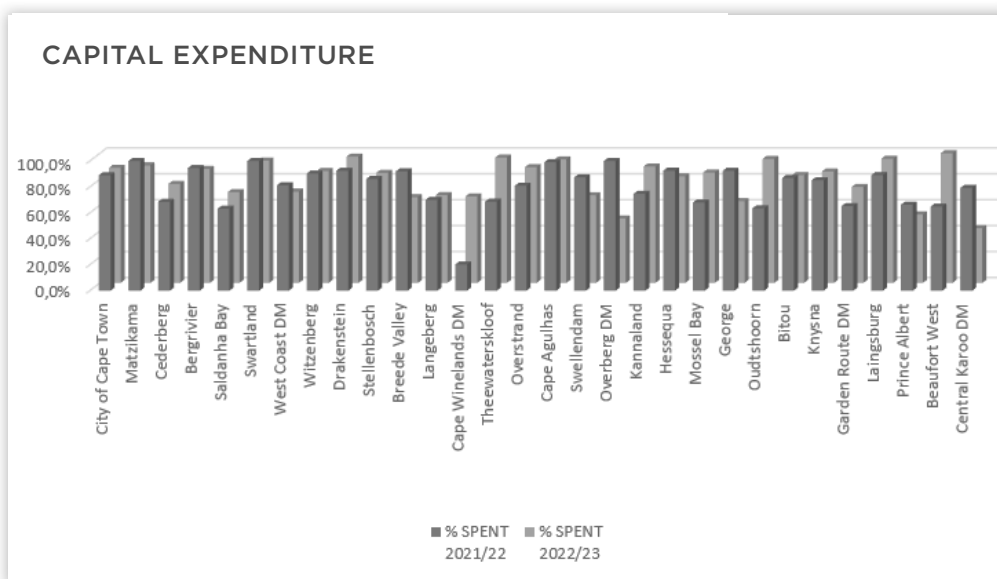
billion or 89.3 percent of their aggregated adjusted budget of R80.49 billion. Overall operating expenditure reflected an underspending of 10.7 percent when compared to the aggregated adjusted budget.

This is in line with trends from previous years and may also reflect spending on depreciation and impairment not being fully accounted for, as well as underspending on bulk purchases due to load-shedding. Current spending is slightly above the 88.4 percent spending reported against the aggregated adjusted budget as at 30 June 2022 and slightly below the 90.7 percent reported as at 30 June 2021 (Provincial Treasury Consolidated Municipal Budgets Performance Report for the period ended 30 June 2023).

4.1.2 Capital Expenditure

The table below depicts the percentage of capital budget spent by municipalities over the last two years.

Graph 19: Capital Expenditure



Source: Municipal Annual Reports 2021/22 and 2022/23

Total capital expenditure is aggregated at R10.71 billion or 86.3 percent against the total aggregated adjusted capital budget of R12.41 billion. Overall capital expenditure reflected an underspending of 13.7 percent when compared to the adjusted budget of R12.41 billion for the period ended 30 June 2023. Capital expenditure commitments were reported to be R848.11 million, when commitments are considered and capital expenditure is at 93.2 percent of the total aggregated adjusted capital budget of R12.34 billion.

Slow spending on capital expenditure inhibits economic growth, jeopardises revenue growth and revenue protection initiatives and can undermine the sustainability and reliability of municipal services. Furthermore, misalignment between capital expenditure and capital funding as a result of incorrect segment usage by municipalities continues to be noted in eight municipalities. Capital funding sources utilised are reported at R10.77 billion or 86.8 percent against the aggregated adjusted budget of R12.40 billion

(Provincial Treasury Consolidated Municipal Budgets Performance Report for the period ended 30 June 2023).

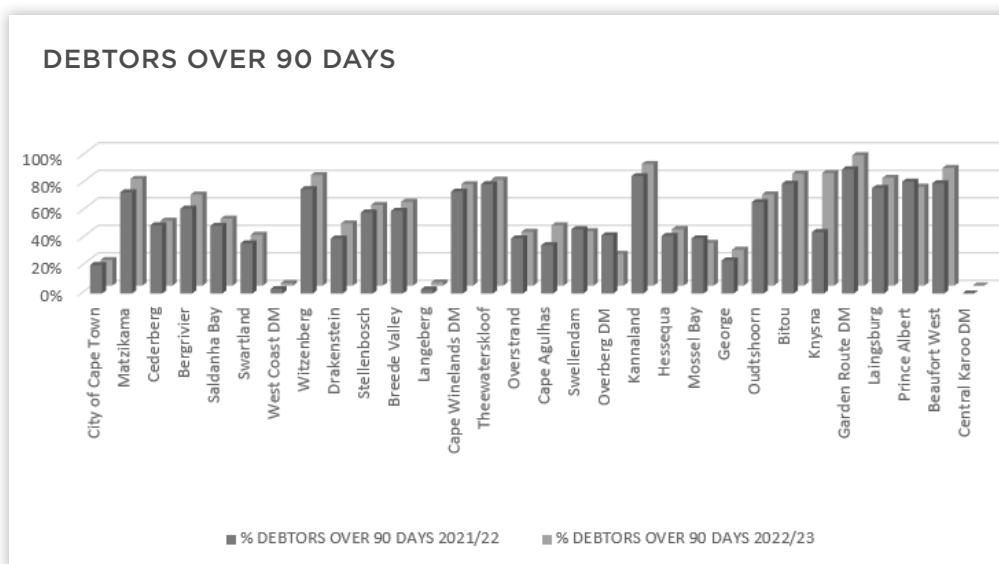
4.1.3 Debtors

The MFMA requires of municipalities to develop and implement effective revenue collection systems that are consistent with their credit control and debt collection policy as well as the requirements set out in Section 95 of the Municipal Systems act that aims to ensure adequate customer care and management.

Section 96 of the Municipal Systems Act further requires of municipalities to collect all money due and payable to them subject to the Act and other applicable legislation.

Graph 20 below provides a picture of the amount of debt owed to municipalities older than 90 days in comparison with the total amount of debt due.

Graph 20: Debtors over 90 days



Source: Provincial Treasury Consolidated Municipal Budgets Performance Report for the period ended 30 June 2023 and Municipal Annual Reports 2021/22 and 2022/23

As indicated in the graph above, most municipalities have high levels of debtors older than 90 days which is evident of a culture of non-payment by debtors. Municipalities must continue to implement their credit control and debt collection policies and by-laws and ensure they closely manage their cash flows to ensure financial sustainability.

According to Provincial Treasury, municipalities reported total consumer debtors of R14.25 billion as at 30 June 2023, an increase of 12.5 percent when compared to the debtors' balance reported in June 2022. Debtors older than 90 days are reported at R9.85 billion or 69.1 percent of the total debt, reflecting a year-on-year increase of 13.8 percent from the R8.65 billion reported in June 2022.

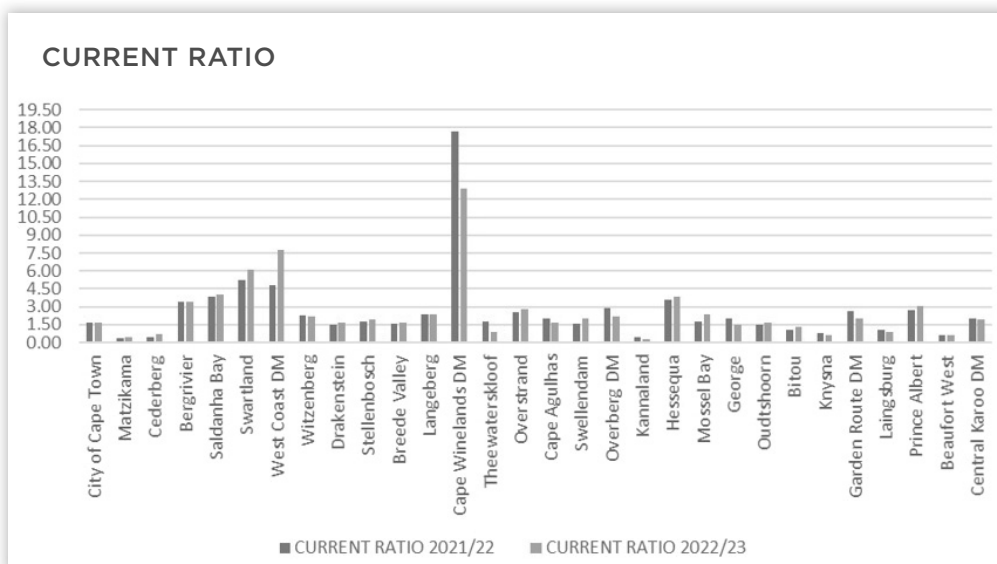
At 19 local municipalities collection rates above 90 percent were recorded, whereas five local municipalities reported collection rates below 90 percent and could face cash flow challenges. The City of Cape Town reported collection rates of 90 percent and above on all services and property rates, and an average collection rate of 94.3 percent for the period ended 30 June 2023. A notable increase in consumer debtors and an increase in demand for free basic services (FBS) and indigent support is noted. While municipalities should strictly enforce debt collection efforts, they need to be sensitive to realities experienced by consumers.

