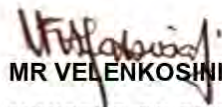


**DEPARTMENT OF CO-OPERATIVE GOVERNANCE****NO. 6685****30 September 2025****CONSOLIDATED ANNUAL LOCAL GOVERNMENT PERFORMANCE REPORT  
2022/2023**

I, Mr Velenkosini Hlabisa, Minister of Cooperative Governance and Traditional Affairs, in terms of section 48(2) of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000), hereby publish the Consolidated Annual Local Government Performance Report 2022/2023, in the Schedule hereto.

**MR VELENKOSINI HLABISA, MP****MINISTER OF COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS****DATE: 19 September 2025**



cooperative  
governance

Department:  
Cooperative Governance  
**REPUBLIC OF SOUTH AFRICA**

SECTION 48 REPORT:

**Consolidated Annual Local Government**  
Performance Report For 2022/23

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## ABBREVIATIONS/ACRONYMS

AFS	Annual Financial Statements
AG	Auditor-General
AGSA	Auditor-General South Africa
B2B	Back to Basics
CAPEX	Capital Expenditure
CEF	Capital Expenditure Frameworks
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIBD	Construction Industry Development Board
COVID-16	Corona Virus Disease 2016
CSIR	Council for Scientific and Industrial Research
CWP	Community Work Programme
DBSA	Development Bank of Southern Africa
DCoG	Department of Cooperative Governance
DDM	District Development Model
DED	Department of Economic Development
DESTEA	Department of Small Business Development, Tourism and Environmental Affairs
DIMAFO	District Mayors' Forum
DLG	Department of Local Government
DM	District Municipality
DOC	Disaster Operations Centre
DoRA	Division of Revenue Act
DPME	Department of Planning, Monitoring and Evaluation
DPSA	Department of Public Service and Administration
DRR	Disaster Risk Reduction
DWS	Department of Water and Sanitation
EA	Environmental Affairs
EC	Eastern Cape Province
ECD	Early Childhood Development
EEDSM	Energy Efficiency and Demand Side Management
ESECC	Eastern Cape Socio-Economic Consultative Council
EPWP	Expanded Public Works Programme
EXCO	Executive Committee
FBE	Free Basic Electricity
FBO	Faith-Based Organisation

FBR	Free Basic Refuse
FBS	Free Basic Services
FBW	Free Basic Water
FM	Financial Management
FRP	Financial Recovery Plan
FS	Free State Province
GCR	Gauteng City Region
GHS	General Household Survey
GIS	Geographic Information System
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GP	Gauteng Province
HH	Household
HOD	Head of Department
HR	Human Resources
IDP	Integrated Development Plan
IEC	Independent Electoral Commission
IGR	Intergovernmental Relations
IT	Information Technology
KPA	Key Performance Area
KPI	Key Performance Indicator
KZN	KwaZulu-Natal Province
LED	Local Economic Development
LGSETA	Local Government Sector Education and Training Authority
LM	Local Municipality
LP	Limpopo Province
LUMS	Land-Use Management Systems
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MINMEC	Ministers and Members of Executive Council
MIT	Municipal Interface Team
MM	Metropolitan Municipality
MP	Mpumalanga Province
MPAC	Municipal Public Accounts Committee
MPT	Municipal Planning Tribunal
MSA	Municipal Systems Act
mSCOA	Municipal Standard Chart of Accounts
MSIG	Municipal Systems Improvement Grant

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MTSF	Medium Term Strategic Framework
NC	Northern Cape Province
NDP	National Development Plan
NDMC	National Disaster Management Centre
NGO	Non-Governmental Organisation
NQF	National Qualifications Framework
NT	National Treasury
NW	North West Province
NWSKS	National Water Services Knowledge System
OPEX	Operating Expenditure
PDMC	Provincial Disaster Management Centre
PPGI	Public-Private Growth Initiative
PMS	Performance Management System
PMU	Project Management Unit
PROVJOINTS	Provincial Joint Operational and Intelligence Structures
RBIG	Regional Bulk Infrastructure Grant
RRAMS	Rural Roads Access Management System
SA	South Africa / South African
SALGA	South African Local Government Association
SALGBC	South African Local Government Bargaining Council
SAPS	South African Police Service
SARS	South African Revenue Service
SCM	Supply Chain Management
SCOPA	Standing Committee on Public Accounts
SDBIP	Service Delivery and Budget Implementation Plan
SDF	Spatial Development Framework
SETA	Sector Education Training Authority
SIP	Strategic Infrastructure Projects
SMME	Small, Medium and Micro Enterprise
SoLGF	State of Local Government Finances and Financial Management Report
SPLUMA	Spatial Planning and Land Use Management Act
SRT	Small Town Regeneration Strategy
Stats SA	Statistics South Africa
TOR	Terms of Reference
UIF	Unemployment Insurance Fund
UIFW	Unauthorised, Irregular, Fruitless and Wasteful expenditure
UPM	Unemployed Peoples Movement

WBP	Ward-Based Planning
WC	Western Cape Province
WCWDM	Water Conservation / Water Demand Management
WSDP	Water Services Development Plan
WSIG	Water Services Infrastructure Grant
WSP	Workplace Skills Plan

## FOREWORD BY THE MINISTER

I am honoured to present the 2022/23 Municipal Performance Report, which consolidates provincial insights and reflects our commitment to strengthening local government in line with Section 152 of the Constitution.

This report is published at a time when municipalities continue to face significant service delivery challenges. In 2022, 66 municipalities were classified as dysfunctional due to poor governance, financial mismanagement, and political instability. These systemic issues have impacted the delivery of essential services such as water, sanitation, electricity, and roads.

To address these challenges, national government implemented Section 136(7) interventions in municipalities including Lekwa (Mpumalanga), Mangaung Metro (Free State), and Enoch Mgijima (Eastern Cape), in collaboration with National Treasury and sector departments. These interventions have helped stabilise governance and improve service delivery outcomes.

We have made progress in institutionalising the District Development Model (DDM), supported by legislative reforms such as the Intergovernmental Monitoring, Support and Intervention (IMSI) Bill and the review of the Intergovernmental Relations Framework Act. The rollout of Presidential DDM Izimbizo across all provinces has strengthened citizen engagement and accountability.

Disaster management remains a priority. The National Disaster Management Centre (NDMC) responded to major flood disasters in KwaZulu-Natal, Mpumalanga, North West, and the Eastern Cape in April 2022, demonstrating our commitment to resilience and risk reduction.

The Community Work Programme (CWP) continues to empower communities and foster inclusive development. Its reconfiguration under the DDM framework will enhance coordination and private sector engagement to address poverty, inequality, and unemployment.

We remain committed to ethical leadership and good governance. The Department has intensified consequence management and implemented recommendations from oversight bodies. Partnerships with MISA, SALGA, and other institutions have been instrumental in driving progress.

### Future Plans

Looking ahead, our focus will be on:

- Accelerating legislative reforms to strengthen municipal accountability and enforce compliance with planning and reporting cycles.
- Expanding the DDM footprint, with targeted support for municipalities in distress and improved integration of One Plans into budgeting and implementation.
- Enhancing digital governance, including the rollout of smart city initiatives and automated reporting tools to improve transparency and efficiency.
- Strengthening disaster resilience, with investment in early warning systems and climate adaptation strategies.
- Improving service delivery outcomes, through targeted infrastructure investment, capacity building, and performance monitoring.

These plans reflect our unwavering commitment to building vibrant, resilient, and climate-smart communities. I commend all stakeholders for their dedication and reaffirm our shared vision for inclusive governance and sustainable development.

## FOREWORD BY THE DEPUTY MINISTER

It is my honour to present the 2022/23 Municipal Performance Report, which consolidates provincial insights into the state of local governance across South Africa.

This report reflects our ongoing commitment to strengthening municipalities as the cornerstone of service delivery and development. Through the District Development Model (DDM), we have achieved notable milestones, including the submission of 50 intergovernmental One Plans and the rollout of five Presidential DDM Imbizos.

Municipal performance data for the year reveals both progress and persistent challenges:

- **Service Delivery:** 66 municipalities were classified as dysfunctional, primarily due to governance failures, financial mismanagement, and political instability.
- **Governance Support:** Section 136(7) interventions were implemented in municipalities such as Lekwa (Mpumalanga), Mangaung Metro (Free State), and Enoch Mgijima (Eastern Cape), in collaboration with National Treasury and sector departments.
- **Capacity Building:** Municipal Infrastructure Support Agent (MISA) supported 65 municipalities with technical expertise, while 1,000 ward committees received training and financial support to improve functionality.
- **Urban Development:** The Integrated Urban Development Framework (IUDF) continued to guide spatial transformation, and the Smart Cities Framework (SCF) was developed to promote innovation and sustainability.

Despite these achievements, challenges remain. Incomplete submissions, limited capacity in some provinces, and gaps in disability and intervention reporting highlight the need for stronger coordination and accountability.

I commend all stakeholders for their dedication and reaffirm our commitment to building resilient, responsive, and accountable municipalities. Together, we will continue to advance inclusive governance and sustainable development.

## EXECUTIVE SUMMARY

The Municipal Systems Act, 2000 (Act No. 32 of 2000), requires the Minister of Cooperative Governance to compile and submit to Parliament and provincial MECs an annual consolidated report on municipal performance (Section 48(1)). This report must reflect progress against the general key performance indicators prescribed in Section 43(3), namely: access to basic services; provision of free basic services to poor households; capital budget expenditure; job creation through local economic development initiatives; employment equity in senior management; implementation of workplace skills plans; and financial viability ratios (cost coverage, debt coverage, and outstanding service debtors).

The purpose of the Consolidated Annual Local Government Performance Report is to account to Parliament and the citizens of South Africa on municipal progress towards the overarching goal of “**a better life for all.**” It remains an important accountability tool for assessing the overall state of local government performance.

The report is structured around five municipal Key Performance Areas (KPA), as well as cross-cutting issues:

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

Drawing on these reports, together with findings from the Auditor-General South Africa (AGSA) and the State of Local Government Finances and Financial Management Report 2022/23 (SoLGF), this consolidated review highlights both achievements and ongoing challenges across the KPAs.

The evidence confirms that while some municipalities continue to demonstrate relatively stable performance, the majority face serious institutional, financial, and service delivery challenges. These challenges, coupled with declining audit outcomes and weak financial management, threaten the sustainability of local government and undermine its developmental mandate.

### Headline Findings

- Local government remains under severe strain, with persistent weaknesses in financial management, governance, and service delivery.
- The overall trajectory is one of systemic decline, despite pockets of resilience in certain metros and provinces (notably Gauteng and the Western Cape).
- Service backlogs and infrastructure failures continue to compromise the quality and reliability of basic services.
- Institutional instability, weak capacity, and poor HR management undermine governance and service delivery.
- Audit outcomes confirm systemic non-compliance with the MFMA, while SoLGF findings highlight entrenched financial distress.
- Cross-cutting systems, such as disaster management, remain largely reactive, with little evidence of proactive planning or readiness.



#### KPA 1: Municipal Transformation and Organisational Development

Persistent weaknesses in institutional capacity remain a defining challenge. High vacancy rates, particularly in Municipal Manager, CFO, and technical posts, undermine municipal performance and stability. Almost a fifth (16%) of municipal managers, over a quarter (26%) of CFOs were serving in an acting capacity and there is a 17% vacancy rate for senior managerial posts across the country. Female representation in senior management posts is also dissatisfactory at 32%, well below the 50% target, and municipalities either performed poorly in employing youth and people with disabilities or failed to sufficiently report on their employment at all. Additionally, skills development and performance management systems are unevenly applied. While stronger municipalities, especially metros, maintain functional administrations, many municipalities continue to struggle with instability, poor HR practices, and weak labour relations.

#### KPA 2: Basic Service Delivery

Service delivery outcomes remain deeply uneven across provinces and municipalities. Access to water slightly regressed nationally, from 88.5% in 2021/22 to 87% in 2022/23. Fewer than half (45%) reported piped water inside their dwellings. Water losses remain critically high, averaging 41.7%, reflecting serious inefficiencies in municipal water systems.

Access to sanitation reached 83.3% of households, but only 61% had flush toilets connected to a sewerage system, which is the higher standard of sanitation. Electricity access continues to improve, with 86.8% of households connected to the mains supply in 2023 compared to 78.3% in 2002. In terms of refuse removal, 62.6% of households nationally received weekly or less frequent collection, while 28.6% relied on their own refuse dumps, reflecting deep urban-rural disparities.

On infrastructure investment, Municipal Infrastructure Grant (MIG) spending reached nearly 60% of allocations, showing strong absorption. However, expenditure on repairs and maintenance remained far below the recommended 8% benchmark, leaving ageing municipal infrastructure under significant strain and raising concerns about sustainability of service delivery.

#### KPA 3: Local Economic Development

Municipal LED strategies are often outdated, underfunded, and poorly aligned to provincial and national frameworks. LED Units are generally under-capacitated, with limited skills, budgets, or integration into broader planning. Over 250 000 job opportunities were created nationally, but reporting on job creation and LED project outcomes is often weak, reducing accountability. While some municipalities pursue partnerships and infrastructure investment that support local economic activity, the overall impact of LED remains limited.

#### KPA 4: Municipal Financial Viability and Management

In 2022/23 there was a decrease in the number of municipalities with unfunded budgets to 65 from 112 in 2021/22. However, the financial position of municipalities remains precarious, as National Treasury identified 168 municipalities (65.8%) in financial distress. Liquidity challenges are widespread: nearly half of municipalities report current ratios below benchmark, and three-quarters have liquidity ratios below 1. Poor debt collection, ballooning arrears, and delayed payment of creditors undermine working capital and disrupt local economies. Provinces such as Free State, Eastern Cape, and North West face the highest levels of financial distress, while Gauteng and Western Cape record comparatively stronger performance.

### *Section 134 Audit Report*

In 2022/23, the number of municipalities receiving disclaimer audit opinions declined from 22 to 12. However, this improvement saw a concurrent increase in outstanding audits, which rose from 2 to 10. The number of clean audits also decreased, falling from 38 to 34, with 20 of these in the Western Cape. Notably, Limpopo, Free State, and North West recorded no municipalities with clean audits. The Section 134 audit report underscores systemic weaknesses in financial management, with this downward trajectory highlighting the difficulty municipalities face in sustaining improvements, even where progress has been made.

The number of auditees tested for material irregularities increased, leading to a rise in findings from 268 to 360. Alarmingly, 78 municipalities (22%) failed to take appropriate actions to address or resolve these findings. To strengthen oversight, National Treasury has established a Web-Enabled Audit Action Plan System that allows municipalities to track progress on the implementation of their audit action plans. Provinces with the highest number of findings include Eastern Cape (2,028), Northern Cape (1,870), and North West (1,866), while those with the lowest are Western Cape (476), Gauteng (733), and KwaZulu-Natal (811). Progress in addressing findings is most evident in Mpumalanga, Limpopo, Gauteng, and the Western Cape, whereas KwaZulu-Natal, Free State, and Northern Cape show significant numbers of unresolved or unaddressed findings.

The root causes of the poor state of municipal financial management remain consistent: ineffective internal controls; capacity gaps due to skills shortages and vacancies; leadership instability at both political and administrative levels; weak monitoring of internal control implementation; poor execution of audit action plans, leading to repeat findings; lack of accountability and consequence management; weak record-keeping; poor delivery and maintenance of municipal infrastructure; and persistent irregular, fruitless, and wasteful (UIFW) expenditure.

#### KPA 5: Good Governance and Public Participation

Formal governance and participation structures exist across municipalities, but functionality varies widely. Ward committees and Community Development Workers are unevenly integrated, with irregular meetings, weak follow-up, and poor logistical support. Oversight structures (MPACs, Audit Committees, and internal audit units) are more effective in Gauteng and Western Cape, but generally weak elsewhere. Anti-corruption frameworks exist but are inconsistently enforced, leaving many municipalities vulnerable. Section 136 interventions remain lengthy and rarely address systemic issues, underscoring gaps between formal oversight and practical governance.

#### Cross-Cutting Issues and Planning

Many cross-cutting components, such as disaster management and spatial planning, are intended to be pre-emptive and strategic, yet municipalities remain largely reactive. Weak readiness, inadequate institutionalisation, and insufficient resourcing undermine their effectiveness. The absence of standardised data and empirical reporting, particularly on disaster management, limits comparability and hampers targeted support. These weaknesses reduce accountability and obscure the level of risk municipalities face in areas critical to long-term resilience.

#### Conclusion

Despite persistent institutional and financial challenges, the 2022/23 Section 48 report also highlights areas of progress that reflect resilience within the local government sphere. Access to basic services such as water, sanitation, electricity, and refuse removal remains comparatively high, with most provinces sustaining coverage levels above 80% in core services. The implementation of Local

Economic Development (LED) initiatives, particularly through EPWP and CWP programmes, created significant short-term employment opportunities, with provinces such as Gauteng, KwaZulu-Natal, Limpopo, and the Western Cape generating the highest numbers. Several municipalities have updated or aligned their LED strategies with provincial frameworks, and functional LED forums are reported in provinces like Limpopo and Mpumalanga. On infrastructure, Municipal Infrastructure Grant (MIG) expenditure reached close to 60% of allocations nationally, signalling better absorption of conditional grants, while some municipalities have begun to strengthen systems of consequence management and performance oversight. Governance structures such as ward committees, audit committees, and municipal public accounts committees were reported as functional in many municipalities, contributing to improved accountability. Though uneven across provinces, these gains provide a platform for strengthening municipal capacity and embedding a more developmental and accountable local government system.

Overall, the Section 48 report paints a picture of fragile municipal performance. Gains in extending basic services have been offset by serious weaknesses in infrastructure reliability, institutional stability, and financial viability. Leadership vacancies, declining maintenance, unfunded budgets, and weak accountability mechanisms continue to undermine municipalities' ability to fulfil their constitutional mandate. Addressing these systemic issues will require urgent professionalisation of management, strengthened financial discipline, and sustained investment in both infrastructure and institutional capacity.