4.1.4 Assets

Current assets refer to those resources that a municipality expects to use or convert into cash while current liabilities refer to obligations of the municipality expected to be settled within the financial year.

The current ratio is a financial metric used to assess the municipality's short-term liquidity and ability to cover its short-term liabilities with its current assets. It is a key indicator of a municipality's financial health in the short term. A ratio above one shows that a municipality should be able to comfortably meet its short-term obligations. Conversely, a current ratio below one suggests that a municipality may have difficulty covering its short-term liabilities indicative of financial risk.

Graph 21: Current Ratio



Source: Municipal Annual Reports and Audited Annual Financial Statements 2020/21 and 2021/22 and 2022/23

According to the Audited Annual Financial Statements for the financial year 2022/23, 15 municipalities reported current ratios below the NT norm of 1.5. The Matzikama, Cederberg, Theewaterskloof, Kannaland, Knysna, Laingsburg and Beaufort West municipalities achieved a current ratio below 1, suggesting financial risk.

4.2 AUDITOR GENERAL REPORT

When a municipality receives a clean audit opinion, it means that its financial statements are free from material misstatements and that it has been presented fairly in accordance with applicable accounting standards. This implies that their financial records are accurate, complete and reliable. A clean audit opinion also means that the municipality complied with legislation that applies to it and, where transgressions did occur, they were rare or not material.

These accountability reports enable municipal stakeholders such as the council, communities, community organisations, national and provincial government and any other party with an interest in the municipality to establish how the municipality is doing and take necessary actions or precautions.

A clean audit is, however, not always an indicator of good service delivery and does not always correlate directly to the lived experience of all the communities in a municipal area. Good governance and clean audits do however provide a solid foundation for service delivery and ensuring the delivery of quality services.

Audit outcomes are based on the audits performed by the Auditor-General on the quality of financial statements and performance reports as well as on compliance with key legislation. These outcomes fall into the following categories:

A financially unqualified opinion with no findings (clean audit) means the municipality produced quality financial statements free of material misstatements (in other words, errors or omissions that are so significant that they affect the credibility and reliability of the financial statements) and quality performance reports that measure and report on performance in a manner that is useful and reliable and complies with key legislation.

A financially unqualified opinion with findings means the municipality was able to produce quality financial statements but struggled to produce quality performance reports and/or to comply with all key legislation.

A financially qualified opinion with findings means the municipality's financial statements contained material misstatements that were not corrected before the financial statements were published. The municipality also had challenges with the quality of the performance report and/or compliance with key legislation.

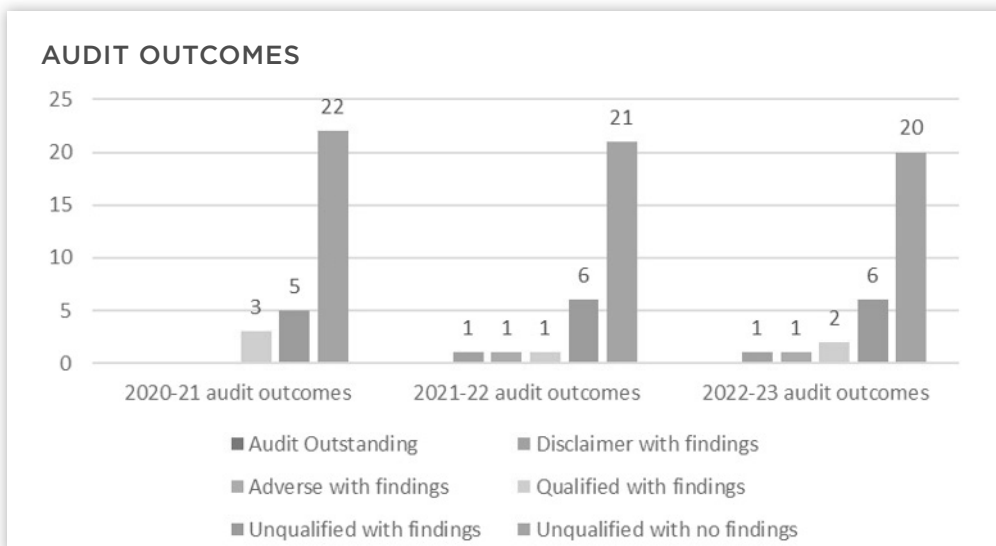
The financial statements of a municipality with an adverse opinion with findings included so many material misstatements that the AG disagreed with virtually all the amounts and disclosures in the financial statements.

A municipality with a disclaimed opinion with findings could not provide the AG with evidence for most of the amounts and disclosures in the financial statements. The AG was unable to conclude or express an opinion on the credibility of the financial statements.

Municipalities with adverse and disclaimed opinions are typically also unable to provide enough supporting documentation for the achievements they report in their performance reports and do not comply with key legislation.

The graph below reflects the status of audit outcomes of municipalities in the Western Cape:

Graph 22: WC Audit Outcomes for the Period 2021 – 2023



Source: Auditor General MFMA Audit Report 2023

According to the 2022/23 Auditor General report, the Western Cape province largely maintained their positive outcomes, with a slight regression in municipalities with clean audits from 70% in 2021/22 to 69% in the 2022/23 financial year. The slight regression underscores previous advice to intensify controls around compliance with laws and regulations. This area was mainly responsible for six municipalities (21%) not being able to achieve clean audits.

Since the last year of the previous administration, the number of municipalities that attained clean audits has dropped from 76% to 69%, while 17 municipalities (59%) have been able to sustain their clean audit status over the same period through solid control environments upheld by competent staff.

The Auditor General further commended Bitou and Oudtshoorn local municipalities for achieving improved clean audits due to stable leadership and the implementation and monitoring of credible audit action plans, respectively.

Knysna, Prince Albert, Swellendam and Theewaterskloof local municipalities has regressed audit outcomes. At Knysna and Theewaterskloof, vacancies of the chief financial officer position and within the finance unit led to a breakdown in daily disciplines. As a result, Knysna received a qualified audit opinion and Theewaterskloof regressed from a clean audit to an unqualified audit opinion with findings. At Swellendam, we were unable to audit all material service delivery performance indicators after some of the municipality's records were lost after the municipal building was set on fire.

Overall, the quality of municipal financial statements was good, with 26 municipalities (90%) receiving an unqualified audit opinion, either with or without findings.

The Auditor General expressed concerns around Beaufort West Municipality, that retained their qualified status despite having a financial recovery plan in place. The municipality did manage to reduce the number of material misstatements reported by implementing a credible action plan to address the previously reported root causes of the misstatements.

Laingsburg Municipality received an adverse opinion despite paying R4.06 million to consultants to assist with preparing its financial statements. While the Municipality has a long serving chief financial officer, the combination of high vacancy rates and lack of skills resulted in poor record keeping and inadequate

reviews of the financial statements persisting. The resulting lack of credible financial statements prevents users from relying on them and affects decision-making on the municipality's operations and service delivery performance, which ultimately has an impact on its residents (Auditor General Report 2022/23).

4.2.1 Measures taken to address issues raised by the Auditor General

According to Section 131 of the Municipal Finance Management Act 56 of 2003 (MFMA), the MEC for Local Government must assess all annual financial statements of municipalities in the Province, the audit reports on such statements and any responses of municipalities to such audit reports, and determine whether municipalities have adequately addressed any issues raised by the Auditor General (AG) in audit reports.

To this end, 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.

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, co-budgeting and co-implementation in a geographical space through the Joint District and Metropolitan Approach (JDMA).

The Province, under the leadership of the Department of Local Government, established capacity across national and provincial departments to be able to conduct diagnostic assessments to determine the current state of affairs in a municipality and to develop specific support plans to enhance and improve the status of the municipality. These reports are considered and adopted by the respective councils who fully supports the implementation thereof. The municipal manager takes ownership for the implementation of the plan.

- Targeted support packages are prepared in line with specific challenges experienced in municipalities. These support packages are tailor made and include projects to improve systems, processes, procedures and ultimately the "lived experience" of community members in a specific municipality. The Department of Local Government takes the lead in facilitating this support function and solicits support and participation from various external and internal stakeholders. The implementation of this support action is regarded as a benchmark on a national level (previous Back-to-Basics programme).

- The Department of Local Government has established a knowledge management hub and digital municipal status reporting platform where the status of municipalities can be tracked in real-time and which informs decision making, guides budget allocations and influences support strategies by all stakeholders.
- All Provincial Departments have institutionalised technical working groups/work sessions with municipalities where topical matters are discussed, and peer learning is encouraged.