# 1 INTRODUCTION

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In South Africa, municipalities play a vital role in improving the everyday lives of citizens by delivering essential services, fostering local development, and enabling active participation in democracy. The way these institutions perform has a direct bearing on citizens' well-being, which is why effective, transparent, and accountable governance is critical. When municipalities fail—whether through poor administration, financial mismanagement, or breakdowns in service delivery—the consequences are severe, eroding public confidence, deepening inequality, and slowing social and economic progress.

The Section 48 Report, produced annually in line with the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000), serves as a key monitoring and oversight tool. It tracks patterns in governance, finances, and service delivery, providing stakeholders with evidence to assess performance, detect structural weaknesses, and implement measures that safeguard the public interest.

This Section 48 Report for 2022/23 is a publication by the Department of Cooperative Governance, as a statutorily required publication that the Minister must annually compile and submit to Parliament and Members of Executive Committees (MECs) for local government. It is submitted here to adhere to the provisions of the Municipal Systems Act.

## 1.1 PURPOSE OF THE REPORT

This report serves to update Parliament, MECs for local government and the South African public on local government performance in terms of general key performance indicators. Prepared in line with the Municipal Systems Act 32 of 2000 the Section 48 Report allows for measuring and comparing the performance across the country that helps to identify municipalities facing difficulties that may require intervention. It also showcases positive examples of municipal performance, encouraging the sharing and replication of successful practices to drive collective improvement.

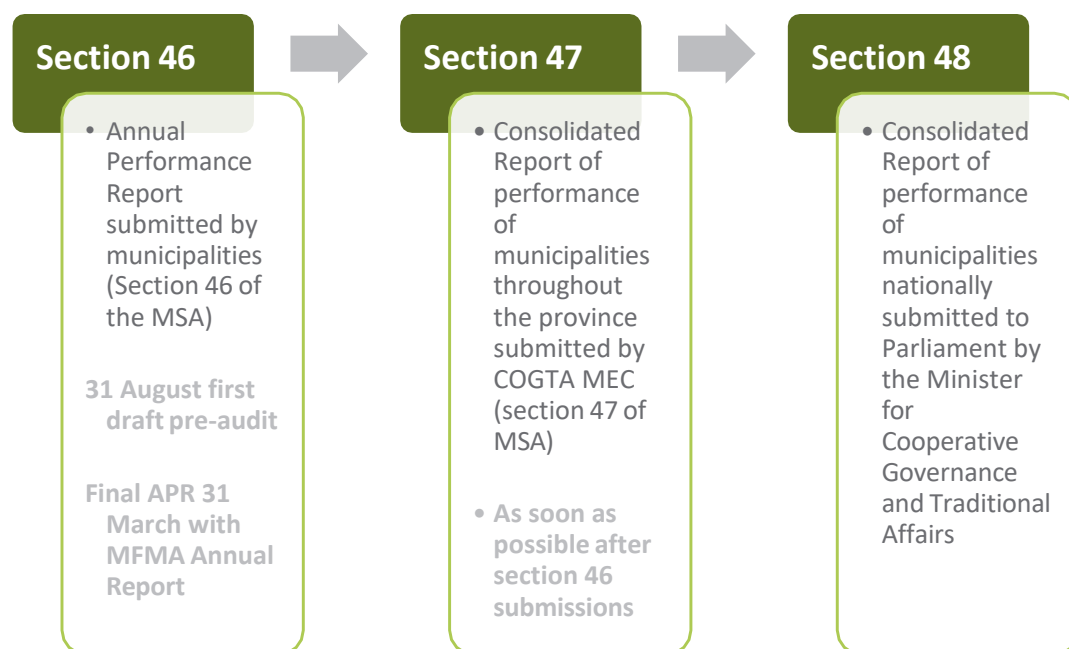
Despite its critical role, the Section 48 Report faces obstacles that reduce its overall effectiveness. These include:

- Delays in reporting submissions: Late submission of Section 46 reports from municipalities and Section 47 reports from provinces slows down the reporting cycle. Part of the difficulty is that the Section 46 municipal report must first be audited by the Auditor-General. Following this there is no time frame in legislation determining when the Section 47 provincial report must be submitted other than it must be submitted "annually".
- Prolonged compilation processes: The extended time needed to collate and finalize information limits the report's ability to act as a real-time monitoring and response mechanism. The reliance on finalised Section 46 and Section 47 reports leaves DCoG waiting on submissions that are of limited performance insight given the time lags between the performance they describe and the current situation.
- Lack of coordination and standardisation of reports: There remain significant differences across provinces in Section 47 reports and across sectors as to what key performance indicators are used. For indicators that are reported, there is a lack of standardisation in the data supplied, making comparability difficult.
- Data quality issues: Inconsistent and incomplete reporting within and across provinces produces data of variable quality, raising questions of both validity and reliability and ultimately hampers the ability to draw meaningful performance comparisons at the national level.

## 1.2 REPORTING PROCESS

Figure 1 the reporting process: municipalities first submit their Section 46 reports to provinces, which then compile these into a consolidated Section 47 report. These provincial reports are subsequently combined to produce the Section 48 report that is presented to Parliament.

Figure 1: Municipal, Provincial and National Reporting Process



Source: Section 48 Report 2020/21

### 1.2.1 Municipal Reporting

In terms of the Municipal Systems Act (MSA), municipalities are required to monitor their performance through quarterly and mid-year assessments, which culminate in the preparation of annual performance reports (Section 46 reports). These reports, together with financial statements, must be submitted for auditing by 31 August each year. Once audited, all municipalities are obliged to present their Section 46 reports to their Councils and the MECs for Local Government. Each report must include:

- the municipality's performance during the financial year;
- a comparison with performance in the preceding year; and
- measures were adopted to improve future performance.

### 1.2.2 Provincial Reporting

Section 47 of the MSA requires provinces to compile and submit consolidated reports on municipal performance to the Department of Cooperative Governance. These reports are expected to cover the five Key Performance Areas (KPA's) of the Five-Year Local Government Strategic Agenda, incorporate cross-cutting themes such as integrated development planning, and set out key challenges,

interventions, and support measures with clear recommendations. The main data sources used by provinces include municipal Annual Performance Reports (based on Section 46), Integrated Development Plan (IDP) reports, audit outcomes, and audited financial statements.

### 1.2.3 National Reporting

At national level, for Section 48 of the MSA, DCoG has relied upon the provincial Section 47 submissions to prepare a consolidated report on municipal performance, based on. This Section 48 Report is tabled in Parliament. Its compilation draws on multiple sources, including Section 47 reports, the Department of Cooperative Governance and Traditional Affairs (CoGTA) Annual Report, the Auditor-General's findings, the State of Local Government Finances and Financial Management Report 2022/23 from National Treasury and data from Statistics South Africa.

## 1.3 STRUCTURE OF THE REPORT

The structure of the Section 48 Report is set out in Table 1 below:

Table 1: Report Structure

Section	Title	Covers
1	Introduction	<ul style="list-style-type: none"> <li>• Introduction, purpose, reporting process</li> </ul>
2	Background	<ul style="list-style-type: none"> <li>• Legislative and policy context</li> <li>• Audit findings and state of Section 47 reporting,</li> <li>• Methodology and approach</li> <li>• Municipal response rates and submission</li> </ul>
3	KPA1: Municipal Transformation and Organisational Development	<ul style="list-style-type: none"> <li>• Workforce Stability</li> <li>• Employment Equity</li> <li>• Skills Development</li> <li>• Performance management s compliance</li> <li>• Disciplinary procedures</li> </ul>
4	KPA2: Basic Service Delivery	<ul style="list-style-type: none"> <li>• Water</li> <li>• Sanitation</li> <li>• Electricity</li> <li>• Refuse Removal</li> <li>• Indigent Policy Management</li> <li>• Infrastructure Investment and Maintenance</li> </ul>
5	KPA 3: Local Economic Development	<ul style="list-style-type: none"> <li>• LED Strategy s Planning</li> <li>• Facilitated job opportunities</li> <li>• Types of LED initiatives</li> </ul>
6	KPA 4: Municipal Financial Viability	<ul style="list-style-type: none"> <li>• Revenue</li> </ul>

		<ul style="list-style-type: none"><li>• Expenditure</li><li>• Cash Management and Liquidity</li><li>• Audit Outcomes</li><li>• Financial Distress Indicator</li></ul>
7	KPA 5: Good Governance and Public Participation	<ul style="list-style-type: none"><li>• Ward committees</li><li>• Functionality of Council Structures</li><li>• Anti-corruption and fraud prevention</li></ul>
8	Cross Cutting Planning Issues	<ul style="list-style-type: none"><li>• Integrated Development Planning</li><li>• Spatial Planning</li><li>• Disaster Management</li><li>• Climate Resilience</li></ul>
6	Conclusion	
10	References	

## 2 BACKGROUND

### 2.1 LEGISLATIVE & POLICY CONTEXT

#### 2.1.1 The Constitution

South Africa's Constitution establishes three distinct but interdependent spheres of government, designed to work together through a system of cooperative governance. This approach recognises that development challenges cannot be resolved by any one sphere in isolation. To reinforce this principle, the Intergovernmental Relations Framework Act (2005) was enacted, providing a framework to strengthen collaboration.

Chapters 7, 152, and 153 of the Constitution define local government as developmental in nature. Municipalities are entrusted with key responsibilities such as delivering services, promoting social and economic development, and enabling meaningful community participation. They are required to prioritise the needs of their communities while aligning their functions with broader national and provincial development objectives. In addition, Section 154 places a duty on national and provincial governments to provide support and build municipal capacity so that municipalities can effectively carry out their mandates.

#### 2.1.2 White paper on Local Government (1GG8)

The 1668 White Paper on Local Government gives practical effect to the constitutional vision of developmental local government. It defines this concept as the commitment of municipalities to work with communities in finding sustainable solutions that address social, economic, and material needs, while also enhancing quality of life.

The White Paper outlines four key characteristics of developmental municipalities, namely their ability to:

- Maximise social development and economic growth;
- Integrate and coordinate services and development initiatives;
- Democratise development by empowering citizens and promoting equity;
- Act as adaptive, learning institutions that lead change.

It also identifies four developmental outcomes:

- Delivery of household infrastructure and basic services;
- Building inclusive and well-integrated human settlements across urban and rural areas;
- Supporting local economic development;
- Advancing citizen empowerment and redistribution.

To achieve these goals, the White Paper highlights three main implementation mechanisms:

- Integrated development planning and budgeting;
- Performance management systems;
- Partnerships and collaboration with communities and other stakeholders.

The policy also makes clear that national and provincial governments must actively support municipalities in strengthening local governance, while municipalities must, in turn, cooperate with other spheres of government to enhance service delivery and promote development.



### 2.1.3 Organised Local Government

The Constitution provides for municipalities to establish associations that represent their collective interests. At national level, this role is fulfilled by the South African Local Government Association (SALGA). SALGA is recognised as the unified voice of local government and performs six main functions:

1. Representation, advocacy, and lobbying;
2. Acting as the employer body in collective bargaining processes (through the South African Local Government Bargaining Council, SALGBC);
3. Building the capacity of councillors and officials;
4. Providing guidance and advice on policy and legislation;
5. Enhancing the profile of local government domestically and internationally;
6. Facilitating knowledge exchange and information sharing.

Through these functions, SALGA plays an active role in legislative processes, intergovernmental forums, and labour relations structures, while also offering municipalities specialised services, research, training, and opportunities for peer learning.

### 2.1.4 Medium Term Strategic Framework 2016-2024

The Medium-Term Strategic Framework (MTSF) 2016-2024 serves as a five-year programme of implementation and a monitoring tool. It is structured around the seven priorities of the sixth administration, each supported by interventions, outcomes, indicators, and targets to measure progress.

The MTSF is designed to integrate and coordinate the various planning instruments used across government, consolidating them into a single, results-driven framework. Its aim is to eliminate duplication, clarify roles, and prevent conflicting initiatives, while promoting more effective service delivery through the district-based development model.

#### Priority 5: Spatial Integration, Human Settlements and Local Government

This priority addresses the constitutional right of all citizens to access basic services, aligning with South Africa's obligations under the Sustainable Development Goals. These include universal access to clean water, sanitation, electricity, and related services. Effective spatial planning is emphasised as central to achieving these rights.

Although there has been progress in service delivery, many municipalities continue to face significant challenges in sustaining infrastructure. Weak operations and maintenance result in deteriorating assets, frequent service interruptions, and negative consequences for both social and economic development. Functional municipalities are therefore critical to creating safe, resilient, and economically viable communities. The departments responsible for overseeing and improving the delivery of basic services include:

- Department of Mineral Resources and Energy - electricity;
- Department of Water and Sanitation - water and sanitation;
- Department of Forestry, Fisheries and the Environment - waste management.

### 2.1.5 The National Development Plan

The National Development Plan (NDP), released in 2012, identified uneven capacity across the three spheres of government as the main barrier to establishing a capable and developmental state.

Contributing factors include political-administrative tensions, leadership instability, shortages of skills, weak accountability systems, poor institutional design, and low morale among staff.

To address these challenges, the NDP recommends a set of targeted interventions, including:

- Stabilising the political-administrative interface by professionalising the public service and clearly distinguishing political from administrative roles;
- Making public service an attractive career path through structured recruitment and professional development;
- Building technical and specialist expertise to strengthen state capacity;
- Promoting consistent delegation of authority with robust accountability mechanisms;
- Enhancing interdepartmental coordination by encouraging routine cooperation among officials;
- Improving intergovernmental relations by devolving responsibilities where capacity exists and strengthening it where it does not;
- Strengthening local government by investing in long-term skills development, professional conduct, and citizen participation.

For municipalities specifically, the NDP proposes:

- Strengthening recruitment processes, staffing frameworks, and operational guidelines;
- Linking municipal skills development plans with Integrated Development Plans (IDPs);
- Enhancing national and provincial support and oversight of municipalities;
- Focusing IDPs on core developmental priorities, with clear leadership from municipal staff;
- Ensuring community participation in IDPs is deliberative, inclusive, and rooted in community spaces.

## 2.2 METHODOLOGY AND APPROACH

The Section 48 report was developed through the consolidation and analysis of the nine provincial Section 47 reports, which provide provincial assessments of the state of municipalities. These reports were supplemented with additional sources such as the Non-Financial Census of Municipalities (Statistics South Africa, 2022/23), the State of Local Government Report (2022/23), and the DCoG Annual Report (2022/23). Together, these sources offered both quantitative and qualitative insights into governance, financial management, service delivery, and institutional capacity across municipalities.

However, the process was not without challenges. The nine provinces did not provide data in a uniform format, making direct comparisons difficult in many cases. In addition, provinces did not report consistently on issues, and in several instances the reporting was either unclear or inadequate. These limitations affected the ability to generate a fully standardised national overview.

In response to these challenges, the methodology adopted a flexible and pragmatic approach:

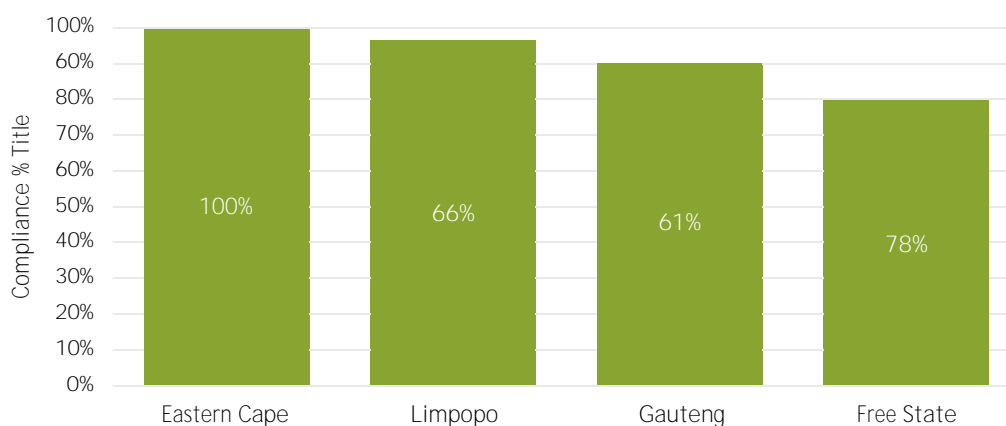
1. Comparative analysis where possible: Where data were comparable across provinces, direct comparisons were made, even if this was possible for fewer than nine provinces.
2. Province-specific reporting: In instances where no common basis for comparison existed, the report presents provincial-level explanations of initiatives, interventions, and challenges to ensure that important information is not omitted.
3. Thematic synthesis with supplementary sources: To strengthen reliability, secondary sources such as Stats SA, the State of Local Government Report, and the DCoG Annual Report were integrated. These sources provided a broader national perspective and helped triangulate findings.

This mixed approach allowed the Section 48 report to provide a consolidated national perspective while still acknowledging variations in provincial reporting. It ensured that the report reflects both cross-cutting trends and province-specific circumstances, thereby offering a more accurate and balanced assessment of the state of local government.

### 2.3 MUNICIPAL SUBMISSION RATES OF SECTION 46 REPORTS

Five provinces did not report on the response rate of their municipalities required to submit Section 46 reports. The figure below shows that for the four that did report, Eastern Cape had the highest rate with 100% of municipalities submitting the report. This was followed by Limpopo on 66% and Gauteng with an 61% response rate. Free State reported that 78% of its municipalities submitted Section 46 reports.

Figure 2: Percentage submission of Section 46 reports (2022/23)



Source: Section 47 Reports 2022/23

## 3 MUNICIPAL TRANSFORMATION & ORGANISATIONAL DEVELOPMENT

### 3.1 OVERVIEW

Well-capacitated municipal organisations are fundamental to achieving effective service delivery. Building such capacity requires municipalities to appoint suitably qualified staff, implement employment equity, and prioritise ongoing staff development. The assessment of this performance area in Section 47 reports highlights the extent to which municipalities are institutionally prepared to meet their constitutional and developmental responsibilities, as set out in the Constitution and the White Paper on Local Government.

The Municipal Systems Act provides important guidance on how municipalities should structure themselves to achieve these objectives. Chapter 7 directs municipalities to establish and adopt policies and systems aligned with uniform norms and standards. Section 51 outlines principles for organisational transformation within local government. It requires that municipalities, within available resources, structure their administrations in a way that responds effectively to community needs, fosters a culture of service and accountability, and aligns with the developmental objectives contained in Sections 152 and 153 of the Constitution. The legislation further calls for municipalities to ensure that roles and responsibilities are integrated with the municipality's Integrated Development Plan (IDP), and that coordination and communication are promoted between political and administrative leadership and with local communities.

Other principles emphasise the importance of flexibility to adjust to changing priorities, establishing efficient administrative structures, assigning and managing responsibilities clearly, and holding the municipal manager accountable for overall performance. Municipal administrations are also expected to encourage effective delegation, improve internal communication and decision-making processes, involve staff in management decisions where possible, and create a fair, equitable, and non-discriminatory work environment.

Together, these principles are designed to ensure that municipalities operate in a responsive, accountable, and performance-driven manner while delivering on their service mandates. To further strengthen professionalism in local governance, the government gazetted the Regulations on the Appointment and Conditions of Employment of Senior Managers on 17 January 2014. These regulations set uniform standards for the recruitment and employment of senior municipal managers and their direct reports, thereby supporting more consistent leadership and improved institutional performance in local government.

The following areas of performance are reported on for the 2022/2023 financial year:

1. Workforce stability (number of approved posts, filled posts and vacancy rate in senior management)
2. Employment equity
3. Municipal capacity building and skills development
4. Performance management and compliance
5. Disciplinary procedures

## 3.2 WORKFORCE STABILITY

### 3.2.1 Overview

Workforce stability refers to the ability of an organisation to retain staff consistently over time, with limited turnover and minimal disruption. Stable staffing is vital for preserving institutional memory, ensuring operational efficiency, and sustaining effective service delivery.

In municipalities, key indicators of workforce stability include the number of posts approved versus those filled, the vacancy rate for municipal manager (Section 54) positions as well as individual posts directly reporting to the municipal manager (Section 56), and the tally of senior management roles compared with the approved organogram. These measures collectively provide insight into a municipality's success in securing and retaining leadership and management capacity critical for governance and service delivery. The alignment between approved and appointed positions reflects the effectiveness of recruitment processes, while vacancy rates highlight gaps that may undermine organisational stability. At the same time, monitoring senior management positions against the organogram ensures that staffing structures remain consistent with strategic priorities, supporting better planning and resource management. Taken together, these metrics create a comprehensive picture of institutional capacity and the stability of the municipal workforce.

### 3.2.2 National Vacancy rates

In line with Section 66 of the Municipal Systems Act (Act No. 32 of 2000), municipalities must establish and maintain an approved staff structure and regularly assess vacancy rates. Once approved by the municipal council, it is the Municipal Manager's responsibility to ensure timely filling of posts.

Table 2 below presents the 2022/23 workforce stability data for Section 54/56 managerial posts across all nine provinces.<sup>1</sup> It shows the total number of approved posts, how many of these remained vacant, and the resulting vacancy rates. The figures highlight varying levels of stability: provinces such as KwaZulu-Natal and Eastern Cape recorded relatively low vacancy rates (14.2% and 17.3% respectively), while Northern Cape (38.6%) and Free State (35.7%) experienced the highest levels of unfilled senior leadership posts. Overall, Table 2 provides a clear picture of municipal capacity to fill key management roles critical for governance and service delivery.

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<sup>1</sup> Statistics South Africa: Non-financial census of municipalities for the year ended June 2023

Table 2: Number of managerial positions by province according to Section 54A and 56 of Local Government Municipal System Act, 2000 (Act No. 32 of 2000)

Province	Total Approved Posts	Vacancies	Vacancy Rate (%)
Western Cape	166	36	21.7
Eastern Cape	255	44	17.3
Northern Cape	144	56	38.6
Free State	126	45	35.7
KwaZulu-Natal	306	44	14.2
North West	140	53	37.6
Gauteng	122	35	28.7
Mpumalanga	124	38	30.6
Limpopo	173	44	25.4

Source: Statistics South Africa, non-financial census of municipalities 2022/2023

### 3.2.3 Vacancy Rates of Municipal Managers and Chief Financial Officers

To encourage stability at municipalities, the National Treasury has embedded a compulsory requirement that the positions of both the Municipal Managers (MM) and Chief Executive Officer (CFO) should not be vacant for more than six months during the financial year that a roll-over is requested.

As stated in the 2022/23 State of Local Government Finances and Financial Management (SoLGF) by National Treasury, there are high levels of acting MM and CFO positions. This undermines workforce stability because acting officials often lack the authority and continuity needed for long-term planning, sound financial management, and accountability. With 16% of MMs and 26% of CFOs in acting roles, and 11% of municipalities having both positions vacant, many municipalities face leadership instability that threatens service delivery and compliance with Treasury requirements (see Table 3).

The same report highlights that the number of acting MMs decreased from 70 in the 2021/22 financial year to 46 in the 2022/23 financial year. The highest reduction was in Gauteng, Limpopo and Mpumalanga. The Free State vacancy rate for MMs was 56.5%, which makes it the highest in the country. The North West showed no improvement from 2021/22 with the current vacancy rate at 31.8%.

Further there was a significant increase in acting CFOs from 56 in 2021/22 to 75 in 2022/23 with the following provinces recording the highest acting rates: Northern Cape (52%), North West (50%), Free State (47.8%) and Limpopo (37%). The number of municipalities who had both MM and CFO acting increased marginally from 25 to 27.

Table 3 Number and Percentage of Acting MMs and CFOs

Province	Total MM and CFO Positions	Acting MM Positions		Acting CFO Positions		Both Acting	
	No	No	%	No	%	No	%
Eastern Cape	36	4	10%	6	15%	1	3%
Free State	23	13	57%	11	48%	8	35%
Gauteng	11	0	0%	1	6%	0	0%
KwaZulu-Natal	54	7	13%	13	24%	4	7%
Limpopo	27	3	11%	10	37%	1	4%
Mpumalanga	20	1	5%	4	20%	1	5%
North West	22	7	32%	11	50%	5	23%
Northern Cape	31	6	26%	16	52%	5	16%
Western Cape	30	5	17%	3	10%	2	7%
	257	4G	16%	75	26%	27	11%

Source: National Treasury: State of Local Government Finances and Financial Management Report 2022/23

### 3.2.4 Vacancy Rates for Managerial Positions (Excluding Section 54A and 56 posts)

Table 4 below shows that in 2022/2023, the vacancy rates in senior management positions outside of S54A and 56 posts, across provinces, reveal notable variations. The Free State recorded the highest vacancy rate at 24%, while the Western Cape had the lowest at 11%. When comparing 2022/2023 against 2021/2022, several shifts emerge. The province that showed the most improvement was the Western Cape, where the vacancy rate decreased from 14% in 2021/2022 to 11% in 2022/2023, alongside a reduction in vacant posts from 177 to 141. In contrast, the Free State worsened most significantly, with its vacancy rate rising steeply from 7% to 24%, and vacant posts increasing more than threefold from 61 to 163. At the national level, there was a deterioration: total vacancies increased from 2,068 to 2,368, and the overall vacancy rate rose from 15% to 17%. This indicates that while some provinces managed to address vacancies effectively, others experienced significant setbacks, contributing to the higher national vacancy rate.

Table 4: Number of managerial positions by province according to organogram (excluding Section 54A and 56 managers)

Province	Total Posts	Vacant Posts	Vacancy Rate
Western Cape	1 271	141	11%
Eastern Cape	1 627	252	15%
Northern Cape	437	80	18%
Free State	816	163	24%

KwaZulu-Natal	2 237	403	18%
North West	703	66	10%
Gauteng	5 471	1014	16%
Mpumalanga	833	116	14%
Limpopo	800	130	16%
Total South Africa	14 168	2 368	17%

Source: Statistics South Africa, non-financial census of municipalities 2022/2023

### 3.3 EMPLOYMENT EQUITY

In 2022/2023, this indicator measured the extent to which municipalities fulfilled the employment equity targets outlined in their Employment Equity Plans, as approved by their respective municipal councils. The indicator is aligned with the general key performance indicator (KPI) prescribed by the Minister under Regulation 10(e) of the Municipal Performance Management Regulations, 2001. Specifically, it tracks the number of people from designated employment equity groups employed in the three highest levels of management, in compliance with each municipality's employment equity plan.

Employment equity performance is assessed in three priority areas. The first relates to the representation of women in senior management positions, reflecting efforts to advance gender equity in decision-making structures. The second focuses on the inclusion of persons with disabilities, highlighting the commitment to accessibility and diversity in leadership roles. The third considers the representation of youth, defined as individuals aged 35 years and under, underscoring the importance of promoting generational renewal and creating pathways for younger professionals into municipal leadership.

These three equity indicators enable municipalities to monitor progress towards building more inclusive and representative leadership structures. It also highlights areas where additional focus is required to achieve the intended outcomes of employment equity policies.

#### 3.3.1 Female Representation in Managerial Positions (Section 54 and 56)

Figure 3 depicts female representation and the values are calculated against actual appointments at the time not against the approved organogram, which includes vacant posts<sup>2</sup>. Therefore, using actual appointments gives the most accurate picture of gender representation at senior management level.

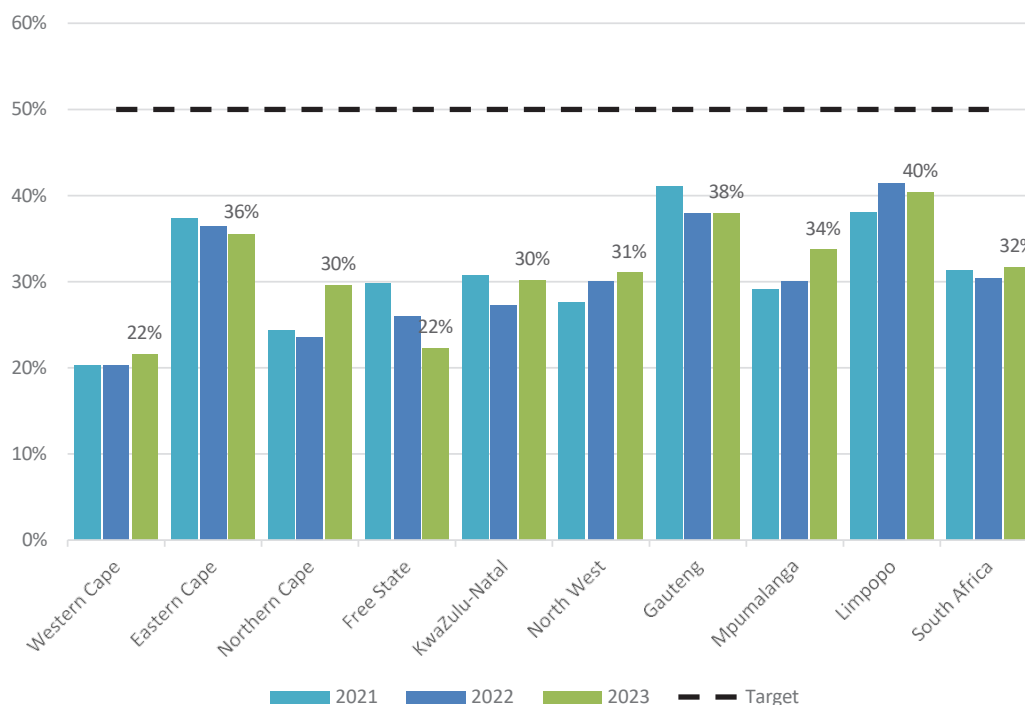
In 2022/2023, women's representation in Section 54 and Section 56 managerial positions showed mixed progress across provinces. All provinces, however, were below the target of 50%. The national average for female representation in section 54 and 56 positions was 32%. This is an increase from 30% in 2021/2022. The provinces that improved include the Northern Cape (24% to 30%), KwaZulu-Natal (27% to 30%), Mpumalanga (31% to 34%), as well as smaller gains in the Western Cape (20% to 22%)

<sup>2</sup> This is the correct method for assessing female representation because: Vacant posts distort the denominator: If representation is calculated against an organogram that includes unfilled posts, female percentages are artificially deflated. Warn bodies reflect reality: By only counting employees who are in posts, the calculation accurately reflects the proportion of women currently holding leadership positions. Policy and reporting standards: Many workforce equity and compliance frameworks require reporting based on incumbents (actual employees), since representation is meant to capture the existing workforce structure, not hypothetical or unfilled capacity.



and the North West (30% to 31%). The provinces that declined are the Free State (26% to 22%) and Limpopo (41% to 40%), while Gauteng (38%) and the Eastern Cape (36%) remained unchanged.

Figure 3: Trend showing % increase or decrease in female representation in managerial positions (Section 54 and 56) from 2020/2021 to 2022/2023



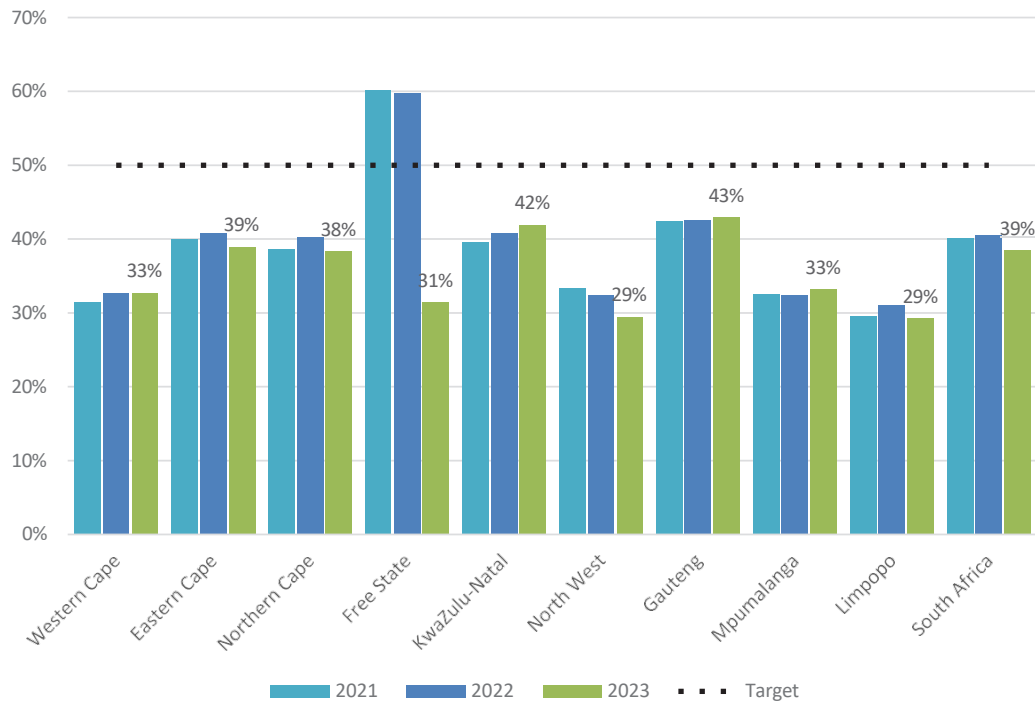
Source: Statistics South Africa, non-financial census of municipalities 2022/2023

### 3.3.2 Female Representation in Managerial Positions (Excluding Section 54 And 56)

Figure 4 shows that national average for female representation in managerial positions excluding section 54 and 56 positions decreased from 41% in 2022 to 36% in 2023. The provinces that improved include KwaZulu-Natal (41% to 42%) and Mpumalanga (32% to 33%). Gauteng (43%) and Western Cape (33%) stayed the same. The provinces that declined are the Eastern Cape (41% to 36%), Northern Cape (40%-38%), Limpopo (31% to 26%), and North West (32-26%). Free State figures appear to be an anomaly showing a decrease from (60%-31%). This information was not submitted in the Free State Section 47 report, therefore could not be checked.<sup>3</sup>

<sup>3</sup> The data for the graph is taken from Stats SA non-financial census for municipalities for 2021-2023. The Free State is an exception as the Free State figures in that report appear to be erroneous. The report states the FS women representation is 60% in 2021 and 2022. The Section 48 report of 2020/2021 reports that the FS has 28% of women in senior managerial positions. The Section 47 report of 2021/2021 reports the Free State has 31% of women in senior managerial positions. These figures have been used in the graphical reporting as they appear to be more accurate.

Figure 4: % women represented in Senior Management Positions 2021-23 excluding Section 54 and 56 - (vacancies excluded)



Source: Statistics South Africa, non-financial census of municipalities 2022/2023

The Section 47 reports should move beyond presenting numbers and percentages to also examine the barriers and challenges that prevent municipalities from reaching the 50% target for managerial positions. Incorporating deeper analysis at both the provincial and national levels is essential for developing strategies that can more effectively address these gaps. Furthermore, reporting on disability and youth targets requires significant strengthening, as both the descriptive information and the accompanying analysis currently fall short compared to gender targets. As a practical example where a lack of standardised reporting and poor data quality hampers the analysis, the report is not able to produce comparable graphs of youth and disability representation at this time.

### 3.3.3 Employment of People with Disabilities and Youth

The inclusion of persons with disabilities (PLWD) in the municipal workforce forms an important part of South Africa's employment equity and transformation agenda. The White Paper on the Rights of Persons with Disabilities (2015) established a Cabinet-approved target that at least 2% of the public service workforce should be persons with disabilities. This benchmark was reinforced by the Public Service Regulations, 2016, issued under the Public Service Act of 1994, which require all spheres of government to give effect to this target.

- Eastern Cape: The provincial report indicates a decline in disability employment. Only three municipalities in 2023 reported achieving the 2% benchmark, compared to five municipalities in 2022.

- Mpumalanga: The number of PLWD employed fell from 172 in 2021/22 to 146 in 2022/23. Although the province did not provide the total number of employees, comparing these figures with Stats SA's *Non-Financial Census of Municipalities (2023)* suggests that PLWD represent only 1% of full-time municipal employees. The report highlights that municipalities lack strategies to attract and recruit PLWD.

Other provinces make little or no reference to disability employment. Gauteng noted that municipalities did not report on PLWD at all, while in the remaining provinces reporting focused largely on vacancies, senior management, female representation, and governance or ICT matters, with no specific data on disability. This points to inconsistent and often absent reporting on PLWD, despite national policy requirements.