The Department of Local Government has an agreement in place with the Provincial Treasury, by means of a Memorandum of Understanding (MOU), where Provincial Treasury is required to monitor and drive all financial related matters concerning municipalities and to report these matters to the MEC of Local Government on a regular basis. A Joint Working Group committee has also been established between the two departments to monitor the implementation of this agreement. To this end, the following support initiatives have been instituted to strengthen financial governance in municipalities, promote good audit outcomes and address issues raised by the Auditor General:

- Development of an audit action plan support strategy where municipalities are actively supported to address matters raised by the AG.
- Vetting of all submitted audit action plans reported to National Treasury and ensuring timeous follow ups to ensure that there is implementation of corrective action.
- The development of a consolidated municipal management reports database where like issues are grouped together and made available to all municipalities as a library of audit issues with practical examples of how it has been responded to by municipalities. This has been an ongoing, institutionalised process for the last number of years. Consequently, the issues raised by the AG to our Western Cape municipalities are mostly non-recurring and transversal in nature.
- Collaborative TIME engagements have allowed for a proactive approach on transversal issues that spans across various disciplines within relevant government departments, in order to craft transversal support plans to cater for the requests and needs of the municipalities.
- Audit readiness engagements are held regularly where an assessment is done on certain aspects required for audit, amongst other things, to ensure that municipalities are well prepared for their upcoming audits.
- The hosting of an Annual Financial Systems (AFS) consistency workshop. This is where Provincial Treasury presents its position on certain accounting complexities based on its review of the draft AFS, prior year audit findings and a heat map analysis using its consolidated AFS database. This workshop assists in achieving minimal material misstatements across the Western Cape municipal portfolio using a consolidated analysis and drilling down to the root causes of the accounting complexities.
- Review of Annual Financial Statements prior to submission to the Auditor General with the aim that municipalities may institute corrective measures of any findings before they submit it to the auditors.
- Weekly Provincial audit steering committee meetings are held during the audit cycle consisting of key provincial departments to assist municipalities to identify and elevate potential transversal issues timeously and to get the right people to engage and assist.
- Various engagements are hosted throughout the year such as the Chief Risk Officers (CRF) and Chief Audit Executives (CAE) forums, Management Accounting Forum (MAF), Accounting Working Group meetings, Municipal Managers forums, Public

Sector Accounting forum, ICT governance forum amongst others, to stay abreast of what is happening in the industry and to alert municipalities of any matters that could potentially impact audit outcomes.

- The initiation of an Unauthorised, Irregular and Fruitless or Wasteful Expenditure (UIFW) strategy where expenditure is regularly monitored in line with the National Treasury strategy, to curb/curtail incidents of UIFW.

The Department of Local Government also provides continuous support to municipalities to institutionalise Information and Communication Technology (ICT) governance and to address ICT related audit findings. These initiatives include amongst others:

- Development and implementation of ICT audit support plans.
- Development of a Municipal Corporate Governance of ICT Policy and roll out to all municipalities.
- Development of ICT strategy aligned with the strategic objectives of the municipality.
- ICT maturity assessments at municipalities and provision of professional advice on ICT matters.
- Hosting of quarterly Municipal ICT Managers Forums where pertinent matters such as the implementation of MSCOA, ICT audit outcomes, cyber security, POPIA requirements and broadband implementation, amongst others, are discussed.
- Provision of support to municipalities with ICT forensic investigation in collaboration with the Department of the Premier (Ce-I).
- Analysis of the annual AGSA findings to identify common trends that inform DLG action plans and identify municipalities with weak ICT governance practices for assistance purposes.



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CHAPTER 5: LOCAL ECONOMIC DEVELOPMENT

5.1 DEVELOPMENT AND IMPLEMENTATION OF LED STRATEGIES AND PLANS

Municipalities must ensure that they develop and implement constructive Local Economic Development (LED) strategies and plans that enable growth and poverty alleviation.

The goal of these municipal LED plans must be to stimulate and alter the local economy to generate long-term employment and business possibilities, while fostering an environment conducive to economic growth and development.

The table below highlights municipalities that have developed, reviewed and implemented their LED strategies and the Regional Economic Development strategies in the case of districts.

Table 4: Local Economic Development Strategy

LOCAL ECONOMIC DEVELOPMENT 2022/23	
MUNICIPALITY	LED STRATEGY DEVELOPED
City of Cape Town	The Bellville Future City masterplan and public transport interchange concept were opened to public participation, resulting in a prioritised investment plan and formal partnerships with entities such as the Passenger Rail Agency of South Africa (PRASA) and Transnet. The Philippi opportunity area saw its regeneration framework approved through public participation. A range of infrastructure projects and land use applications, including affordable housing, were either initiated or completed. The Philippi agri-hub was also refurbished thanks to an investment of R24.5 million. The second phase of the Foreshore Gateway Precinct continued, with the amendment of the proclamation of the 1969 Lower Buitengracht road scheme allowing for land releases. Various partnerships have been formed, including with Transnet and the national Department of Public Works and Infrastructure. Central Claremont initiated its conceptual development vision, integrating public transport services such as MyCiTi and PRASA. Legal and environmental due diligence is under way for landholdings. Finally, the City's Urban Planning and Design Department received Council approval for several local spatial development frameworks, including Two Rivers and District Six, with more in the pipeline.
West Coast DM	The West Coast Local Economic Development Cluster focuses on economic recovery initiatives driven by the role players. LED cluster engagements have been taking place on a virtual platform. This structure was originally established to foster greater co-operation for responding to Covid-19 and resultant economic recovery. The engagements have allowed for collaboration and strengthening of working relationships across all spheres of government and stakeholders. The structure has been and continues to be working towards local economic development support, the sharing of information about relevant government funding assistance, to amongst others SMEs and the informal sector and engaging sector experts in government. The district municipality acts as the host and facilitator for the cluster.

LOCAL ECONOMIC DEVELOPMENT 2022/23	
Matzikama	<p>One of the key focus areas of the IDP is "Economic Development: A pre-requisite for successful service delivery". A new LED strategy has been adopted and approved by Council.</p> <p>The LED Forum of Matzikama Municipality comprises of a diverse membership emanating from various sectors of society. The current LED strategy speaks about and demonstrates the dedication of the Matzikama Municipality to create a prosperous and inclusive economy for all its citizens. The economy of Matzikama Municipality is facing significant challenges that hinder its sustainable growth and development, limiting the opportunities for job creation, income generation, and improving the overall quality of life for its residents. Therefore, some problem statements were identified that define the obstacles or blockages that stand in the way of the local economy to create jobs, support business development and ultimately eradicate poverty. These problem statements are: limited economic diversification, inadequate infrastructure, insufficient access to funding and investment, skills gap and limited workforce development, inadequate marketing and promotion efforts.</p> <p>Addressing these challenges and implementing a comprehensive economic development strategy is crucial to unlocking the full potential of the Matzikama Municipality's economy, fostering resilience, and creating a sustainable future that benefits all stakeholders in the community. The strategy also outlines an Implementation Framework that covers the following: establishing governance structures, developing of an action plan, stakeholder engagement and collaboration, resource mobilisation, capacity building and skills development, business attraction and retention, infrastructure development, monitoring, evaluation and reporting, policy alignment and advocacy, and continuous improvement and adaptation.</p> <p>The LED strategy of Matzikama Municipality sets out a comprehensive roadmap for the development of a vibrant, inclusive, and sustainable local economy. To collectively drive economic development, the LED strategy recognises the importance of collaboration and inclusivity, bringing together various stakeholders from government, the private sector, community organizations, and educational institutions. By promoting sustainable practices and supporting businesses that prioritise environmental protection and resource efficiency, Matzikama Municipality seeks to create a resilient and environmentally conscious economy.</p> <p>The success of the LED strategy relies on the commitment and collaboration of all stakeholders, including the municipal government, private sector, community organizations, and residents.</p> <p>With the LED strategy as our guiding framework, the Matzikama Municipality is poised to unlock its full economic potential and to build a prosperous future for all.</p>
Cederberg	<p>The Municipality has recognised the importance of LED as a vehicle for growth and poverty alleviation and has committed itself to creating an enabling environment within which economic growth and development can be achieved. Funding was secured for 12 months training which commenced in the 2022/23 financial year. More than 500 learners benefitted from a bricklaying course. A panel of small contractors was and is still ongoing. Various training sessions were held to capacitate SMMEs. Three local contractors awarded contracts to participate in the South African National Roads Agency SOC Ltd (SANRAL) project. Budget provision must be made for LED projects. Sessions must be held to improve communication between big business and the Municipality. The Municipality is in the process of selling their vacant land and consideration must be given to utilising these funds to improve bulk infrastructure. Tourism Development: Unlocking the true tourism potential of the Cederberg through the development of a range of new and existing tourism products, experiences and events that fulfil visitor requirements and maximise income, contributing to LED and growth. Developing tourism activities throughout the Cederberg region, to enable an increase in tourism traffic overtime. Tourism Transformation: Creating conditions conducive to genuine, bottom-up tourism transformation and specifically the inclusion of previously disadvantaged areas and individuals in the Cederberg Tourism Association industry. Utilising the Tourism Transformation Platform to ensure the empowerment of upcoming entrepreneurs, within the sector. Tourism Marketing: Marketing and promoting the Cederberg area as a world-class, year-round, outdoor-adventure and cultural tourism destination. Tourism Funding and Resource Mobilisation: Developing and implementing a sustainable tourism funding and resource model to support Cederberg's development, growth and marketing objectives. Tourism Monitoring and Evaluation: Developing and implementing a practical monitoring and evaluation system to monitor, review and assess the progress in tourism development and marketing.</p>