While there is no legislated quota for youth employment, municipalities are expected to align with broader government priorities set out in the National Youth Policy (2020-2030) and the National Development Plan (NDP 2030), which emphasise youth inclusion in employment and skills development. Municipal workforce data shows mixed progress.

- Eastern Cape: Youth employment showed improvement, with 14 municipalities in 2023 reporting that at least 20% of their staff were aged 35 or younger, up from 11 in 2022. However, 21 municipalities provided no information on this indicator, underscoring gaps in reporting.
- Mpumalanga: The percentage of municipal staff aged 35 or younger declined slightly from 17% in 2021/22 to 15% in 2022/23. The range is significant, 7% in Steve Tshwete compared to 44% in Nkangala, highlighting disparities across municipalities. The province emphasised the need to appoint more youth into entry-level positions.

Other provinces did not report on youth employment at all, with Gauteng explicitly noting this gap. The lack of consistent reporting across provinces points to a limited institutional focus on youth employment, despite its prominence in national development priorities.

Taken together, the provincial reports reveal limited evidence suggesting weak progress in advancing employment equity for people with disabilities and youth under 35. While gender equity remains better reported and marginally more advanced, these two groups continue to experience systemic exclusion from senior municipal positions. The lack of detailed analysis and meaningful strategies within the Section 47 reports highlights a missed opportunity to identify and address the root causes of underrepresentation. Nationally, the challenge is not only one of compliance with equity plans but of institutional commitment to building inclusive, representative local government structures. Unless provinces strengthen monitoring, invest in targeted recruitment, and implement sustained capacity-building measures, the gap in disability and youth representation is likely to persist or even worsen.

### 3.4 MUNICIPAL CAPACITY BUILDING AND SKILLS DEVELOPMENT

#### 3.4.1 Overview

Effective service delivery depends on strong institutional capacity within municipalities. Human Resource Management plays a central role in ensuring administrative efficiency and promoting skills development. In line with the Skills Development Act, 1998 (Act No. 97 of 1998) and the Municipal Systems Act, municipalities are legally required to provide training that builds their human resource capacity.

### 3.4.2 Workplace Skills Plans

Municipalities are required, in terms of the Skills Development Act, to prepare and review Workplace Skills Plans (WSPs) on an annual basis. These plans are informed by skills audits, individual development plans, and organisational priorities identified through the Integrated Development Plan (IDP).

To comply with this requirement, municipalities must submit both the WSP and an implementation report to the Local Government SETA at the close of each financial year. The WSP functions as the primary planning instrument for workplace training, career development, and employment equity, setting out the training priorities and corresponding budget allocations for the year.

For 2022/23, several provinces (e.g., Free State, Limpopo, Northern Cape, North West), WSPs were not referenced at all, highlighting weak monitoring. Provinces that did report (e.g., Gauteng, Western Cape, KwaZulu-Natal, Eastern Cape, Mpumalanga) revealed a mixed picture: while compliance with submission requirements is relatively high, implementation is uneven. Common weaknesses include delays in accessing LGSETA grants, limited budget allocations, diversion of training funds, poor alignment with IDPs and personal development plans, and inadequate monitoring of training outcomes.

Table 5: Workplace Skills Plans information for 5 provinces

Province	Sunnary of Workplace Skills Plan (WSP) Reporting
Gauteng	All municipalities submitted Workplace Skills Plans, but training uptake declined, with only 5,266 employees trained in 2022/23 compared to 6,253 previously. Training focused mainly on leadership, finance (including MFMA compliance), and customer care, yet several reports lacked detail on spending or the tangible benefits of these initiatives.
Limpopo	No mention of Workplace Skills Plans or skills development
North West	No mention of Workplace Skills Plans or skills development
Western Cape	All municipalities submitted Workplace Skills Plans, except Kannaland. An average of 3% of the municipal personnel budgets are spent on skills development over the past 3 years. There has been a significant increase in the number of employees trained from 35 355 in 2021/22 to 54 648 in 2022/23
Eastern Cape	Most municipalities have adopted Workplace Skills Plans (WSPs), but implementation is only partial. This is mainly due to delays in accessing LGSETA grants, limited training budgets, and broader financial constraints.
Free State	No mention of Workplace Skills Plans or skills development

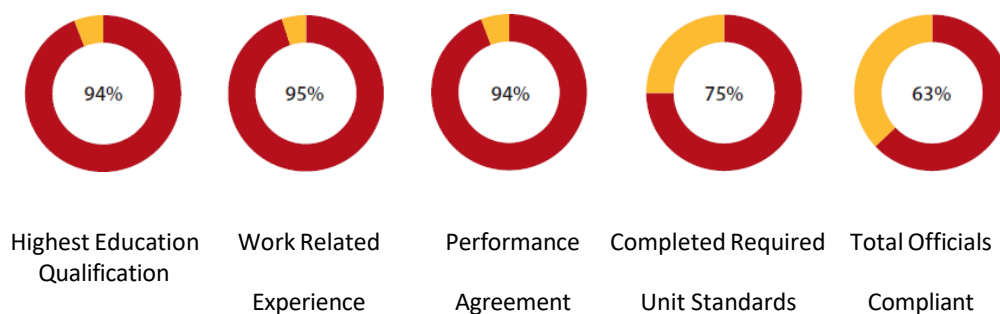
KwaZulu-Natal	Only 24 out of 54 municipalities (44%) spent their allocated Workplace Skills Plan (WSP) budgets in 2022/23, enabling them to recover at least 75% of their Skills Development Levy.
Mpumalanga	The province refers to Integrated Capacity Building Plans instead of the Workplace Skills Plans. Out of the 4767 staff member approved for training per the ICBP, only 2653 (61.6%) were trained. However, this is a 304 increase compared to the previous year. Most of the increase occurred in the Nkangala District (855 to 1,353 trained), with the other two seeing decreases.  Challenges included poor or inconsistent attendance by councillors and senior managers, slow procurement processes for training providers, diversion of training funds to other priorities, and whilst trainings are conducted per the needs of the municipalities, they do not align with the employees' personal development plans.
Northern Cape	No mention of Workplace Skills Plans or skills development

Source: Section 47 Reports

### 3.4.3 Competency Framework

The institutionalisation of minimum competency levels within municipal recruitment, training, development, and retention has unfolded over a period of 16 years, under the guidance of MFMA Circulars 6, 17, 24, 47, and 60. This process has been further reinforced through MFMA joint meetings, CFO forums, and other stakeholder engagements, which have played a critical role in strengthening advocacy, implementation, and compliance. In practice, most municipalities now regard compliance as a non-negotiable prerequisite for appointments, in accordance with Gazette 41666. Monitoring and reporting of compliance is undertaken by National Treasury, with the support of provincial treasuries, on a biannual basis in January and July. Figure 5 illustrates the overall status of minimum competency levels as at 30 June 2023.

Figure 5: High level status on the minimum competency levels as at 30 June 2023



Source: National Treasury: State of Local Government Finances and Financial Management Report 2022/23

As it relates to highest education qualification, work related experience and performance agreements, upwards of 64% of all appointees met the minimum competency requirements associated with the positions. However, when considering the required unit standards, 1 out of 4 appointees had not met the required unit standards and more than 1 in 3 officials was non-compliant in one or another area.

### 3.5 PERFORMANCE MANAGEMENT AND COMPLIANCE

Performance management is a key tool for achieving developmental local government, as outlined in the Constitution. To effectively implement its Integrated Development Plan (IDP), each municipality must have a functional performance management system (PMS) that links the performance assessment of individuals to wider municipal policy and strategy.

#### 3.5.1 Performance Management s Compliance

Sections 38 and 40 of the Municipal Systems Act (MSA) require municipalities to establish a performance management system that promotes a culture of accountability and improved performance across both political and administrative structures. Such a system must be aligned to available resources, integrated with the municipality's Integrated Development Plan (IDP), and adapted to the specific context of each municipality.

In line with the MSA (S38, S41-S43 s S45-S46) and the Municipal Planning and Performance Management Regulations (2001) (Reg 1-4 s Reg 6-8), municipalities are required to:

- Develop and implement a performance management system
- Set performance targets and monitor progress against IDP-linked indicators
- Include an annual performance report as part of the municipality's annual report, as prescribed by the MFMA
- Incorporate the general performance indicators determined by the Minister of Local Government
- Conduct continuous internal audits of performance measures
- Ensure the annual performance report is audited by the Auditor-General
- Facilitate community participation in the setting of targets, indicators, and performance reviews
- Compile and submit an annual report that includes the performance report, in accordance with the MSA

The Municipal Performance Regulations (2006) require the municipal manager (s54A) and managers directly accountable to the municipal manager (s56), collectively referred to in the Act as section 57 managers, must conclude annual performance agreements within one month of the start of the financial year, i.e., by 31 July. Their performance is assessed annually against agreed key performance indicators (KPIs) and targets aligned with the IDP, with performance bonuses determined on the basis of these evaluations.

Although a comprehensive regulatory framework is in place, municipalities continue to experience capacity limitations in critical areas such as human resources, financial management, and institutional stability. The extent of these challenges differs markedly between urban and rural municipalities, reinforcing ongoing concerns about the effectiveness of service delivery. In addition, reporting on the status of performance management remains inconsistent, which constrains efforts to monitor compliance and assess overall progress.

Table 6: Level of adoption and implementation of organisational and individual performance management measures

Indicator	Summary of Provincial Reporting (G Reports)
Council approval of IDPs	<p>All provinces confirm that IDPs are formally approved by councils as required. However, quality and timeliness vary:</p> <ul style="list-style-type: none"> <li>• Gauteng and Western Cape report higher levels of compliance and stronger alignment with strategic priorities</li> <li>• Free State, Limpopo, and Eastern Cape note delays and weak integration with budgets.</li> <li>• Rural municipalities (e.g., North West, Northern Cape) often lack capacity for credible IDP development.</li> </ul>
% municipalities with Performance Management Framework (PMF) for individuals adopted by Councils	<p>Adoption of PMFs remains inconsistent.</p> <ul style="list-style-type: none"> <li>• Gauteng reports full adoption of PMS frameworks in all municipalities, with monitoring mechanisms in place, but notes inconsistencies in performance reporting.</li> <li>• Eastern Cape shows broad adoption, with most municipalities rated "very good" or "excellent," though cascading PMS to lower staff levels remains a challenge.</li> <li>• Limpopo confirms adoption in all municipalities with functional PMS units.</li> <li>• Mpumalanga also reports full adoption, but weak implementation capacity and resistance to staff regulations hinder effectiveness.</li> <li>• Northern Cape municipalities have approved policies, but many are outdated or ineffectively implemented.</li> <li>• Western Cape, Free State, KwaZulu-Natal and North West reports lack detail on PMS adoption, suggesting weak monitoring and limited progress.</li> </ul>
Signed performance agreements for senior management	<p>Compliance is mixed.</p> <ul style="list-style-type: none"> <li>• Gauteng confirms that senior managers sign performance agreements, but inconsistencies in performance reporting weaken oversight.</li> <li>• Western Cape notes a governance concern where not all Municipal Managers and Section 57 managers submitted agreements to the MEC.</li> <li>• Eastern Cape shows varied compliance: some municipalities are rated "excellent" (fully implemented, agreements in place), while many are only partially compliant.</li> <li>• Limpopo reports that all agreements were submitted.</li> <li>• Northern Cape reports of the 145 senior management posts (including vacancies), 63 (64.1%) performance agreements have been signed. However, the province notes that some municipalities may not have submitted their concluded performance agreements to the department or placed them on their website.</li> <li>• Mpumalanga reports that of the 125 approved s54A and s56 post, 62 (73.6%) managers have signed performance agreements across the municipalities.</li> <li>• Kwa-Zulu Natal, North West and Free State does not provide information on the status of agreements.</li> </ul>

Reports on annual individual performance reviews being conducted	<p>This is the weakest-performing indicator across provinces.</p> <ul style="list-style-type: none"> <li>• Limpopo reports that 13 municipalities failed to conduct individual performance assessments in 2022/23, despite having adopted PMS frameworks.</li> <li>• Eastern Cape shows some progress, with seven municipalities rated "excellent" which signifies that their Performance Management System is fully implemented for both institutional and individual performance. This implies that annual reviews were conducted in these municipalities.</li> <li>• Northern Cape, Gauteng, Mpumalanga, Free State, KwaZulu-Natal and North West provide no detail on reviews, indicating a lack of reporting in this area.</li> </ul>
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Source: Section 47 Reports

The challenges of supplying relevant, reliable and complete performance information for the purpose of individual performance management and organisational service are cross-cutting across municipalities. Recent reform initiatives such as MFMA Circular 88 are addressing this and jointly coordinated by the National Treasury, Department of Cooperative Governance and Department of Planning, Monitoring & Evaluation (DPME). The intention is that the development of a single, standardised catalogue of indicators available for differential application across local government may assist. However, as at the end of the 2022/23 financial year, still less than 50% of all municipalities were fulfilling basic compliance reporting.

Overall, the provincial reports demonstrate that while council approval of IDPs is a generally well-established practice, the other three indicators reflect persistent weaknesses in municipal performance management. Adoption of performance management frameworks for individuals remains inconsistent and signed performance agreements for senior management are often irregular or delayed, particularly in provinces facing leadership instability. There remain challenges nationally in the design, planning, conducting and accountability for individual performance assessments, particularly as they relate to integration with overall municipal planning and reporting. This pattern highlights a need for strengthened monitoring, capacity-building, and accountability mechanisms to ensure that performance management becomes an effective driver of municipal service delivery.

### 3.6 DISCIPLINARY PROCEDURES

Reporting on disciplinary cases is uneven. KwaZulu-Natal stands out as the only province to provide detailed data.

Table 7: Summary of provincial reports on disciplinary procedures

Province	Summary of Reporting on Disciplinary Procedures
Gauteng	No mention of disciplinary procedures
Limpopo	Reports highlight that municipalities face challenges in complying with Section 16 of the Local Government Disciplinary Regulations for Senior Managers. This regulation requires municipalities to submit quarterly reports to the MEC on the status of disciplinary cases involving senior managers
North West	No mention of disciplinary procedures
Western Cape	No mention of disciplinary procedures
Eastern Cape	The report for the Eastern Cape notes that delays in finalising labour-related cases or matters in some municipalities lead to litigations



Free State	
KwaZulu-Natal	The province reported 140 active suspensions lasting longer than three months in 2022/23. Msunduzi LM accounted for the highest number (26 cases), followed by Pongola (16) and uMzinyathi DM (14).
Mpumalanga	No mention of disciplinary procedures
Northern Cape	No mention of disciplinary procedures

*Source: Section 47 Reports*

In summary, significant backlogs, weak compliance, and the absence of standardised provincial reporting continue to undermine the integrity of disciplinary processes. The inconsistency in monitoring and disclosure across provinces further highlights the need for uniform reporting requirements and stronger enforcement of existing regulations.

### 3.7 SUMMARY OF CHALLENGES – MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT

Municipalities continue to face persistent human resource and institutional challenges, with rural areas being particularly affected. These issues undermine governance, weaken service delivery, and limit municipalities' ability to meet legislative and developmental mandates.

- **Workforce Stability:** High vacancies in senior management posts undermine leadership stability. Provinces such as Northern Cape (38.6%) and Free State (35.7%) have especially high vacancy rates, while many municipalities rely on acting Municipal Managers and CFOs, weakening accountability and continuity.
- **Employment Equity:** Representation of women in senior positions remains low, with national levels at 24% in Section 54/56 posts and 32% outside these posts. Some provinces (e.g., Free State) show dramatic regressions. Reporting on youth and persons with disabilities remains inconsistent and often absent. Where reported, persons with disabilities remain far below the 2% Cabinet target, and youth inclusion in the workforce varies widely.
- **Skills Development:** Workplace Skills Plans (WSPs) are submitted, but in many cases treated as compliance exercises rather than strategic tools. Weak alignment with IDPs, delays in accessing LGSETA grants, limited budget allocations, and poor monitoring of outcomes restrict their developmental impact.
- **Performance Management:** While most municipalities approve IDPs, the institutionalisation of performance management remains weak. Frameworks are not consistently cascaded to lower staff levels, performance agreements for senior managers are irregular or incomplete, and annual performance reviews are the weakest-performing indicator nationally. This undermines accountability and fails to embed a performance-driven culture.
- **Disciplinary Procedures:** Reporting on disciplinary cases is highly inconsistent. KwaZulu-Natal is the only province to provide detailed data, including 140 suspensions longer than three months.

Thus, the section highlights a pattern of fragile institutional capacity across municipalities, where instability in senior management, weak accountability systems, and uneven progress on equity and skills development combine to undermine governance. Rather than being embedded as strategic levers, many HR and performance management instruments are applied superficially, creating a compliance-driven culture that fails to address systemic weaknesses.

## 4 BASIC SERVICE DELIVERY

### 4.1 INTRODUCTION

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

The White Paper on Local Government (1668), prescribes that municipalities should conform to certain basic principles in terms of service delivery. Municipal services should be:

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

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

- Access to basic services (e.g. water, sanitation, electricity and solid waste);
- Indigent policy management; and
- Infrastructure Investment and management.

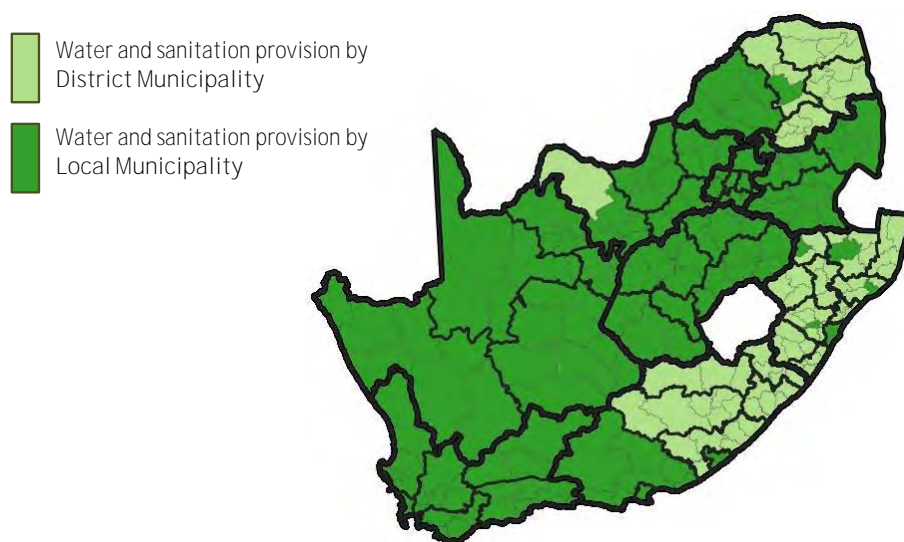
This is by no means an exhaustive list of municipal service delivery. However, this is another area where the absence of a common set of performance measures limits the extent to which any meaningful aggregate or provincial analysis can be undertaken from the available service delivery data either at a national level, or on a provincial comparative basis.

### 4.2 WATER

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

Across the 205 local municipalities, the majority (125 local municipalities) are directly responsible for providing water within their boundaries. In the remaining 80 local municipalities this responsibility rests with the relevant district municipality. As show in Figure 6 these 80 municipalities are concentrated in the Eastern Cape, KwaZulu-Natal, Limpopo and North West.

Figure 6: Municipalities that receive water and sanitation from local municipality or district municipality



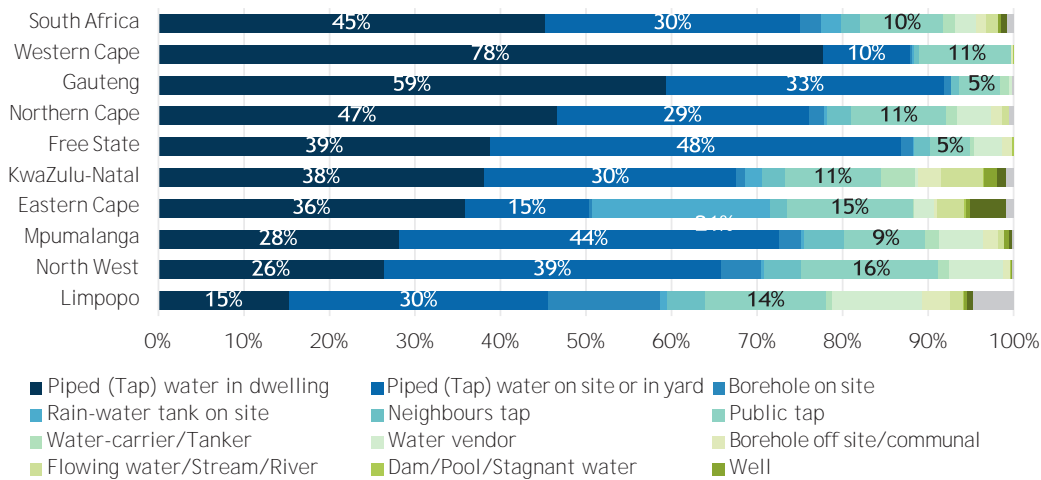
Source: Mapping exercise by author based on Table 2 from Statistics South Africa Non-financial municipal census, 2023

#### 4.2.1 Access To Services

The National Development Plan identifies universal access to clean running water in households as one of the enabling milestones for eliminating poverty and reducing inequality by 2030. However, as reported in the Statistics South Africa General Household Survey, access has shown signs of decline. The percentage of households with access to improved water sources<sup>4</sup> decreased from 88.5% in the previous year to 87%. Moreover, Figure 7 shows that only 45% of households have piped water in their dwelling, reflecting a further 1% decrease compared to the previous year. At a provincial level, only Gauteng, Northern Cape, and Western Cape perform above this national average, underscoring inter-provincial inequalities in household water access.

<sup>4</sup> Improved water sources refer to piped water inside the dwelling or in the yard. Water obtained from a neighbour's tap or a public/communal tap is also classified as improved, provided the source is located within 200 metres of the household. is less than 200 metres

Figure 7: Percentage distribution of households by selected main water source per province



Source: Statistics South Africa General Household Survey, 2023

Figure 7 shows the breakdown of water service provision by main source. In Western Cape (78%), Gauteng (56%) and Northern Cape (47%), access is predominantly through piped water inside the dwelling. By contrast, in Free State, Mpumalanga, North West, and Limpopo, a larger share of households rely on piped water on site or in the yard rather than inside the dwelling. In Eastern Cape, water service provision is more evenly distributed, with 36% of households accessing piped water in the dwelling, 15% from piped water on site or in the yard, 21% from rainwater tanks on site, and 15% from public taps.

This disaggregation has been eliminated in the following table, which reflects overall household access to basic water services over time.

Table 8: Percentage distribution of households with access to piped or tap water in their dwellings, off-site or on site by province: 2002 - 2023

	2002	2004	2006	2008	2010	2012	2014	2016	2018	2020	2022	2023
WC	98.9	99.2	99.4	98.6	98.8	98.9	98.9	98.7	98.7	98.5	99.3	99.3
GP	98.7	98.9	98	97.1	97.2	97.2	96.5	97.5	97.1	98	98.3	97.6
FS	95.6	95	97.4	97.6	96.9	96.6	95.2	93.2	91.1	93.3	94.1	93.3
NC	92.5	93.2	95.4	90.7	94.1	95.7	96	96	95.3	91.8	92	90.1
MP	90.5	88.1	89.7	88.3	88.1	87.6	87.2	85.4	86.5	87.9	88.9	86.6
NW	85.6	88.5	89.8	90	91	91.2	87.6	85.2	87.2	87.3	89.3	86.2
KZN	75.4	79.4	81.4	82.1	84.1	87.8	87	84.2	86.6	86.9	84.8	81.5
EC	56.1	63.4	70.4	70.8	74.9	79.2	78.7	76.4	75.1	72.1	69.8	67.2
LP	73.8	75.4	80.7	82.5	84	80.1	79.6	75.1	74.1	71.3	69.1	64.2
National	84.4	86.5	88.8	88.7	90	90.9	90.1	89	89	89.1	88.5	87

Source: Statistics South Africa General Household Survey 2023

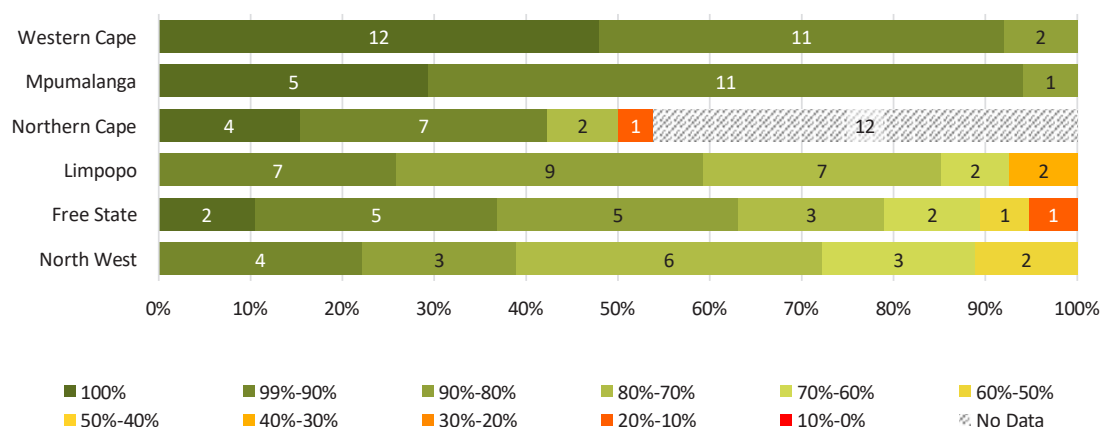
Table 8 shows that tap water inside their dwellings, off-site or on-site was most common among households in Western Cape (66,3%), Gauteng (67,6%), and Free State (63,3%) and least common in Limpopo (64,1%) and Eastern Cape (67,2%).

Although, nationally, access to that tap water inside their dwellings, off-site or on-site improved by 2.6 percentage points between 2002 and 2023, there is some variation observed. Nationally, the figure shows a steady increase in access between 2002 – 2010 from 84.4% to 60%. From 2010 – 2014 there is somewhat of a plateau at around 60% and since then a gradual decline down to 87%. This decline is driven primarily by Eastern Cape and Limpopo where losses are sharpest after 2012, however KwaZulu-Natal, Northern Cape and North West also witnessed a notable decline.

Further, compared to 2022, there has been decline in access in 2023 across almost all provinces, except Western Cape which saw a plateau. Notable declines were observed in Limpopo (-4.6 percentage points), North West (-3.1 percentage points), KwaZulu-Natal (-3 percentage points, Eastern Cape (-2.6 percentage points) Mpumalanga (-2.3 percentage points) and Northern Cape (-1.6 percentage points).

The Section 47 reports provide additional municipal-level insights for Western Cape, Northern Cape, North West, and Limpopo. These show significant variation within provinces, as illustrated in Figure 8.

Figure 8: Number of Municipalities in Each Water Access Percentage Bracket, by Province



Source: Section 47 Reports

Western Cape's data from their Section 47 confirms their strong performance, with an average 67% basic water access. Most municipalities provide more than 60% of their population basic water access, except Cederberg (86%) and Stellenbosch (86%).

Mpumalanga reported a stronger performance in its Section 47 report than shown in the StatsSA data, with an average access of 65.6%. 16 out of 17 municipalities have an exceeded 60% access.

The Northern Cape is generally a high-performing province in terms of reported water access; however, data gaps are significant, with 12 out of 26 municipalities not providing information. Of those that did report, 11 municipalities exceed 60% access. Kheis! exists as an outlier with a particularly low percentage access of 17.14%.

The Northern Cape also differentiates between minimum service level and below minimum service level provision. The percentages reported here reflect minimum service level access, which is defined as:

- Piped water inside dwelling
- Piped water inside yard
- Piped water on a community stand within 200m of dwelling

- Piped water on a community stand between 200m and 500m from the dwelling
- Other water supply within 200m of dwelling

Below minimum service level provision includes:

- Piped water on a community stand between 500m and 1000m from dwelling
- Piped water on a community stand greater than 1000m from dwelling
- Other water supply more than 200m from dwelling
- No access to piped water

Limpopo<sup>5</sup> reported an average (76.47%) that is higher than StatsSA's figure. There is a wide range of performance across the municipalities, with access ranging from 33.1% to 63.6%. The majority of municipalities in the province fall in the mid-range of 70-86% access.

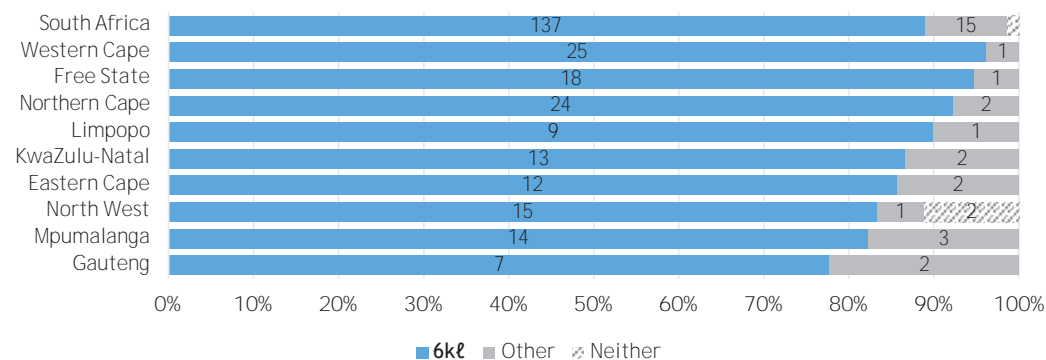
In contrast, Free State's reported average (80.1%) access is 13% lower than StatsSA's figure. The province reported a similarly wide range in performance across municipalities, ranging from 17% - 100%, however the majority of municipalities exceed 70% access.

North West also reported more mixed results, with access ranging from 55% to 66%. The Section 47 report's average (78%) is notably lower than StatsSA's reported figure. Only 4 of the 18 municipalities exceeded 60%, with most municipalities falling between 70%-86%

#### 4.2.2 Free Basic Water

The minimum service level for Free Basic Water (FBW) supply is 6 kilolitres per month for households with yard or in-house connections. According to the Statistics South Africa Non-Financial Municipal Census (2023), 86% of municipalities provide FBW at the minimum standard (see Figure 6)<sup>6</sup>. This represents a decline from 61% in the previous year.

Figure 6: Number of municipalities in each province providing free basic water services at standard and other levels



Source: Statistics South Africa Non-Financial census of municipalities, 2023

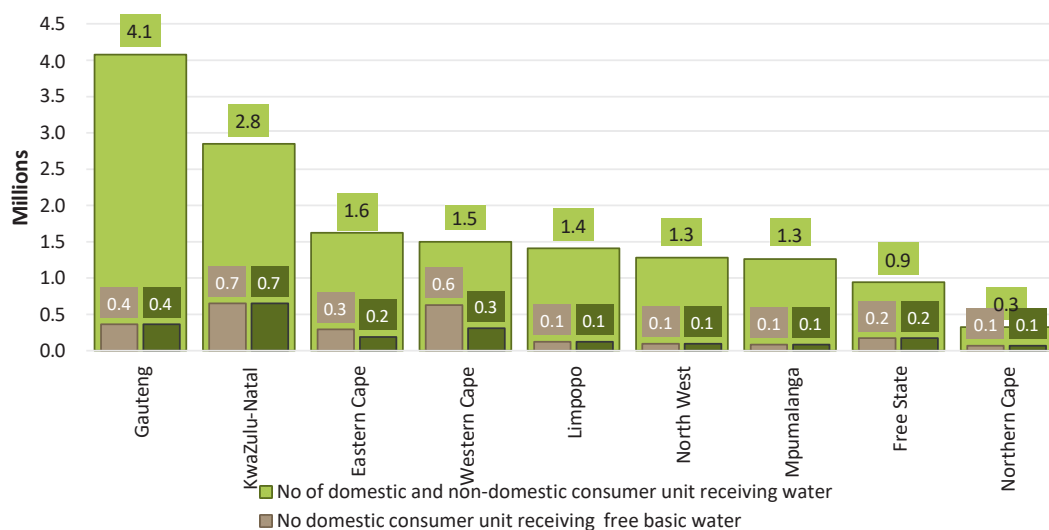
<sup>5</sup> Limpopo report includes local and district municipalities, which is valid in the light of the fact that water provision is at the district level

<sup>6</sup> This figure only refers to municipalities that provide water, not all municipalities within the province/country.

Figure 10 compares the number of domestic and non-domestic consumer units receiving water, those receiving Free Basic Water (FBW), and the households benefiting from indigent support systems. Overall, the number of domestic units supplied with FBW declined from 2.6 million to 2.5 million, driven by reductions in all provinces except Mpumalanga, Limpopo, and the Free State.

Nationally, 16% of all consumer units receiving water are supplied with FBW. The Western Cape has the highest proportion, with 42% of units benefiting from FBW. In contrast, North West (4%), Mpumalanga (7%), Limpopo (6%), and Gauteng (6%) report comparatively low proportions. The remaining provinces fall within the range of 18% to 23% of consumer units served with FBW.

Figure 10: Number of consumer units receiving water services and free basic services



Source: Statistics South Africa Non-Financial census of municipalities, 2022

#### 4.2.3 Service Reliability

##### 4.2.3.1 Water Losses

South Africa experiences high overall water losses, with the national average estimated at 41.7%. This means that nearly half of treated water never reaches end users or goes unbilled. Annually, municipalities suffer significant revenue shortfalls owing to these losses.

Insights from Section 47 reports indicate that the causes of water losses are systemic and recurring across provinces. The most prominent factor is ageing and deteriorating infrastructure, compounded by insufficient maintenance, refurbishment, and renewal. Frequent pipe bursts, valve failures, and collapsing bulk supply systems reflect the poor state of critical assets in many municipalities.

In addition, the SoLGF 2022/23 Report notes that illegal connections, theft, and vandalism are widespread. These include theft of equipment at pumping stations, tampering with pipelines, and unauthorized consumption, all of which increase both physical and non-revenue water losses. Administrative and technical weaknesses further exacerbate the challenge, such as bypassed meters, poor billing systems, inaccurate data handling, and the absence of robust water loss control systems or master plans.

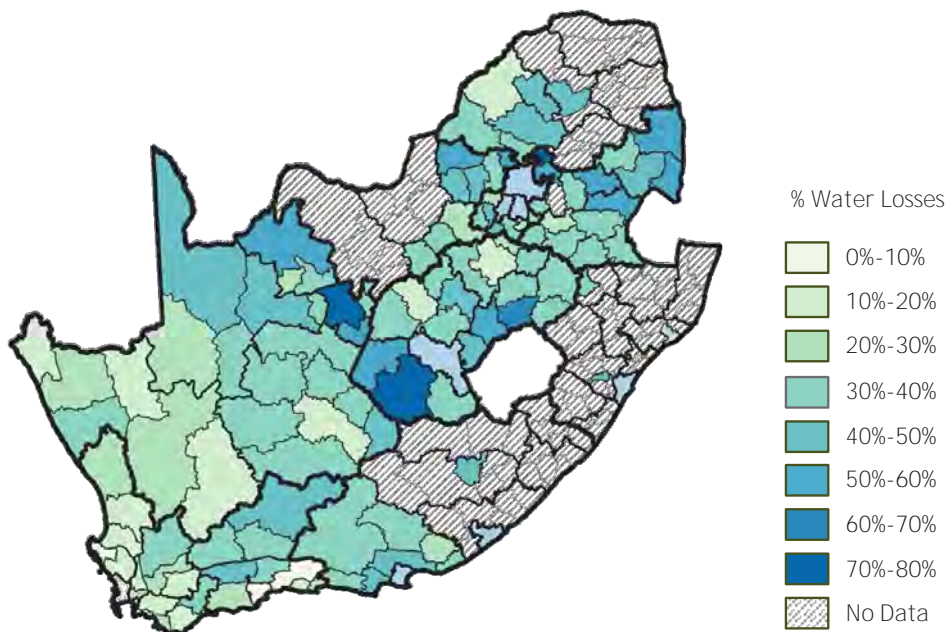
The same report states that budgetary and capacity limitations are also key drivers. In many municipalities, allocations for maintenance fall well below the recommended 8% of total budgets, while limited technical expertise and planning capacity hinder effective repair and leak detection.