LOCAL ECONOMIC DEVELOPMENT 2022/23

Bergrivier	<p>The impact of the initiatives undertaken over the last few years led to the Council establishing a Portfolio Committee for Economic Development that started with its mandate in November 2018. The first major task was the review of the Economic Development Strategy. The Economic Development Strategy identified four pillars for economic development in the Bergrivier municipal area, namely agriculture and agri processing, tourism, manufacturing, and the development of small-, medium- and micro enterprises. Various programmes have been developed to address these pillars as catalysts for economic growth. Covid-19 led to the drafting and approval of an Economic Recovery Plan with clear deliverables. The approved Economic Development Strategy and the Economic Recovery Plan were integrated to create a single plan. Monthly progress reports were submitted to the Economic Development Portfolio Committee to monitor progress. The major focus of the Economic Recovery Plan as a short-term intervention programme, included an implementation plan for SMMEs and an implementation plan for Informal Trade.</p> <p>The Municipality does, however, seek to create work opportunities where it can. One such programme is the Expanded Public Works Programme (EPWP) which is a government funded programme aimed at the alleviation of poverty and unemployment through the creation of temporary jobs in specific focus areas where labour intensive methods can be maximised. The programme aims to increase economic growth by improving skills levels through education and training. It also aims to provide an enabling environment for the industry to flourish. The programme provides for Labour Intensive Methods of Construction (LIC) by contractors, which will also enhance skills development. The Municipality created 359 work opportunities and 106.4 full-time equivalents (FTEs) through the EPWP programme. The Bergrivier Municipality has placed tourism at the forefront of its economic development strategy, recognising it as a pivotal driver within the broader wholesale and retail sector. Notably, tourism stands as the largest employer in our region, second only to agriculture, encompassing both formal and informal labour forces. Empowered by this vision, the Bergrivier Tourism Organisation (BTO) has been entrusted with the mission of fostering the growth of the tourism sector. BTO's primary objective is to position Bergrivier as the ultimate adventure destination catering for both domestic and international markets. To ensure the sustained success of tourism, our focus lies on responsible destination marketing, a strategy that not only showcases the region's attractions but also prioritises the protection of the environment and the well-being of our local communities. Initiatives were undertaken by the Office of the Municipal Manager (Department of Strategic Services) such as regular Economic Portfolio Committee meetings, Piketberg as a national pilot in the Small-town Regeneration Programme and the development of Porterville as a tourism destination.</p>
Saldanha Bay	<p>Stemming from the previous chapters and more importantly, the engagement with the relevant stakeholders in the Saldanha Bay municipal area, a strategic framework was designed based on the identified interventions/initiatives with development potential. The strategic framework aims to demonstrate how plans to use projects and other initiatives uphold the overall vision. The LED vision, as reflected in the strategy, is a short statement that defines what the municipality hopes to represent or provide in the future, serves as the basis for objectives and action plan details. The following vision for LED was crafted during the SBM LED strategy review process: "Inclusive growth for all, leveraging unique strengths to unlock future potential. This will entail inclusive, participatory, multi-sectoral growth for all: marginalised and disenfranchised groups (e.g. Khoi and San, black-owned businesses). The unique strengths of this vision are: heritage, natural environment, infrastructure assets such as the Port & IDZ, and future potential: sustainable path to growth that accounts for generations to come. The objective that supports and strives to achieve the municipal vision with LED include: an enabling local government that entails establishing an investment attraction baseline by 2023 and increasing trust in the ability of local government to support local business by 2024, robust industrial clusters entailing establishing local SMME baseline by 2023, an increase in local offering of courses aligned to growth sectors by 2025, a vibrant entrepreneurial class entailing establishing township economy, informal trader and baseline by 2023, and refurbishing of informal trader facilities by 2024 and supportive institutions that enables the rationalisation of overlapping institutions by 2024 and joint tourism route marketing plan implemented by 2024.</p>

LOCAL ECONOMIC DEVELOPMENT 2022/23	
Swartland	Swartland's economic growth faced several hurdles, including the 2020 recession, load-shedding, and drought, which impacted the average growth rate. However, there has been a positive outlook from the year 2021, with an estimated recovery of 6.6% from the pandemic-related restrictions in 2020. The three key sectors influencing Swartland's economy in 2020 were manufacturing (22.4%), wholesale and retail trade (16.2%), and agriculture, forestry and fishing (15.3%). These sectors continue to play a pivotal role in our economic landscape.
Cape Winelands DM	<p>In 2018/19, the divisions Local Economic Development and Tourism amalgamated with the division Rural and Social Development to form a new division called Socio-Economic Development.</p> <p>One of the first tasks of the new division was to take the draft Cape Winelands Regional Socio-Economic Development Strategy (CW-RSEDS) through its final internal and external round of collecting and collating comments and submitting it to Council for adoption. The CW-RSEDS was adopted by Council on 27 May 2019.</p> <p>The core focus of the CW-RSEDS is to outline how the Cape Winelands District Municipality will invest in its people and how it will create an enabling environment for business to develop, grow and thrive by fostering greater investment that will increase job growth and alleviate poverty in the district. The CW-RSEDS is intended to provide an achievable, evidence-based plan for the future, while responding to the challenges and opportunities presented by the local economic and social context. The following five strategies combined form the CW-RSEDS: Local Economic Development Strategy; Investment Attraction, Retention and Opportunities Strategy; Tourism Development and Marketing Strategy; Rural Economic Development Strategy; and Social Development Strategy.</p> <p>The CW-RSEDS together with the District Economic Recovery Plans guides the facilitation of economic growth and development in the Cape Winelands District.</p>
Witzenberg	The LED strategy is built upon commitment to develop a climate in which economic development and economic growth can prosper. The LED strategy has been reviewed and edited and will be implemented from 2022/23 onwards. The LED strategy identifies various issues and strategic areas for intervention such as: creating an enabling business environment which includes the construction of economic infrastructure; review of bylaws for a more business and investment friendly environment; servicing vacant municipal land that has potential for economic development; addressing the key development challenges such as revisiting procurement processes of the Municipality to include a more local element (within municipal legislation); creating sustainable job opportunities that include implementing skills development programmes and capacitating entrepreneurs with business and market related skills; assisting SMMEs with access to private sector supply chain opportunities and financial support; and working towards an alignment of the Expanded Public Works Programme with LED goals of enterprise development.
Drakenstein	The Municipality hosted tourism market days, that included the Fair Trade Tourism Market day, World Tourism Day and the Mbekweni Tourism Market day, to broaden participation and the mainstreaming of tourism businesses. In addition, the Municipality attended three international marketing platforms, including Meetings Africa, the World Travel Market Africa and the Africa Travel Indaba. There was continuous enhancement of business process efficiency in respect of tourism signage applications and five tourism signage applications were successfully facilitated. The ease of doing business was enabled by the development of the Online Tourism Signage Application Portal, which was concluded in February 2023. This was done in conjunction with the support of the Department of Economic Development and Tourism (DEDAT). The Municipality successfully implemented film training for unemployed youth, tourist guide training and a wine skills training programme. Forty- five youth from the Drakenstein municipal area have benefited from the respective training programmes. We continue to reap the rewards of our efforts to develop the Municipality as a film friendly destination. This year various commercials, still shoots and films were filmed in the region. The tourism sector continues to grow, and tourist arrival figures were restored to pre-Covid levels in the Western Cape, thus moving beyond recovery, into growth (Western Cape Government, July 2023). In addition, the number of international visitors remained strong between January and June 2023, exceeding pre-pandemic levels by 104% and growing by 76% year-on-year.

LOCAL ECONOMIC DEVELOPMENT 2022/23

Stellenbosch

LED within the Stellenbosch Municipality focuses on fostering economic growth, development, and creating opportunities for the community. The aim is to improve the local economy, especially for marginalised groups, while promoting sustainability and inclusivity. The Stellenbosch Municipality LED Strategy was adopted in June 2023 and focuses on the following core components:

1. Economic Growth and Investment Promotion

Investment Attraction: encouraging investments from local, national, and international businesses to boost economic activities in the region. Support for Small, Medium, and Micro Enterprises (SMMEs): providing training, mentorship, and financial support to SMMEs to stimulate local entrepreneurship. Business Retention and Expansion (BR&E): assisting existing businesses in the area to expand their operations, thereby creating more job opportunities.

2. Job Creation and Poverty Alleviation

The Expanded Public Works Programme (EPWP) in the Stellenbosch Municipality plays a significant role in addressing unemployment, poverty, and skill shortages among local residents. The EPWP is a national initiative in South Africa, but its implementation at the local level is tailored to the specific needs and priorities of the community. The EPWP provides short- to medium-term work opportunities for unemployed individuals, especially targeting youth, women, and people with disabilities.