The impacts of these losses are severe. Municipalities face revenue shortfalls, weakened cash flows, and higher bulk water purchase costs, reducing their ability to maintain service quality, at risk of a spiralling decline in water service provision. In water-scarce provinces such as the Northern Cape, high levels of water loss also heighten concerns over resource availability and sustainability. Overall, the evidence points to a convergence of structural, operational, financial, and governance weaknesses as the drivers of high-water losses nationally.

#### Data From DWS National Water Services Knowledge System

The Department of Water and Sanitation (DWS) has developed a website that contains data on the national, provincial and water services level regarding water loss amongst other data called the National Water Services Knowledge System (NWSKS). Figure 11 shows that there is a large range in water losses across the country<sup>7</sup>.

Figure 11 Percentage (%) Water Loss per municipality



Source: DWS National Water Services Knowledge System

- In Eastern Cape the average water loss was 36,11%, it ranged from 23.44% (Nelson Mandela Bay) to 48.5% (Kouga). Most municipalities are in the mid-to-high 30% range.

<sup>7</sup> There are notable data gaps in Eastern Cape, KwaZulu-Natal, Limpopo, and North West. This aligns with earlier findings that Statistics South Africa recorded some district municipalities as the water services authority instead of local municipalities.



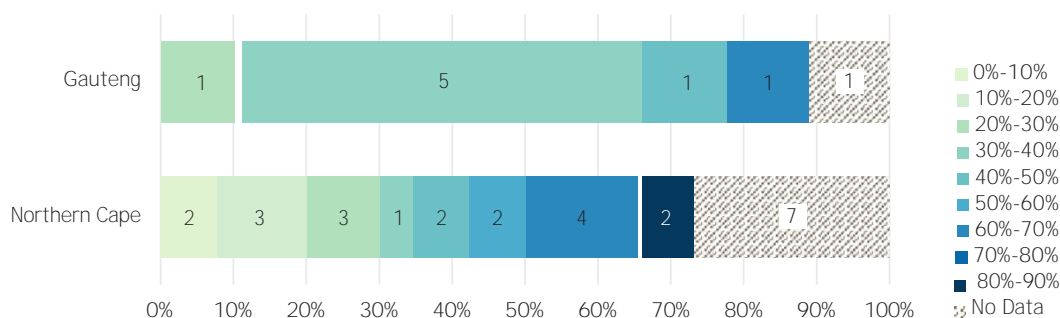
- In Free State the average water loss was 40.84%, ranging from 18% (Ngwathe) to 75.3% (Kopanong). The province has multiple municipalities above 50%.
- In Gauteng the average water loss was 33.60%, ranging from 23% (Lesedi) to 48.8% (Emfuleni). Johannesburg, Ekurhuleni, Rand West, and Emfuleni all exceed 40%.
- In KwaZulu-Natal the average water loss was 37.33%, ranging from 26.7% (uMhlathuze) to 48.5% (Msunduzi). Ethekewini sits close to the provincial average.
- In Limpopo the average water loss was 34.58%, ranging from 14.1% (Lephalale) to 44.4% (Mogalakwena). Most municipalities are in the 30% - 40% range.
- In Mpunallanga the average water loss was 44.76%, ranging from 20.7% (Govan Mbeki) to 77.1% (Dr JS Moroka). Bushbuckridge, Chief Albert Luthuli, Nkomazi, and Thembeisile Hani are all at 58%. The province had the highest average losses nationally.
- In Northern Cape the average water loss was 35.38%, ranging from 13.28% (Karoo Hoogland) to 73.8% (Dikgatlong). The province has extremes at both very low and very high ends.
- In North West the average water loss was 42.84%, ranging from 21.12% (JB Marks) to 58% (Moretele). Moses Kotane and Kgetlengrivier are also at or above 50%.
- In Western Cape the average water loss was 22.68%, ranging from 3.1% (Saldanha Bay) to 47.6% (Beaufort West). Most municipalities are under 30%, making it the lowest-loss province overall.

#### Data From Section 47 Reports

Two provinces provided data on water losses in their Section 47 reports: Northern Cape and Gauteng, (see Figure 11).

- Gauteng: The Section 47 average was 37.53%, which is a 4% increase from the previous year. The range is from 27% in Rand West to 62% in Emfuleni.
- Northern Cape: Section 47 data was 41.66%, which is a .5% increase from the previous year. The range stretched from 6.4% in Karoo Hoogland to 82% in Magareng, highlighting stark variation within the province.

Figure 12: Percentage (%) distribution of municipalities per Water Loss percentage bracket: NC s GP



Source: Section 47 Reports

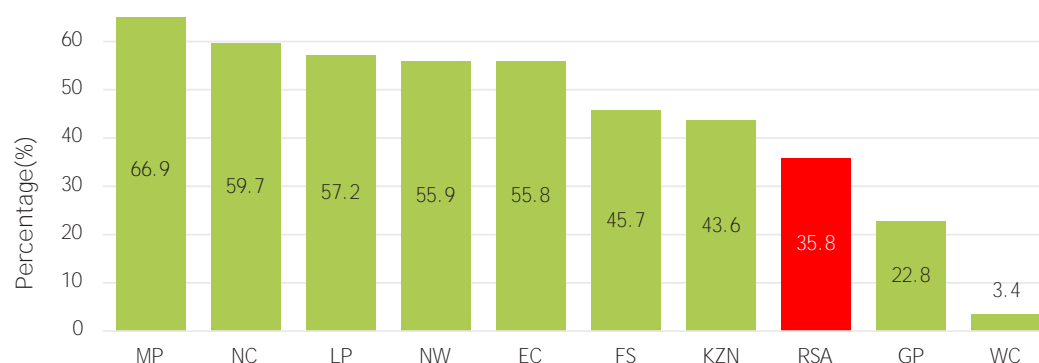
#### 4.2.3.2 Water Interruptions

The circumstances that result in the large water losses in South Africa also contribute to the frequency and duration of water interruptions experienced by communities. Interruptions are not only disruptive but also exacerbate social tensions, with some areas experiencing consecutive days or even weeks without supply. The consequences include increasing community protests and service non-payment, growing reliance on emergency measures such as water tankers and Jojo tanks, and financial strain on municipalities, who incur high costs to provide emergency supply.

The General Household Survey (StatsSA) reports on interruptions lasting more than two consecutive days, or more than 15 days in total during the reporting period. As shown Figure 12 shows that households in Mpumalanga (66.6%) reported the most interruptions, while households in Western Cape (3.4%) experienced the least interruptions. Nationally, approximately one-third (35.8%) of households reported some form of dysfunctional water supply service in 2023, underscoring the scale of the challenge.

Overall, there has been a 0.6% increase in interruptions from the previous year. Northern Cape (+8.8%), KwaZulu Natal (+2.4%), Eastern Cape (+6.1%) and Gauteng (+7.4%) all contributed to this increase. All other provinces saw a decrease year on year in interruptions.

Figure 13: Percentage (%) distribution of households that reported water interruptions that lasted at least two days



Source: Statistics South Africa General Household Survey 2023

## 4.3 SANITATION

Similar to water service provision, across the 205 local municipalities, the majority (125 local municipalities) are directly responsible for providing wastewater/sanitation services within their boundaries. In the remaining 80 local municipalities this responsibility rests with the relevant district municipality. As shown above, in Figure 6 these 80 municipalities are concentrated in the Eastern Cape, KwaZulu-Natal, Limpopo and North West.

### 4.3.1 Access to Services

The NDP envisages universal access to affordable, reliable, and hygienic sanitation by 2030. According to the National Sanitation Policy (2016), a basic sanitation facility must be safe (especially for children), private, ventilated, easy to clean, and capable of safely mitigating disease. A basic sanitation service further requires environmental sustainability, operational maintenance, and ongoing hygiene education and community monitoring.

Table 6 shows that access to adequate sanitation facilities was most common among households in the Western Cape (65.6%), Gauteng (60.7%), and Free State (86.8%) in 2023, and least common in Limpopo (61.6%) and Eastern Cape (88.1%).

Table 6: Percentage distribution of households that have access to improved sanitation per province by province: 2002 - 2023

	2002	2004	2006	2008	2010	2012	2014	2016	2018	2020	2022	2023
WC	92.2	91.8	95.2	93.7	96.7	95.5	94.5	94.3	93.8	93.9	95.9	95.6
GP	88.9	89.8	89.1	91.3	91.2	91.1	90.9	90.5	91.8	90.5	90.5	90.7
EC	33.4	38.5	49.4	54.9	63.8	70	78.2	85.1	88	92.7	90	88.1
FS	64.7	69.7	71.8	76.4	83.4	83.3	83	83.2	85.5	85.6	87.4	86.8
NC	75.5	75.9	76.9	76.2	83.7	84.6	83.9	82.6	90	86.9	83.9	83.9
KZN	50.9	58.5	63	62.8	72.7	68	75.9	77.2	81.4	81.2	81.2	82.7
NW	54.1	57.8	54.4	58.1	68.5	72.2	67	69	70.8	78.3	72.7	70.5
MP	50.7	55.3	53.1	54.4	55.1	62.4	64.4	67.5	58.9	58.7	63.1	67.2
LP	26.9	34.6	33.9	32.1	41.1	49.8	54	57.1	58.9	63.1	63.1	61.9
National	61.7	65.9	68.3	70	75.4	77	79.5	81	83	83.2	83.2	83.3

Source: Statistics South Africa General Household Survey 2023

Nationally, access to sanitation has improved markedly over the long term, increasing from 61.7% in 2002 to 83.3% in 2023. The figure shows a consistent upward trend between 2002 and 2010 (from 61.7% to 75.4%), followed by more gradual gains until 2016. Thereafter, progress plateaued, with national access remaining stable around 83% since 2016.

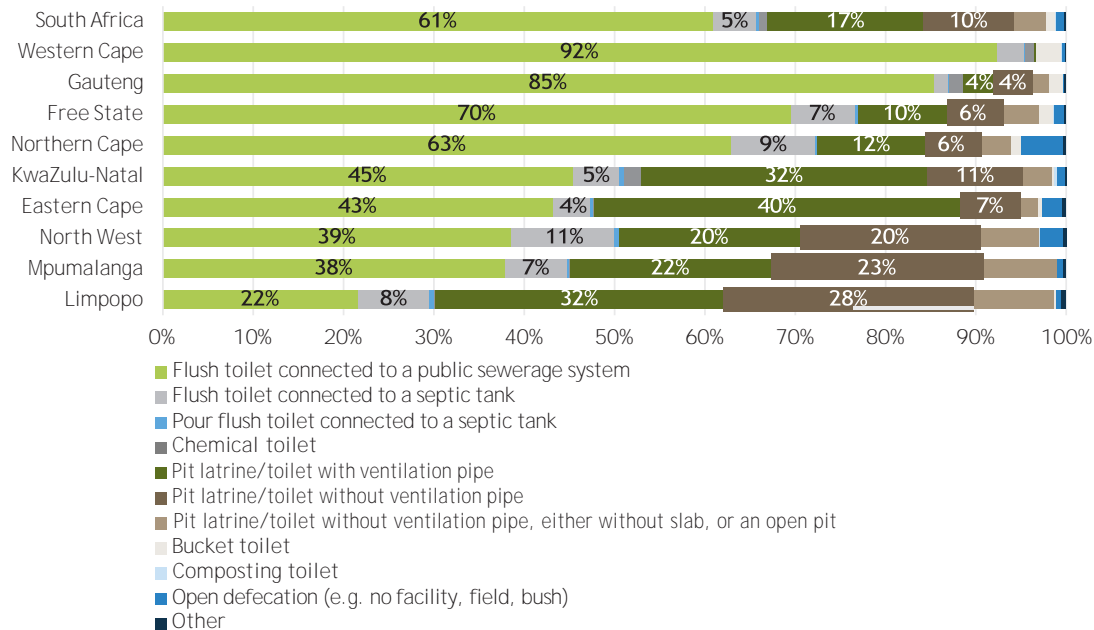
However, the aggregate trend conceals important provincial variation. The largest improvements since 2002 have been recorded in the Eastern Cape (+54.7%, from 33.4% to 88.1%) and KwaZulu-Natal (+31.8 % from 50.6% to 82.7%). Limpopo, while showing early gains, has experienced stagnation and even decline in recent years, with access falling from 63.1% in 2020 to 61.6% in 2023.

Compared to 2022, there was a notable, albeit marginal, decline in 2023 across six provinces: North West (-2.2%), Eastern Cape (-1.6%), Limpopo (-1.2 %), Free State (-0.6 %), Gauteng (-0.2 %), and Western Cape (-0.3%). In contrast, Mpumalanga (+4.1 %) recorded the most significant improvement.

Overall, the national picture suggests that while long-term progress in sanitation access has been substantial, recent trends reflect a plateau nationally and even reversals in some provinces.

While the percentage of households with access to basic sanitation facilities has improved over time, disparities remain stark (see Figure 13). Despite national data indicating that 83.3% of households had access to improved sanitation only 61% have access to flush toilets connected to a sewerage system, which is considered the higher standard of sanitation.

Figure 14: Percentage distribution of households by selected main sanitation source per province

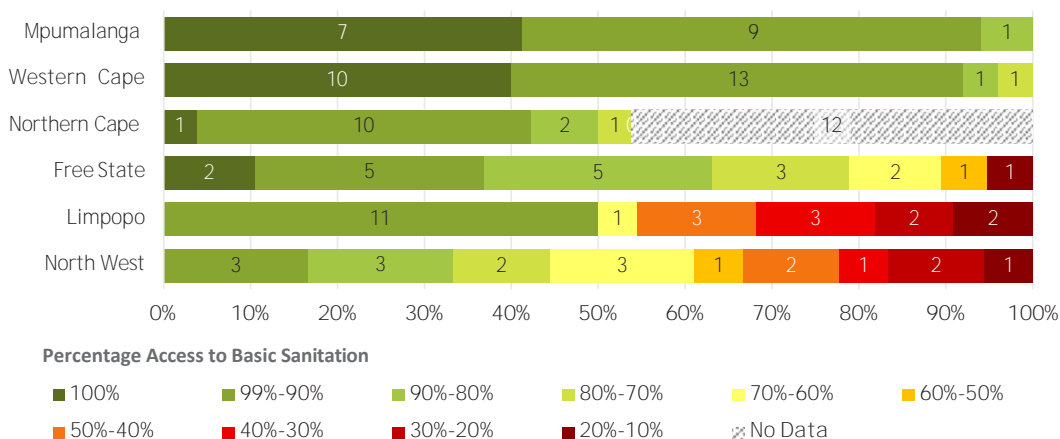


Source: Statistics South Africa General Household Survey 2022

Western Cape, Gauteng, Free State and Northern Cape performed above the national average with regards to flush toilets, while provinces such as Limpopo, Mpumalanga and North West continue to lag behind, relying on pit latrine (ventilated and unventilated systems) to provide majority of sanitation. Eastern Cape also relied heavily on ventilated pit toilets to provide improved sanitation services. This reliance may be reflective of the rural nature of the provinces.

The Section 47 reports provide additional municipal-level insights for Mpumalanga, Western Cape, Northern Cape, Free State, Limpopo and North West. These show significant variation within provinces, as illustrated in Figure 14.

Figure 15: Number of Municipalities in Each Sanitation Access Percentage Bracket, by Province



Source: Section 47 Reports

Mpumalanga reflects strong performance, with many municipalities recording very high levels of access. Seven municipalities report 100% coverage (including City of Mbombela, Bushbuckridge, Thaba Chweu, Chief Albert Luthuli, Steve Tshwete, Dipaleseng, and Victor Khanye), while a further nine municipalities fall in the 60–66% range. Only Mkhondo (81.7%) records access between 80–60%. Overall, the provincial profile suggests almost universal access, with only minor variation, and confirms a much stronger performance than what is reflected in StatsSA household survey averages.

Western Cape's data Western Cape confirms what was presented in the StatsSA data: there is a high level of sanitation access, with most municipalities reporting above 60%. Ten (10) out of twenty-five municipalities report 100% access, while only two municipalities fall below 60%.

The Northern Cape is generally a high-performing province in terms of reported water access; however, data gaps are significant, with 12 out of 26 municipalities not providing information. Of those that did, most exceeded 60%, except Joe Morolong (77.7%), Khai-Ma (86.7%). The high proportion of non-reporting municipalities makes it difficult to fully assess provincial performance and may mask more serious service delivery challenges.

The Northern Cape also differentiates between minimum service level and below minimum service level provision. The percentages reported here reflect minimum service level access, which is defined as:

- Flush toilet (connected to sewerage)
- Flush toilet (with septic tank)
- Chemical toilet
- Pit toilet ventilated
- Other toilet provision (above minimum service level)

Below minimum service level provision includes:

- Bucket toilet
- Other toilet provision (below minimum service level)
- No toilet provisions

The Free State shows variable outcomes, with municipalities like Dihlabeng, Mantsopa, and Mafube at or near 100%, while others like Metsimaholo (17%), Moqhaka (63%), and Mangaung (50%) indicate persistent challenges. Overall, provincial performance shows strong municipalities alongside serious underperformers, lowering the provincial average.

Limpopo<sup>8</sup> shows very uneven results, with some municipalities reporting extraordinarily high or anomalous percentages (e.g., Blouberg at 124%, Lepelle Nkumpi at 122%, Capricorn at 106%, and Waterberg at 167%). These likely reflect data anomalies or reporting inconsistencies. Excluding outliers, most municipalities sit between 40% and 75% access. The lowest levels are observed in Polokwane (10%), Mogalakwena (26%), Modimolle-Mookgophong (27%), and Bela-Bela (14%). At the same time, several municipalities (e.g., Mopani, Maruleng, Greater Letaba, Greater Tzaneen) report high performance above 60%. Overall, the data suggest strong variation, with pockets of good practice alongside very poor or anomalous results.

Limpopo disaggregates its data across 6 categories in its Section 47:

- a) Flush toilet connected to sewerage system
- b) Chemical toilet
- c) Pit toilet
- d) Bucket toilet
- e) Other
- f) None

Access sanitation was thus, calculated as categories a-c as a % of the total.

North West continues to demonstrate mixed outcomes, with sanitation access ranging from just 16% in Moretele to 64% in Lekwa-Teemane. Several municipalities highlight severe under-provision, including Ratlou (21%), Kagisano Molopo (27%), Moses Kotane (33%), and Ramotshere-Moiloa (40%). Only three municipalities exceed 60% coverage (City of Matlosana, Lekwa-Teemane, Kgetlengrivier). The provincial average remains well low at 62.5%, with wide intra-provincial disparities.

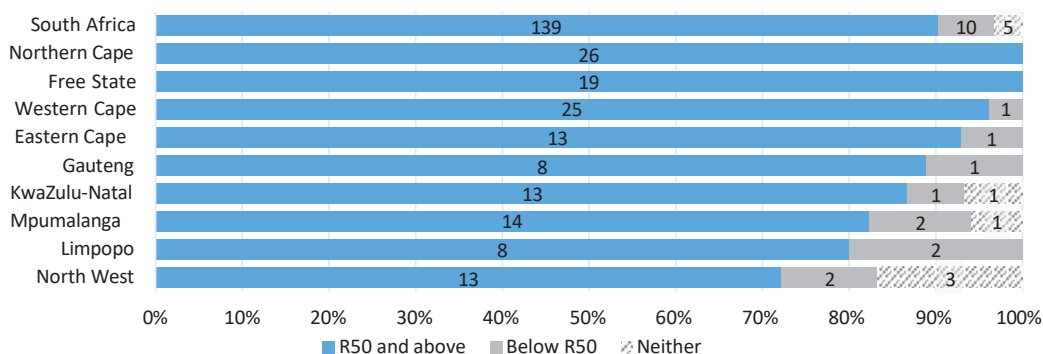
#### 4.3.2 Free Basic Sanitation

The minimum service level for Free Basic Sanitation (FBSan) is a R50 subsidy per month. According to the Statistics South Africa Non-Financial Municipal Census (2022), 60% of municipalities provide FBS at the minimum standard (see Figure 16).

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<sup>8</sup> Limpopo report includes local and district municipalities, which is valid in the light of the fact that sanitation provision is at the district level

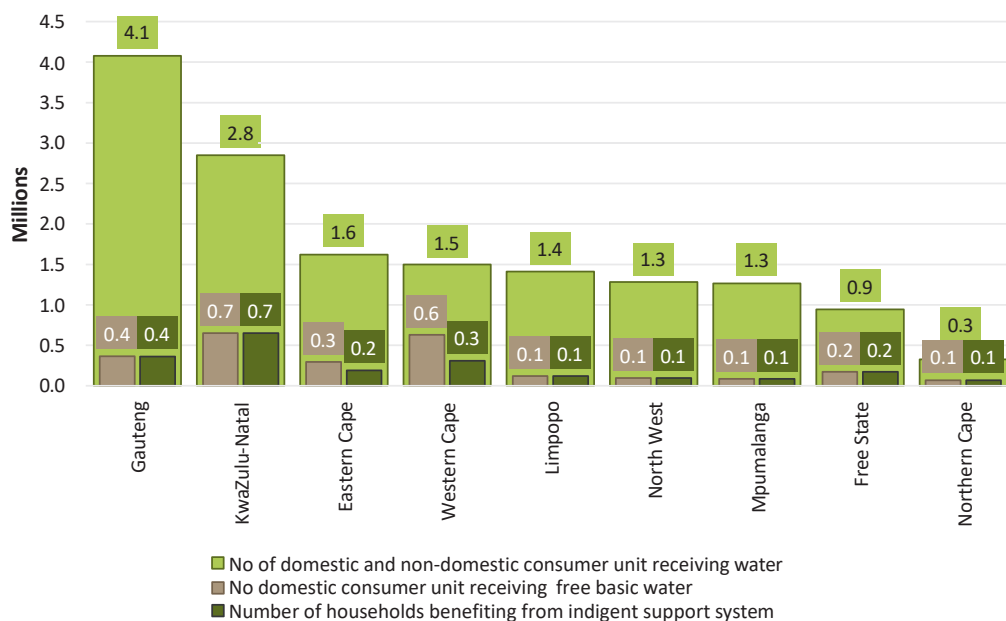
Figure 16: Number of municipalities in each province providing free basic sanitation services at standard and other levels



Source: Statistics South Africa Non-Financial census of municipalities, 2022

Figure 17 compares the number of domestic and non-domestic consumer units receiving sanitation, the number receiving Free Basic Sanitation (FBSan), and the number of households benefiting from indigent support systems (in the millions). The Western Cape has the highest proportion of consumer units receiving FBSan, at less than half (46%) of all units. In contrast, Limpopo, despite serving a similar number of consumer units overall, provides FBSan to only 5%. Gauteng, with the highest total number of consumer units nationally, provides FBSan to about 10% of them, which is the average across South Africa.

Figure 17: Number of consumer units receiving sanitation services and free basic service



Source: Statistics South Africa Non-Financial census of municipalities, 2022

#### 4.4 ELECTRICITY

According to Part B of Schedule 4 of the Constitution, the provision of electricity reticulation is a municipal responsibility. However, due to differing capacities and resources, not all municipalities are

authorised to perform this function. While all municipalities are recognised as electricity service authorities in constitutional terms, there is a distinction between *authority* and *provider* in the legislation. Provider status is determined by holding a distribution licence, which implies compliance with the associated requirements.

Metropolitan municipalities are generally licensed and empowered to distribute electricity across their territories. Beyond the metros, only a portion of local municipalities have been authorised and licensed to distribute electricity. Out of South Africa's 257 municipalities, 1 district municipality, all 8 metropolitan municipalities and 156 local municipalities have licenses to distribute electricity, the remainder relying entirely on Eskom (NERSA, 2022). It should be noted that even within the 165 municipalities that do hold licences, Eskom continues to distribute electricity in certain parts of their areas of jurisdiction (van der Merwe & Waters, 2024).

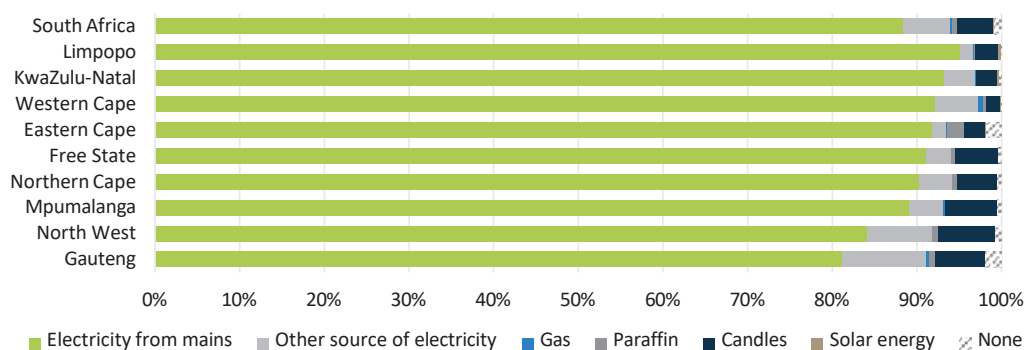
Broadly, municipalities account for the distribution of about 40% of the electricity generated nationally, primarily supplying households and small businesses. Eskom distributes the balance of roughly 60%, largely to large industrial users and areas without municipal networks (van der Merwe & Waters, 2024). This dual-distribution framework reflects practical realities: while most municipalities distribute electricity directly, in pockets of rural municipalities across almost all the provinces, Eskom remains the primary distributor.

#### 4.4.1 Access to Services

The NDP commits South Africa to achieving universal access to electricity by 2030. At present, most households (88.35%) use mains electricity for lighting, while reliance is lower for cooking (76.52) and considerably lower for heating (46.85%)

With regards to lighting, across all provinces greater than 80% of households rely on electricity as their main energy source for lighting. Gauteng has the lowest percentage at 81%, and Limpopo the highest at 65%.

Figure 18: Percentage distribution of households by energy source for lighting

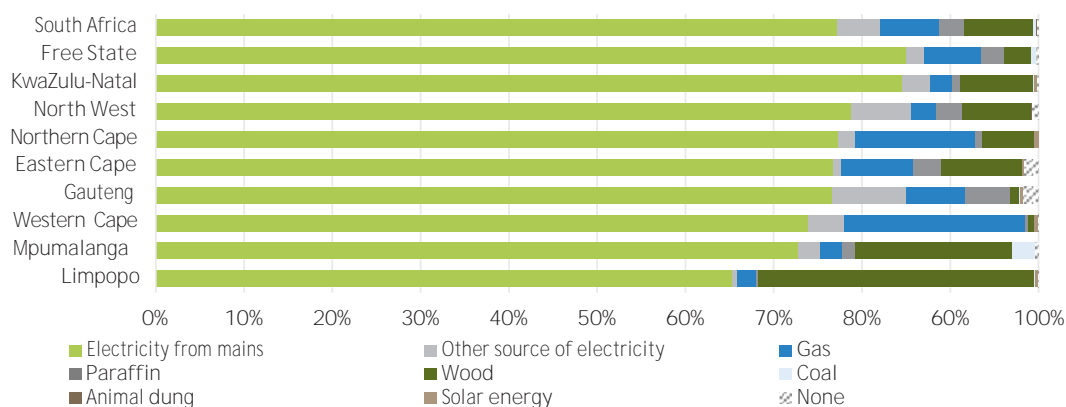


Source: Statistics South Africa General Household Survey 2023

Whilst electricity is the most widely used energy source for cooking (76.5%), wood is the second most common (7.7%), followed by gas (6.7%). Notably, Limpopo, despite recording the highest proportion of households using electricity for lighting, has a relatively low share (65%) of households cooking with electricity, with wood remaining popular at 31.3%. Mpumalanga also records an above-average reliance on wood for cooking (17.8%), while the Western Cape has the highest proportion of households using gas (20.4%).



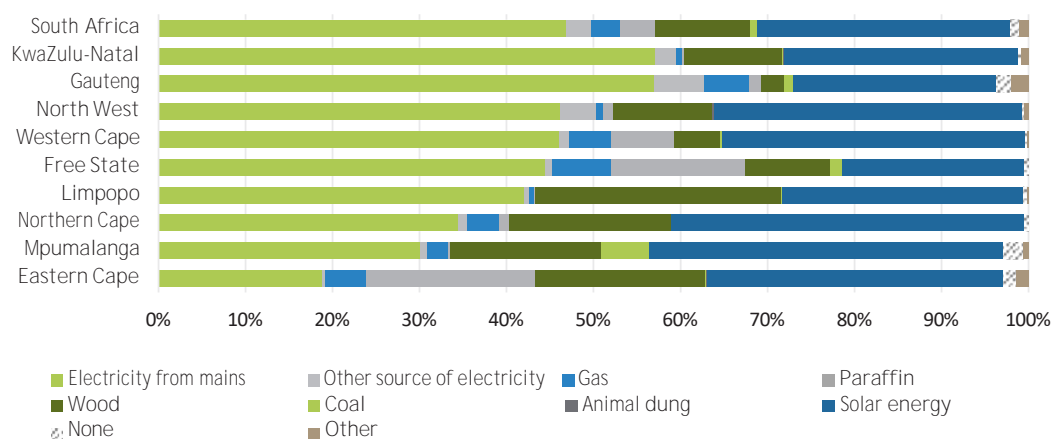
Figure 16: Percentage distribution of households by energy source for cooking



Source: Statistics South Africa General Household Survey 2023

Whilst electricity remains the dominant source of heating nationally (46.6%), solar energy (26.1%) and wood (10.6%) are also widely used. In Gauteng and KwaZulu-Natal, the majority of households (57% in both provinces) rely on electricity for heating, whereas in the Eastern Cape fewer than one in five households (18.6%) use electricity. In this province, slightly more households rely on gas and wood (both at 16.4%). Wood also remains a common source of heating in Limpopo, where it accounts for 21% of households. Notably, in three provinces, Eastern Cape (34%), Mpumalanga (41%), and Northern Cape (41%), solar energy is a more common source of heating than electricity.

Figure 20: Percentage distribution of households by energy source for heating



Source: Statistics South Africa General Household Survey 2023

The percentage of South African households that were connected to the mains electricity supply increased from 78.3% in 2003 to 86.8% in 2022. Growth was strongest between 2003-2011, when access climbed by 5.3 percentage points. Since then, progress has slowed, with access hovering around 85-86% from 2013 onwards. Table 10 shows that households with access to mains electricity were most common in Limpopo (67.1%), followed by KwaZulu-Natal (64.1%) and the Western Cape (64.3%). The lowest access was recorded in Gauteng (83.0%) and the North West (85.3%).

The largest increases between 2003 and 2023 were observed in Eastern Cape (+34.3 percentage points), KwaZulu-Natal (+23.8 percentage points), and Limpopo (+21.7 percentage points). The

percentage of households with access to mains electricity actually declined in Gauteng (-4,2 percentage points) during the same period. This decline can be associated with the rapid in-migration experienced by the province and a rapid increase in household numbers, particularly those concentrated in informal settlements or in areas not fit for upgrading and formalisation. North West also shows weak progress, with a marginal decrease (-0.1 percentage points) over 20 years, and a fluctuating trajectory with declines after 2013.

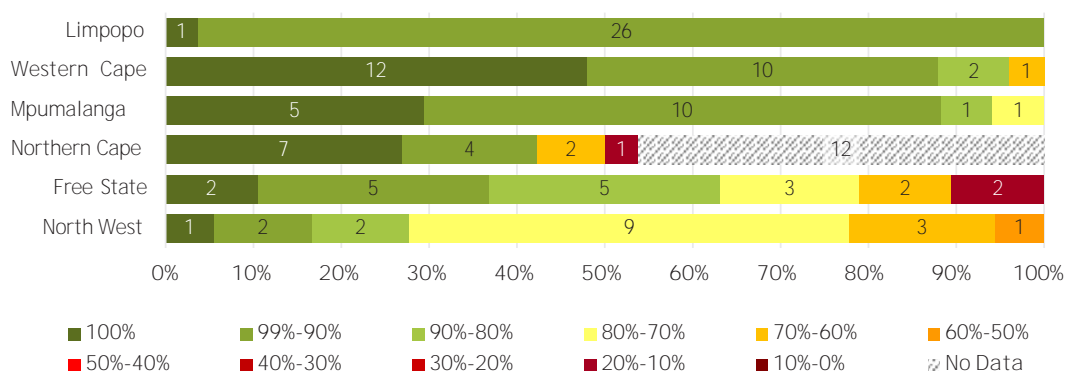
Table 10: Percentage distribution of households connected to the mains electricity supply by province

	2003	2005	2007	2008	2011	2013	2015	2017	2018	2021	2023
LP	75.4	82.7	86.5	84.3	90.9	90.2	92.8	90.8	93.4	96.9	97.1
WC	89.2	92.5	96.1	89.3	85.9	88.9	89.8	86.6	88.4	95.1	94.3
KZN	70.3	72.6	75.9	76.3	78.4	80	81.9	82.9	86.7	91.6	94.1
EC	57.8	68.1	70	69.9	76.6	81.6	82.7	85.4	89.3	92.5	92.6
NC	79.4	88.6	88.8	89.6	91.3	89.7	92.4	92	91.2	91.8	92.1
FS	84.4	88.6	88	92	93.8	91.6	89	90.5	91.6	92.1	92.1
MP	81.1	81.7	85.3	85.9	87.7	89.4	87.8	88.8	90.1	90.4	89.7
NW	85.4	85	85.2	81.2	86.5	88.4	84.1	80.9	81.6	83.4	85.3
GP	87.3	83.4	80.3	86	81.8	83.1	82.6	80	76.6	82.7	83
National	78.3	80.8	82	82.6	83.6	85.2	85.3	84.4	85	89.3	89.8

Source: Statistics South Africa General Household Survey 2023

The Section 47 reports provide additional municipal-level insights for Limpopo, Western Cape, Mpumalanga, Northern Cape, Free State and North West. These show significant variation within provinces, as illustrated in Figure 21.

Figure 21: Number of Municipalities in Each Electricity Access Percentage Bracket, by Province



Source: Section 47 Reports

Limpopo<sup>6</sup> disaggregates its data across 4 categories:

- Electricity to Mains
- Solar home system
- Other

<sup>6</sup> Limpopo report includes local and district municipalities,

d. No access to electricity

The province reported average 67.64 % access to electricity via mains, signifying a comparatively high level of access, and affirms the province's top performance shown in the StatsSA data. Access ranges from 65.15% to 100%. The majority of municipalities fall in the high-range of 60-66% access. A possible reason for the relative high performance

Western Cape's data confirms what was presented in the StatsSA data, there is a high level of access with a provincial average of 65%. Most municipalities reported above 60% access, and 12 out of 25 municipalities achieving 100%. Only three municipalities reported below 60%: Oudtshoorn (87%), Bitou (60%) and Laingsburg (84%).

Mpumalanga data demonstrates a stronger performance than what is shown in the StatsSA data, with provincial average of 64%. Five (5) municipalities achieved 100% access and a further 10 municipalities in the 66-60% bracket. Only 2 municipality sits below this range, with no municipalities falling below 70%.

The Northern Cape is generally a high-performing province in terms of reported electricity access; however, data gaps are significant, with 12 out of 26 municipalities not providing information. Of those that did report, seven municipalities recorded 100% access, and most others exceeded 60%, with the exceptions of Kareeberg (61.15%), Khai-Ma (66.68%) and Tsantsabane (17.58%). The absence of data from half the municipalities makes it difficult to fully assess provincial performance and may mask serious service delivery challenges.