These opportunities are often in labour-intensive projects, offering income and temporary employment to alleviate poverty. EPWP projects are designed to include skills training and development components to enhance participants' employability even after the project ends.

3. Tourism Development

Promoting Stellenbosch as a tourist destination through our two Local Tourism Organisations (LTO), namely Visit Stellenbosch and Franschhoek Wine Valley; showcasing the area's heritage, wine industry, natural landscapes, and cultural assets to attract tourists, which in turn stimulates local businesses. Development of tourism infrastructure: improving facilities and services to enhance the visitor experience and support the growth of tourism-related businesses.

4. Inclusive Economic and Rural Development

Support for Informal Economy: recognising and integrating the informal sector into the mainstream economy by providing infrastructure and support to street vendors and small-scale entrepreneurs/farmers.

5. Strategic Planning and Policy Development

Development of LED Strategy: crafting and implementing strategic plans that outline the goals and objectives for local economic development in the Municipality. Policy Advocacy and Implementation: working with regional and national government to ensure that policies and legislation support the local economy.

6. Infrastructure Development and Spatial Planning

Land Use Management and Spatial Planning: ensuring that spatial development plans are in place to support economic activities in designated areas. Infrastructure Investment: improving basic infrastructure like roads, electricity, and internet connectivity to attract businesses and ensure efficient operations.

Highlights:

During the 2022/23 financial year, the Economic Development and Tourism unit made a submission to the Department: Economic Development and Tourism for the Municipal Ease of Doing Business Fund. The Municipality was successful in its application and the Department funded the following projects:

- Development of an Overlay Zone.
- Updating of zoning maps and subsequent web-based zoning register.
- Process improvement of Building Plan Applications (BPAMS).
- Process improvement of Land Use Applications (TPAMS).

Completion of Adam Tas Corridor Overlay Zone

The Adam Tas Corridor Spatial Development Framework and Development Guidelines was approved by Council in October 2022 as the official spatial policy for the development of the area. Following the approval of the framework, Council also approved the process to obtain input from the public on the draft overlay zone in October 2022. The Overlay Zone is the mechanism through which the framework can be implemented.

LOCAL ECONOMIC DEVELOPMENT 2022/23	
Breede Valley	The Municipality experienced the following challenges for LED during the 2022/23 financial year: challenges within the vetting of EPWP beneficiaries during recruitment and selection processes, but the access to SAMRAS provides the Municipality with a lookup function to review the employment history of a beneficiary in the BVM; insufficient funding to employ a specialist to draft the LED Strategy resulting in the LED strategy being drafted internally; and limited destination marketing after the Covid-19 period. The BVM resumed its marketing activities by attending two major marketing expos to promote the Breede Valley as a tourism destination.
Langeberg	The following objectives were determined for the 2022/23 financial year: to facilitate and develop an entrepreneurial culture and skills development through the promotion of entrepreneurial skills in partnership with other government departments; to promote economic development by signing SLAs with organisations to roll out arts and culture development projects; to create jobs through the implementation of the EPWP; to manage special projects, including rural development through an annual review and update of MOUs with the Local Tourism Associations; to manage special projects, including rural development through monthly reporting to Council on conditions in the SLA with tourism offices; and to manage special projects, including rural development through the implementation of the Tourism Strategy.
Overberg DM	<p>The Overberg District Municipality does not function in isolation from the Western Cape, South Africa, and the world. Tremendous progress had been made since the implementation of the Economic Recovery Action Plan in 2020. The overall assessment of LED implementation indicates that, although there are pockets of good practices, the Overberg must still intensify its focus on Regional Economic Development (RED) and build on gains and lessons learnt. Information is needed to empower the Municipality to plan and implement policies that will encourage the social development and economic growth of the people and industries in the municipal area respectively. The implementation of district economic recovery plans and projects was affected through the provision of a coordinated support function and delivery on the JDMA inter-governmental relation (IGR) responsibilities.</p> <p>As the JDMA was already institutionalised in the Province, the Provincial Cabinet endorsed the JDMA as a Western Cape approach towards the National District Development Model (DDM). The JDMA Plan forms the basis of all developments for the future and will guide planning, budget and implementation over the medium to longer term. The Overberg district is the fifth largest economy of all districts within the Western Cape province. In 2021, the Overberg district contributed an estimated R19.43 billion as measured by gross value added (GVA). This represented a contribution of 3.37% to the Western Cape's economy. In 2021, the Overberg district's economy grew by an estimated 6.15%, up from a 3.75% decline in 2020. The key contributing factor to the decline in growth in 2020 was the Covid-19 pandemic and national lockdowns, which restricted economic activity. However, with the easing of lockdown measures to somewhat pre-pandemic levels, an estimated R45.62 billion in GVA was recorded in 2021. The district and local economies are influenced not only by the spending of local households, but also by regional economic activities such as the trade of goods and services, and domestic and international tourism. A positive trade balance indicates a surplus, as the Overberg District exports more than it imports. In 2021 the district exported goods to the value of R3.4 billion and imported goods to the value of R1.6 billion.</p>
Theewaterskloof	Challenges encountered by the LED department during the 2022/23 financial year included: a lack of agricultural land for small-scale agricultural production and expansion (The application has been submitted in July/August 2021 via the Joint District Management Approach (JDMA) structure, for the transfer of state-owned agricultural land to the Municipality. To date no feedback has been received. Concerted efforts are being made to follow up on this matter. This matter needs to be escalated and taken up at a more senior leadership level to resolve this challenge.); the lack of staff capacity / understaffing of LED and Tourism Department (to provide a budget for skilled staff to focus on specific sector development and support, i.e. agricultural sector and investment promotion to drive economic development in the Theewaterskloof municipal area); the institutional challenges and lack of strategic support and direction by top management; the lack of municipal budget and /or budget cuts, the lack of strategic policies, i.e. updated land availability policy to fast-track investment into the area, sector specific strategies to support key sectors, i.e. Tourism Strategy Revision, LED Strategy Revision, Investment Promotion Policy and SOP to assist in the alleviating of the unemployment and skills deficit within the municipal area.

LOCAL ECONOMIC DEVELOPMENT 2022/23

Overstrand	The following challenges with regard to the implementation of the LED strategy were: skills development (due to immigration of mainly unskilled and semi-skilled people the Municipality has an economy which is unable to accommodate the ever-increasing population); retain and expand (focus on new investment on the back of existing ones); enterprise development (to provide accredited learning inclusive of higher learning institutions); economic infrastructure (planned informal communities with no existing economic infrastructure to facilitate productive trade); productivity and competitiveness (loss of trading hours and inability to plan properly in the workplace results in poor production). The LED Strategy was reviewed in line with socio-economic data and an approach to current economic environment and conditions. The following strategic areas were pursued: recovery approaches (finding creative ways of interacting with businesses and keeping them operating); entrepreneurial communities (compliance and capacity building); red tape reduction (introducing service requests from local and potential investors and responding appropriately); and investment promotion (identifying strategic land pockets to fast-track investment).
Cape Agulhas	The municipal Council approved a LED strategy on 27 June 2017. This strategy has been reviewed multiple times with the last review being in 2019/20 when there was a significant shift to regional economic development. The Overberg District Municipality commenced the process of developing a Regional Economic Development Strategy (RED), and the Municipality participated in this process. The 2019/20 LED Strategy was expanded to include tourism as well as an action plan. In 2020/21 an Economic Recovery Plan was approved by Council in response to the Covid-19 pandemic. In the year under review, a strategy to empower local entrepreneurs was approved by Council. We have approached institutions such as DEDAT to assist us with the formulation of a new LED/Tourism strategy. Engagements were held with a provincial team to this effect and the drafting of a strategy is in progress.
Swellendam	The function of strategic facilitation services currently located in the office of the Municipal Manager includes economic development, land release and town planning, tourism and events and coordination of strategic developments. The Swellendam Tourism Growth and Development Strategy 2019 to 2025 was adopted by Council on the 31 October 2019. Ongoing partnerships with the local private sector, NGOs and government entities (sector focused meetings) strengthen the support regarding procurement planning and an economically sustainable delivery model. The new tourism strategy also represents the plan for Swellendam's integrated programme of work for the next six years (July 2019 to June 2025). The programme embraces destination marketing, alongside visitor services and industry services, with a revamped visitor strategy and membership programme.
Garden Route DM	The strategic objectives of the Garden Route District Municipality Tourism unit are underpinned in the approved Tourism Strategy developed in line with the vision and mission and informed by the national and provincial objectives and local opinions. These include effective marketing, (increasing visitor numbers to the region); enhancing the effectiveness of international marketing to establish the Garden Route and Klein Karoo as a destination of choice; expanding and improving domestic marketing activities; attracting and hosting of events (business, sporting and lifestyle) to improve the seasonal and regional spread of tourism benefits; visitor experience, diversifying and enhancing tourism product offerings; enhancing local destination sites through cleanliness, safety and security, aesthetics, and information improvements; enhancing tourist safety; and improve tourism skills and service excellence; destination management (improving the focus and delivery of tourism marketing and development support provided by local government, lobby and ensure policy sustainability support from B-municipalities for tourism); effective streamlining and strengthening of collaborative efforts in the region to make more impact; and providing knowledge to inform policy, planning and decision-making; transforming and promoting Broad-Based Black Economic Empowerment (B-BBEE); supporting sustainable enterprise development (LED strategies include tourism development); facilitating ease of access, enhancing ease of access to the region; and facilitating ease of doing business to ensure the growth of the tourism economy.

LOCAL ECONOMIC DEVELOPMENT 2022/23	
Kannaland	The LED and Tourism strategies were updated during 2021/22 and incorporated into the predecessor 2022-2027 IDP with amendments. This was conducted inhouse by the Manager: IDP, LED and PMS. A platform has been developed for continuous interaction between business sectors, political leadership, the administration and community to build a common understanding on LED objectives and outcomes linked to the IDP. Kannaland Business Chambers are regularly engaged on developmental issues and their inputs into the process have been incorporated into the IDP which is reported on at the community stakeholder participation engagements biannually. The objective of the EPWP Phase 4 programme is to provide work opportunities and income support to poor and unemployed people through labour intensive work. Various projects have been approved by Council for implementation and the Municipality managed to achieve the target as set out.
Hessequa	An LED strategy was approved by the Council during the 2022/23 financial year and Council is in the process of establishing an LED Forum to support the implementation thereof. Local government must promote social and economic development, structure its administration and implement budgeting and planning processes to promote social and economic development of the community (Constitution of South Africa, 1996). This SMART economic strategy (SMART strategy) for the Hessequa municipal area will be used as an institutional framework to guide decision-making pertaining to planning and allocation of resources to promote sustainable local and socio-economic development. The SMART strategy undergirds the Integrated Development Plan (IDP) and facilitates the paradigm shift from socially based infrastructure investment to a holistic, sustainable local and socio-economic investment, including infrastructure investment. It will be used as the investment compass, to facilitate economic and other partnerships, thus positioning Hessequa in the economic sphere of the Garden Route, the Western Cape, South Africa, and the world.
Mossel Bay	The municipal LED Strategy was reviewed by using the Participatory Appraisal of Competitive Advantage (PACA) methodology during the 2021/22 financial year and was approved by Council in 2022 for implementation from 1 July 2022 to 30 June 2027. It was done by the Municipal Economic Development and Tourism Department in partnership with the Business Chamber, Business Forums, and the different Industries. The LED strategy is in line with Council's Grow Strategy and seeks to grow the economy and improve the livelihoods of people who reside within the municipal boundary. The new LED strategy is aligned with the new IDP and the Spatial Development Framework and will be used to inform the new Performance Management Contracts of staff.
George	Education and skills development play a vital role in shaping the future socio-economic landscape of the municipal area. They empower the population and significantly impact the local economy's development and its human resource capacity. The Western Cape Education Department is committed to this cause, ensuring access to education for the children of the municipal area with the availability of 50 schools. Nearly three-quarters (72.5%) of these schools operate as no fee schools. This is positive to note, given that a substantial 24% of learners cited financial constraints as the primary reason for prematurely dropping out of school in 2021. A concerning trend of urban sprawl in the municipal area is, however, affecting available land for potential school developments and affecting the future availability of proximate schools for a growing populace.
Oudtshoorn	The LED strategy includes the following strategic areas for Oudtshoorn: agriculture (to diversify agriculture and add value through the implementation of processing systems); industrial development (promoting and creating incentives for new and modern industrial development in the community); infrastructure economy (upgrading and expanding basic infrastructure such as water, electricity and roads to foster economic development); and tourism (transforming and expanding the tourism sector through new initiatives and vigorous marketing).

LOCAL ECONOMIC DEVELOPMENT 2022/23

Bitou	The Municipality has appointed a tourism service provider through a tender process for the next 3 years. The appointed service provider will focus on the following functions: destination marketing, destination management, and destination development. Forty-seven new opportunities were created for entrepreneurs to participate in the annual seasonal informal trader programme. Sixteen job opportunities were created for the youth through the annual beach umbrella programme. The Vu'khupile programme driven by the Department of Public Works, in partnership with Bitou Municipality will be implemented from the 2023/24 financial year. The objectives of the programme are: increasing the capacity, grading status, equity ownership, sustainability, quality and performance of CIDB-registered contractors and effectively raising the contribution of the construction industry to South Africa's accelerated and shared growth initiative.
Knysna	The Knysna Local Municipality's Economic Development Department's functional mandate is as follows: "To manage and coordinate the economic development function and strategy as mandated by the Constitution in order to create an enabling environment to ensure the local economy and local businesses can thrive, thus creating job opportunities and growing the local economy." Business support and development: the main outputs for SMME development were through a SMME Incubator Programme and SMME training and capacity building sessions throughout the municipal areas, as well as management of informal trade permitting. This service is primarily focused on assisting poor communities to access entrepreneurial opportunities. Trade and investment promotion: this service involves a comprehensive suite of services such as individual business retention and expansion services, exporter development and promotion, industry cluster support, marketing and promotion of the municipal area to domestic and foreign investors.
Central Karoo DM	The following performance highlights with regard to the implementation of the LED strategy are: the development of an Investment Profile for CKDM and local municipalities (WESGRO assisted the CKDM with the development of an investment profile to attract investment to the region); the Central Karoo Small Town Regeneration Summit (an integrated summit that looks at initiatives to address local economic development challenges in the Central Karoo municipalities); SMME workshops for upcoming and existing businesses (to empower emerging and existing entrepreneurs with the necessary skills and knowledge to start or grow their businesses); a roadshow on local content and production (to create an awareness and understanding of local content and production); the establishment of a regional economic and tourism working group (the CKDM established an Economic and Tourism Working Group, where issues on LED and Tourism are discussed); assistance with registration for SMMEs (to assist SMMEs with registration on the CSD); and workshop with informal traders with SEDA (to assist informal traders with access to funding opportunities through SEDA). Challenges with regard to the implementation of the LED strategy are: the lack of budget for implementation of the strategy (addressed by availing budget for the implementation of LED strategy); no proper strategies in place to solicit funding for SMMEs (addressed through public/private partnerships with funding institutions like SEFA to ensure SMMEs are financially supported for effective implementation of initiatives in Central Karoo); and the lack of partnerships with the private sector to ensure collaboration with the implementation of the strategy (addressed through the establishment of District Wide Business Chambers to form partnerships with the private sector).

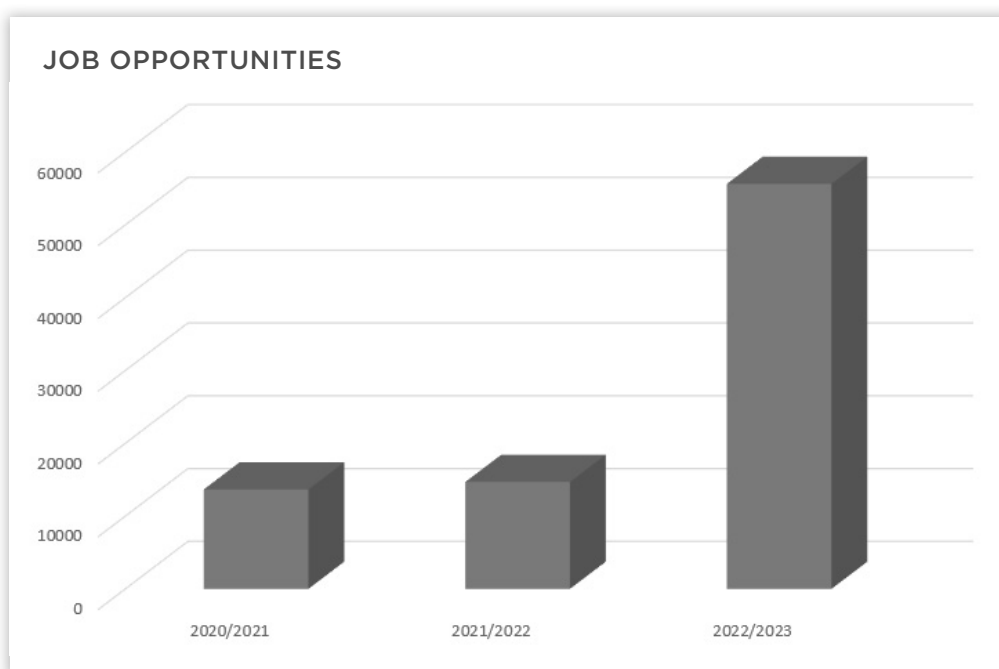
LOCAL ECONOMIC DEVELOPMENT 2022/23	
Laingsburg	LED includes all activities associated with economic development initiatives. The Municipality has a mandate to provide strategic guidance to the Municipality's IDP and economic development matters and working in partnership with the relevant stakeholders on strategic economic issues. The LED strategy identifies various issues and strategic areas for intervention such as: diversifying the economy to develop the agricultural sector in such a way that current agricultural practices are maintained and further enhanced as these form the backbone of the local economy; value adding practices in the form of agri-processing are initiated and become sustainable, agri-processing industries involve the large number of economically active unemployed females in the sub-region, and synergies are created between the service industry and the agricultural sector, whereby tourists are attracted to local products and utilise other services; transport and service sector to develop a sustainable transport and related services sector in the Municipality in a way that supports and is aligned with the five strategic issues identified in the Central Karoo District's integrated Transport Plan that distinguishes between the two types of travellers that are passing through the Central Karoo and Cape Town towards Johannesburg, namely private vehicle owners and truck drivers. LED promotes the image of Laingsburg as an ideal stop-over for travellers seeking goods and services; focuses on projects within the Municipality that can spread the benefits equitably; creates links with the agriculture sector to ensure access to early childhood and school development programmes to give all learners and job seekers equal access to quality education and training; ensures that learners have safe access to learning facilities and empowers residents of Laingsburg to acquire skills that will enable them to access and acquire favourable city jobs; integrates human settlement to establish a pattern of development that improves land use integration to enhance the access of poorer communities to economic and social services and to create and ensure that housing becomes assets to the poor.
Prince Albert	Prince Albert saw an increase in visitors from South Africa with the international border closing, but visitor numbers have now decreased again. The hospitality industry that forms the backbone of the Prince Albert economy has taken a big hit with Covid-19. Covid-19 also led to the average household having to tighten its belts. This led to a shedding of jobs in the informal sector. Household assistants, gardeners and caretakers lost their jobs, resulting in growing poverty and hardship. The Municipality tried to fill the gap by providing temporary job opportunities via the EPWP in the informal sector. They achieved this by making their capital infrastructure projects labour intensive. This provided some relief, but the situation is still very dire. The Municipality commenced with an investigation into an unsolicited waste to energy bid in Leeu Gamka. This process was concluded in November 2021 and the bid was not awarded due to inherent risk identified with the project. The Municipality also embarked on an initiative to establish Prince Albert as an event and film destination. The fruits of this endeavour can be seen in the fact that a film will be shot in Prince Albert in September 2021 with a much-needed influx of people. The Municipality is forming partnerships with various sector departments to assist in the implementation of the LED strategy of the Municipality.
Beaufort West Municipality	As part of its local government mandate, the Beaufort West Local Municipality has embarked on a process to develop a new LED strategy for the Beaufort West municipal area. The final draft strategy has been developed with the support of the Municipal Support Agent (MISA) and will be workshopped with Council for approval during the 2023/24 financial year. The purpose of this strategy is to interrogate available economic information in an integrated and coordinated manner to identify opportunities that can broaden the economic base of the Beaufort West municipal area. Development proposals were requested through an open bidding process during the 2022/23 financial year. The Municipality was involved in some inter-sectoral job creation opportunities during the 2022/23 financial year, including the EPWP and the Community Work Programme (CWP), as well as a Public Employment Job Creation Programme, funded by the Department of Local Government. The LED challenges experienced by the Municipality during the financial year include: limited to no interest from investors to develop in the area (the Municipality is looking at an Investor Incentive Policy to address this) and full value chain of products/produce not explored (the Municipality is looking to unlock support from WESGRO and other relevant government sector departments to assist with research to guide and aid local producers/manufacturers to expand their business offerings into a full value chain).

5.2 JOB OPPORTUNITIES

The Expanded Public Works Programme (EPWP) is a government programme introduced to provide short-term work opportunities for unemployed citizens to improve their well-being and dignity.

The graph below illustrates that there has been a significant decrease in the number of employment opportunities created through the EPWP at municipalities from the year 2020/21 to 2022/23, with a significant increase in opportunities created in 2022/23 as the country gradually recovered from lockdown in 2020/21.

Graph 23: Job Opportunities (EPWP)



Source: Municipal Annual Reports 2022/23

The EPWP is designed to act as a safety net for the South African citizens who are in dire situations of poverty and unemployment.

Since Theewaterskloof Municipality joined the Working for the Coast Programme, the coastal communities of Villiersdorp have greatly benefited in terms of job creation, poverty alleviation and environmental protection. The EPWP created jobs for 25 unemployed individuals. EPWP workers were employed in the informal areas for cleaning illegal dumping sites, maintenance of streets and stormwater drains, parks, and graveyards.

The Matzikama Municipality has been part of the Working for the Coast Programme from the Olifants River to Berg River Mouth from 2013. Since then, the coastal communities of Papendorp and Doringbaai have greatly benefited from it regarding job creation, poverty alleviation and environmental protection.

In the Breede Valley Municipality, the EPWP was launched in 2004. The EPWP remains an important government intervention for contributing to reduced unemployment and tackling poverty. The EPWP Phase 4 aim is to supply work opportunities and income support to poor and unemployed people through the delivery of public and community assets and services, thereby contributing to development. The community has shown significant interest, enhancing our efforts to be fair and consistent as it affect livelihoods and enhance the changes of participants gaining meaningful employment.

In the Langeberg Municipality a total of 901 job opportunities were created during the 2022/23 financial year through the municipal and Expanded Public Works Projects. During the 2022/23 financial year 177 SMMEs were assisted.

The strategy adopted by the Overstrand Municipality was to ensure that the EPWP does not only formulate low skillset projects but also caters for young people who need job experience in the formal employment sector. The current unemployment rate in Overstrand is 16.2% and continues to improve. Skills shortage and development is a stumbling block in young people's efforts to acquire full-time and sustainable employment. Moreover, the current economic situation does not produce sufficient jobs to accommodate new entrants into the labour market.

The Cape Agulhas Municipality exceeded their target of creating full-time equivalent work opportunities through the EPWP.



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CHAPTER 6

The provincial government is constantly working to improve the intergovernmental relationships between the province and the municipalities. We employ cooperation as a strengthening and enabling mechanism to promote and increase vertical and horizontal co-planning, co-budgeting, and co-implementation in a geographical space in order to make this possible. Provincial departments have established methods to give municipalities practical, focused support in order to enhance and improve their operation and service delivery.

6.1 TECHNICAL INTEGRATED MUNICIPAL ENGAGEMENT (TIME)

The Western Cape Government (WCG) has institutionalised its commitment to leveraging good governance for citizen-centric service delivery and accountable and resilient public institutions. Good governance provides an essential foundation for effective service delivery, value creation, and growth. It underpins the WCG's Provincial Strategic Recovery Plan priority of Growth for Jobs, Safety and Well-being. Sustaining good governance is especially important in navigating the increasingly unpredictable global and domestic environment that has resulted from a worldwide pandemic, a global economic slowdown, and deep structural constraints to domestic growth, such as the energy crisis.

The 2022/23 TIME process provides an opportunity to municipalities and the WCG to jointly review performance and challenges in the current financial year. These engagements focus on the implementation of municipal strategic and operational plans and their alignment to good governance practices. It aims to proactively identify and address municipal governance and performance challenges to enable improved municipal performance.

The TIME process is a joint initiative by the Provincial Treasury (PT), the Department of Local Government (DLG), the Department of Environmental Affairs and Development Planning (DEA&DP) and the Western Cape municipalities. It provides the platform to deliberate and agree on a collective response to the challenges and risks identified in a municipal area. The key elements of the TIME process are the Integrated Municipal Governance Assessment, Mid-year Budget and Performance Assessment, 2023/24 Medium Term Revenue and Expenditure Framework (MTREF) budget readiness, and the 2021/22 Audit Outcomes.

Below is a high-level overview of the key findings and transversal support initiatives emanating from the 2022/23 TIME assessment reports and engagements with municipalities:

Municipalities face key governance challenges and risks. These include:

- a. Challenges are experienced in filling senior management vacancies (especially critical posts such as MM, Technical Directors, and CFOs).

- b. Increased instability in some councils has been observed. This has transcended into the administrations and has impacted on service delivery.
- c. Awareness was raised regarding the implementation of the Local Government Municipal Staff Regulations and Guidelines by 1 July 2023, key transversal challenges and the support initiatives available.
- d. Awareness was raised regarding an increase in cyber attacks on municipalities and government entities and the ICT controls that are required to be implemented.
- e. e) The need to implement and institutionalise combined assurance to drive continuous improvements in internal control systems and address internal control deficiencies.

Municipalities continue to face significant challenges and risks related to the SCM Governance Environment. This include:

- a. Lack of commodity-based strategies to inform streamlining and efficiency gains in relation to procurement processes.
- b. Misalignment between the adopted budget, the approved procurement plan and the mSCOA data strings resulting in slow spending and implementation of operational plans.
- c. The method of procurement is not clearly defined in the procurement plans. This gives rise to the risk of splitting of orders, leading to non-compliance with SCM legislation and policy.
- d. Procurement and expenditure data sets are not credible to conduct accurate analysis.
- e. Lack of standardisation in relation to data files and format across municipalities.
- f. Financial and procurement systems do not provide for the linkage of a supplier to a specific commodity, hindering analytics to inform potential efficiency gains.
- g. During stage 6 load-shedding most systems were not working effectively, impacting on data gathering.

Municipalities face significant challenges and risks related to asset management.

- a. Asset management policies are limited to financial prescripts and do not include provision for the infrastructure asset management reforms.
- b. Asset data comprises of Excel spreadsheets mainly for financial reporting purposes.
- c. Majority of Municipal ERP systems do not cater for end-to-end infrastructure asset management and maintenance solutions.
- d. Lack of alignment between the maintenance plans and maintenance budgets.
- e. No centralised computerised maintenance management system (CMMS) in place that records historical data on assets for informed decision-making.
- f. Limited technical skills and competence to deal with the complexities of the asset management and infrastructure discipline.
- g. Maintenance backlogs are not critically monitored.
- h. Most municipalities do not have maintenance planners. This is often the reason for emergency repairs and maintenance through a deviation process.

Municipalities face growing spatial development and environmental management challenges and risks. This include:

- a. The mainstreaming of the inclusion of municipal performance in respect of the implementation of Municipal Spatial Development Frameworks (MSDFs) in the Annual IDP Review supported by the importance of the rigorous and thorough recording of planning applications/ decisions.
- b. Capital Expenditure Frameworks to be included in MSDFs, as they are critical to provide the necessary guidance to timeously budget and prepare for infrastructure investment.

- c. Municipalities are insufficiently capacitated in relation to planners to effectively perform land use management functions.

Municipalities face challenges and risk related to planning, infrastructure management and service delivery.

- a. Increasing service delivery instability and a growing backlog as a result of the following challenges:
 - i. Insufficient operational and maintenance budgets leading to premature failure of water supply/ water treatment infrastructure and non-operational “yellow” machinery.
 - ii. Vandalism and theft of critical infrastructure.
 - iii. Slow spending on the capital budget, which leads to delays in service delivery, economic growth and investment.

Municipalities face growing revenue and expenditure risks and challenges. These include:

- a. An increase in capital and operational costs in responding to the energy crisis, e.g. increase in repairs, replacement and maintenance costs and operational costs at water and wastewater treatment plants, which include diesel for generators and other running cost.
- b. Loss of revenue due to load-shedding and customers buying less due to lower demand as a result of moving to alternative energy sources.
- c. Reduction of surpluses generated on electricity that was previously used to subsidise rates funded services such as roads, stormwater, cemeteries, parks, streetlights, administrative costs and the like.
- d. The negative impact on the local economy, i.e. the operations of existing businesses and the ability to attract new businesses.



6.2 JOINT DISTRICT AND METRO APPROACH (JDMA)

The JDMA was endorsed by the Premier's Coordinating Forum in June 2019 as a geographical and team based, citizen focused Joint District Approach with a single delivery/ implementation plan to provide developmental initiatives and government services. Following its endorsement at the Premier's Coordinating Forum and the Western Cape Cabinet meeting, the JDMA methodology has been successfully implemented to showcase collaboration across the different spheres of government. The successful collaboration through the JDMA can be seen in the following:

6.2.1 Institutionalisation of JDMA

As part of institutionalising JDMA, each district established JDMA teams consisting of senior officials from the 13 WCG departments, district and local municipalities as well as national departments. Using these teams and other government stakeholders and partners, each district must follow a co-planning approach. A developed JDMA Implementation and Delivery Plan based on agreed priorities and projects must be identified by the local municipalities within each district and/or district municipality. The strength of the JDMA is based on sound collaboration and functional intergovernmental relations structures between the province and municipalities.

6.2.2 JDMA fundamental principles

COLLABORATION AND COORDINATION

Sound collaboration and coordination set a good basis for better engagement protocols, partnering for systems change and co-planning engagements.

The interface team leaders can coordinate multi-functional and multi-sectoral teams and projects.

FUNCTIONAL INTERGOVERNMENTAL STRUCTURES

Provincial and municipal IGR structures have been strengthened over time and are functional.

Vertical and horizontal alignment has been achieved through the functional IGR structures.

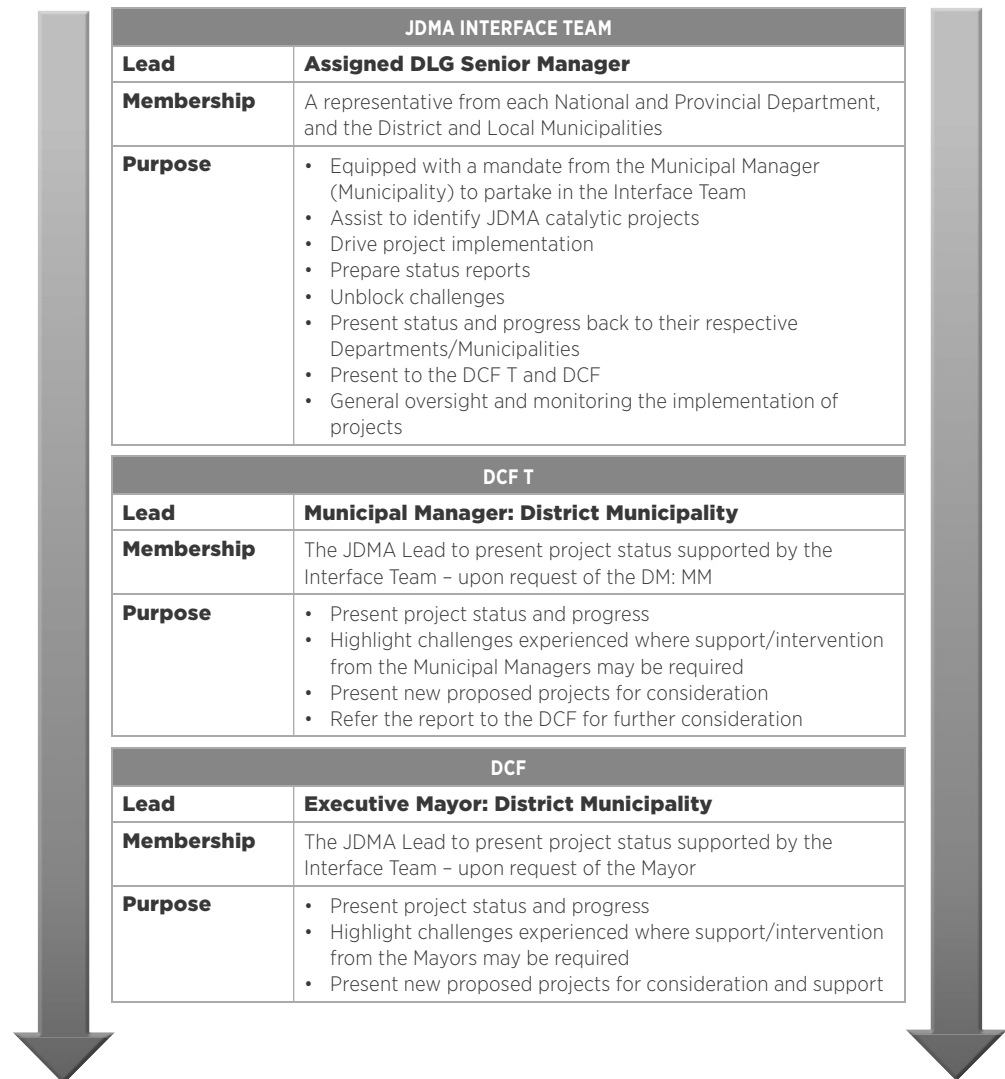
Provincial departments are participating in municipal structures (such as DCFs) while districts and secondary cities are participating in the provincial planning and budget processes.

CATALYTIC PROJECTS

Identification of catalytic projects which will lead to the sustainable development of the communities in order to improve the lives of the citizens.

6.2.3 JDMA Process Map

The following reporting structures have been established as per the Provincial Structures:



All JDMA structures have been established and are stable and functional. The Interface Teams have convened and have been preparing progress reports and presentations that are tabled to the DCF T and DCF regularly.

CONCLUSION

The commitment of the Western Cape municipalities to strive toward good governance has aided in the delivery of citizen-centric services enabled by a system of governance focused on impact and results. This system has been instrumental, especially in the wake of the Covid-19 pandemic, in creating an integrated and agile response.

This report takes an objective look at the key challenges, risks and gaps identified in municipalities as well as providing key support strategies implemented by the Western Cape Government to support municipalities to execute their powers and perform their functions.

The Western Cape Government's Economic Recovery Plan theme of Jobs, Safety and Well being further lays the foundation for fostering longer term economic growth and poverty reduction in the Province and remains at the centre of operations.

The Province will continue implementing the integrated management approach through the JDMA to respond to the needs of citizens and to prioritise placing citizens at the centre of decision making.



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