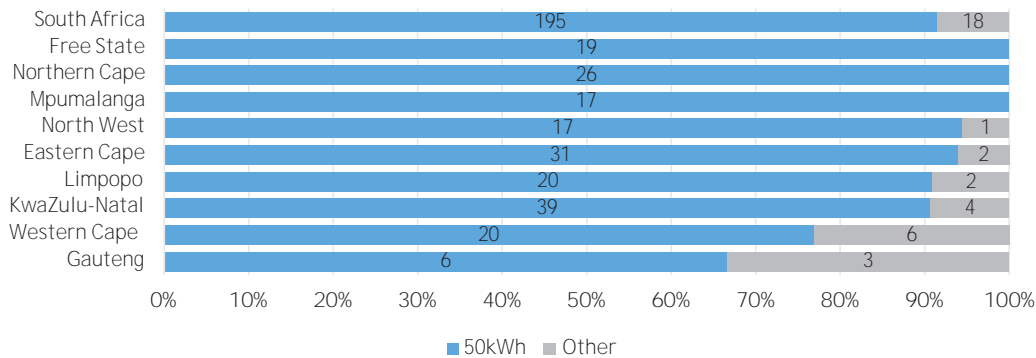
The Free State shows variable outcomes, with a lower provincial average (84.8%) than reported in the StatsSA data (62.1%). The access ranges from as low as 11% (Mangaung) and 17% (Metsimaholo) and 100% (Dihlabeng s Mantsopa). However, the figures for Mangaung and Metsimaholo are questionable as StatsSA reports that 61.4% of households in Mangaung and 86.4% in Metsimaholo use electricity as their primary lighting source.

North West affirms the StatsSA data indicating they are low performing. The report indicates a 76% level of access, which is almost 10% lower than the StatsSA data. Access across the province ranges from 58% to 100%.

4.4.2 Free Basic Electricity

The Department of Energy has set the basic level of energy provision for Free Basic Electricity (FBE) to poor households at 50 kilowatts per month, for an average poor household. According to the Statistics South Africa Non-Financial Municipal Census (2022), 62% of municipalities provide FBE at the minimum standard (see Figure 22). Only Mpumalanga, Free State and Northern Cape have all municipalities providing free basic energy services at the standard.

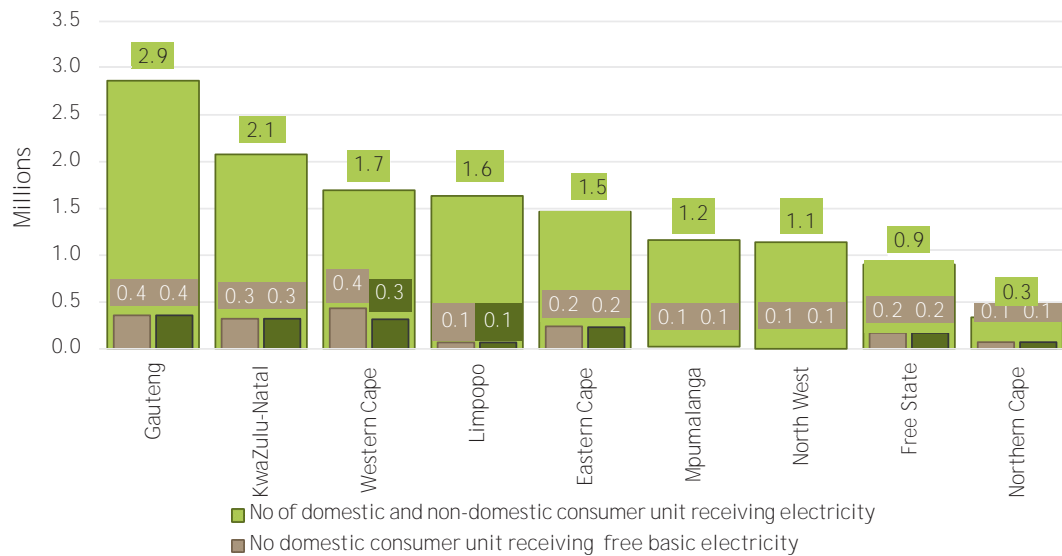
Figure 22: Number of municipalities in each province providing free basic electricity services at standard and other levels



Source: Statistics South Africa Non-Financial census of municipalities, 2023

Figure 23 compares the number of domestic and non-domestic consumer units receiving electricity, the number receiving FBE, and the number of households benefiting from indigent support systems. The Western Cape has the highest proportion of consumer units receiving FBE at more than a quarter (26%) of all units. In contrast, Limpopo, despite serving a similar number of consumer units overall, provides FBE to only 4%.

Figure 23: Number of consumer units receiving electricity services and free basic service



Source: Statistics South Africa Non-Financial census of municipalities, 2023

#### 4.4.3 Service Reliability

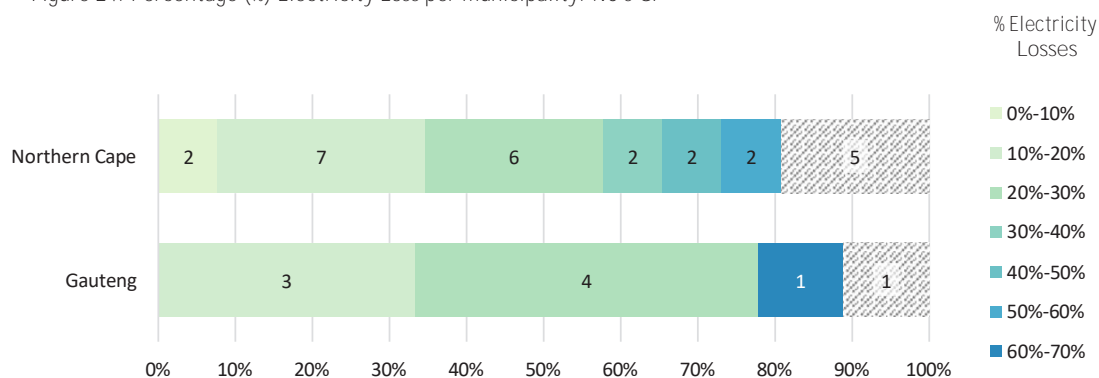
##### 4.4.3.1 Electricity Losses

The State of Local Government Finances and Financial Management Report 2022/23 by National Treasury notes that distribution losses remains high due to ageing infrastructure. Many municipalities are experiencing revenue losses in water and electricity due to ageing and poor condition of their

infrastructure assets; Two provinces provided data on percentage (%) electricity losses in their Section 47 reports: Northern Cape and Gauteng (see Figure 24).

- Northern Cape: Average losses across the province were 22.4%, ranging from 8.2% to 57%.
- Gauteng: Average losses across the province were 25.84%, with most municipalities falling below 30%. Merafong stands out as an outlier at 64% electricity losses.

Figure 24: Percentage (%) Electricity Loss per municipality: NC s GP



Source: Section 47 Reports

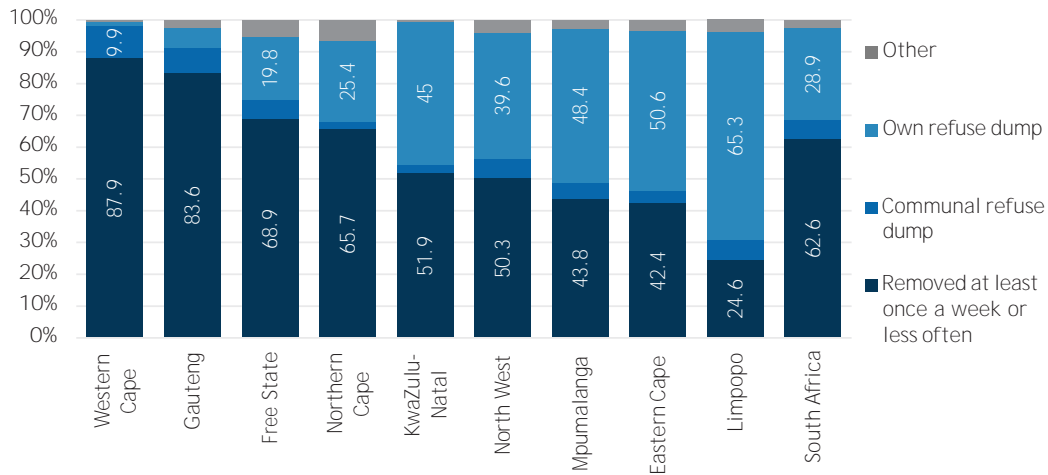
Considering the aforementioned report states that electricity losses are significant across municipalities, it is concerning that only two provinces reported on this indicator, underscoring a serious gap in municipal reporting.

## 4.5 REFUSE REMOVAL

### 4.5.1 Access to Services

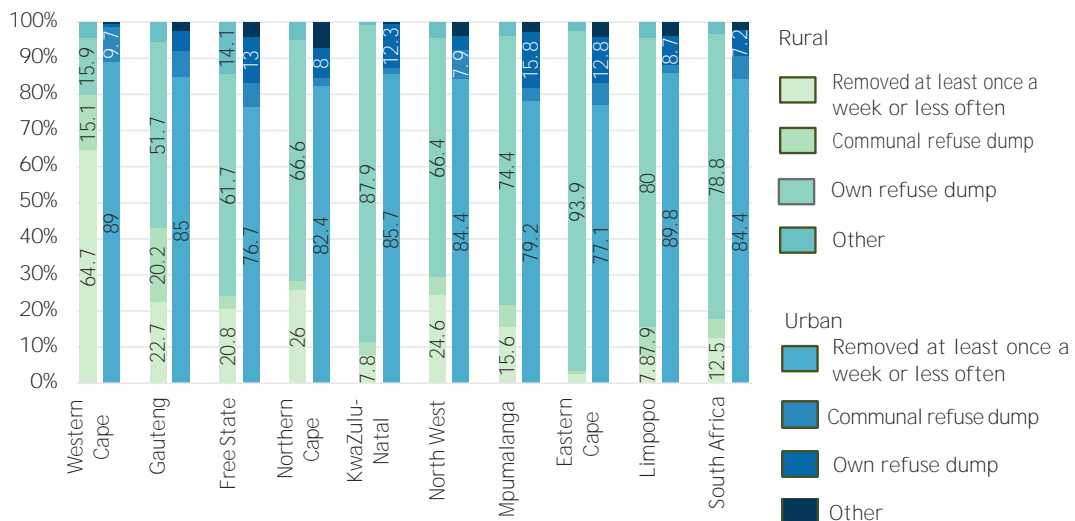
Figure 25 shows that, nationally, about two-thirds (62,6%) of households had their refuse removed on a weekly basis, or less often, while 28,6% had to use their own refuse dumps. Refuse removal was most common in Western Cape (87.6%) and Gauteng (83.6%), and least common in Limpopo (24,6%). Compared to urban area, refuse removal took place much less often in rural areas. Figure 26 shows that refuse removal was least common in the rural areas of Eastern Cape (2.6,0%) and Limpopo (7,8%). Overall, 78,8% of households in rural areas discarded refuse themselves compared to only 7.2% of households in urban areas.

Figure 25: Household refuse removal by province, 2023



Source: Statistics South Africa General Household Survey 2023

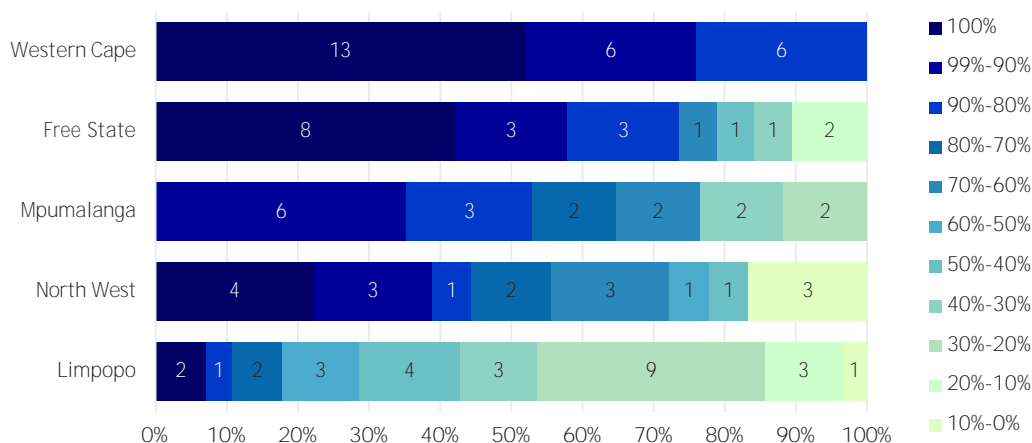
Figure 26: Household refuse removal by province and urban/rural status, 2023



Source: Statistics South Africa General Household Survey 2023

The Section 47 reports provide additional municipal-level insights for Western Cape, Free State, Mpumalanga, North West and Limpopo. These show significant variation within provinces, as illustrated in Figure 27.

Figure 27: Number of Municipalities in Each Refuse Removal Access Percentage Bracket, by Province



Source: Section 47 Reports

Western Cape continues to demonstrate consistently high levels of refuse removal, aligning with its strong overall service delivery record. Of the 25 municipalities, 16 report coverage above 65%, with 15 municipalities at 100%. The lowest-performing municipalities are Kannaland (82%), Swartland (83%) and Hessequa and Stellenbosch (87%). Only one municipality, Bitou (101%), exceeds 100%, which likely reflects a data or reporting anomaly. Overall, the province reports near-universal provision of weekly refuse removal services.

The Free State presents one of the strongest provincial performances. Of its 21 municipalities, 13 report 100% coverage while a further four exceed 60%. Only three municipalities are reported having access below 40%: Mangaung (11%), Kopanong (16%), and Mqohaka (36%). However these may be reporting errors, as StatsSA reports that 78.6% of households in Mangaung, 76.5% in Kopanong and 84.6% in Mqohaka, have their refuse removed weekly by the municipality or a private company. This points to persistent reporting issues on the part of municipalities in Free State.

Mpumalanga reports strong performance overall, though with notable variation. Six municipalities exceed 60%. A further five municipalities fall between 70-86%. However, several municipalities drag down the provincial average: City of Mbombela (34.6%), Bushbuckridge (38.1%), Dr JS Moroka (23.7%) and Chief Albert Luthuli also show unusually low coverage (27.3%). Despite these outliers, the bulk of municipalities in Mpumalanga are achieving relatively high levels of service delivery based on Section 47 reporting.

North West reflects highly uneven performance. Six municipalities report 100% coverage. By contrast, Ratlou (0.1%) and Kagisano Molopo (1%) show near-total lack of access, while Ditsobotla (40%) and Maquassi-Hills (58%) also indicate low levels of access. The significantly low percentages in Ratlou and Kagisano Molopo may indicate reporting errors.

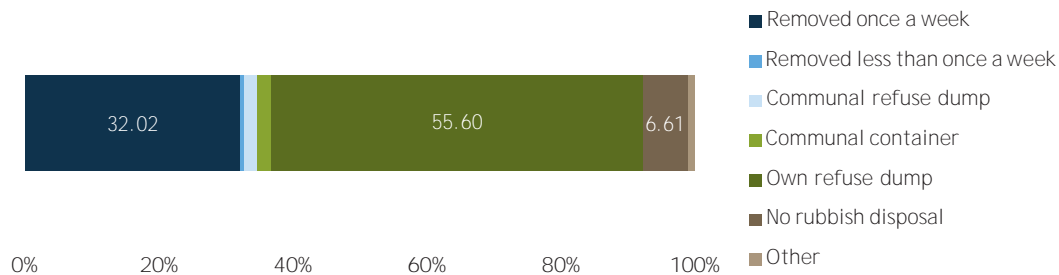
Limpopo continues to underperform relative to national trends. The provincial average remains low, with most municipalities between 20-50% coverage. The lowest performers include Thulamela (6.6%), Makhuduthamaga (16.6%), and Fetakgomo Tubatse (21.3%). In contrast, Mogalakwena reports an unlikely 100% coverage, suggesting a reporting issue. Other relatively better performers include Bela-Bela (81.4%), Modimolle-Mookgophong (77.5%), and Thabazimbi (72.7%).

The province disaggregates its data across 7 categories in its Section 47 report:

- a) Removed once a week
- b) Removed less than once a week
- c) Communal refuse dump
- d) Communal container
- e) Own refuse dump
- f) No rubbish disposal
- g) Other

Looking at the data in Figure 27 from Limpopo, most households across the province rely on their own refuse dump.

Figure 28: Percentage distribution of refuse removal by type/frequency: Limpopo



Source: Limpopo Section 47 Report

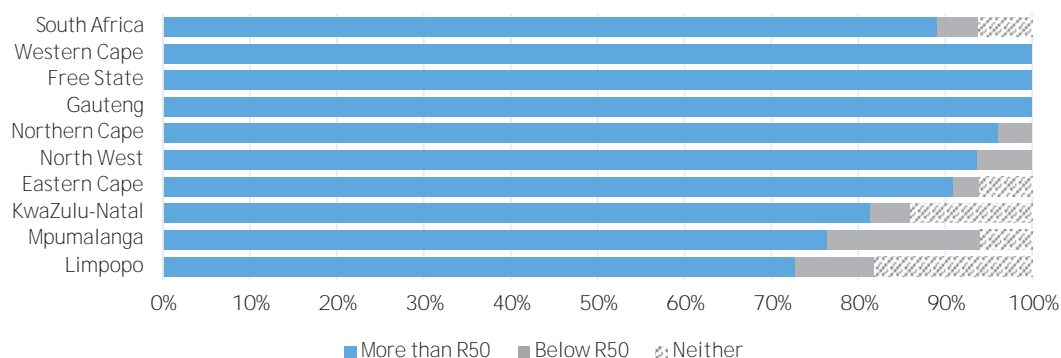
Overall, the data underscores stark provincial and municipal disparities in refuse removal. While provinces such as Western Cape and Free State demonstrate near-universal coverage, many municipalities in Limpopo, North West, and parts of Mpumalanga continue to fall far below national averages, with some reporting implausibly low or inconsistent figures. These variations highlight both persistent service delivery backlogs and the ongoing problem of unreliable municipal reporting, which together obscure an accurate picture of household access to refuse removal.

#### 4.5.2 Free Basic Refuse

The minimum service level for Free Basic Refuse (FBR) is a R50 subsidy per month. According to the Statistics South Africa Non-Financial Municipal Census (2023), 86% of municipalities provide a minimum of R50 subsidy per month on Basic Refuse Removal (see Figure 26).



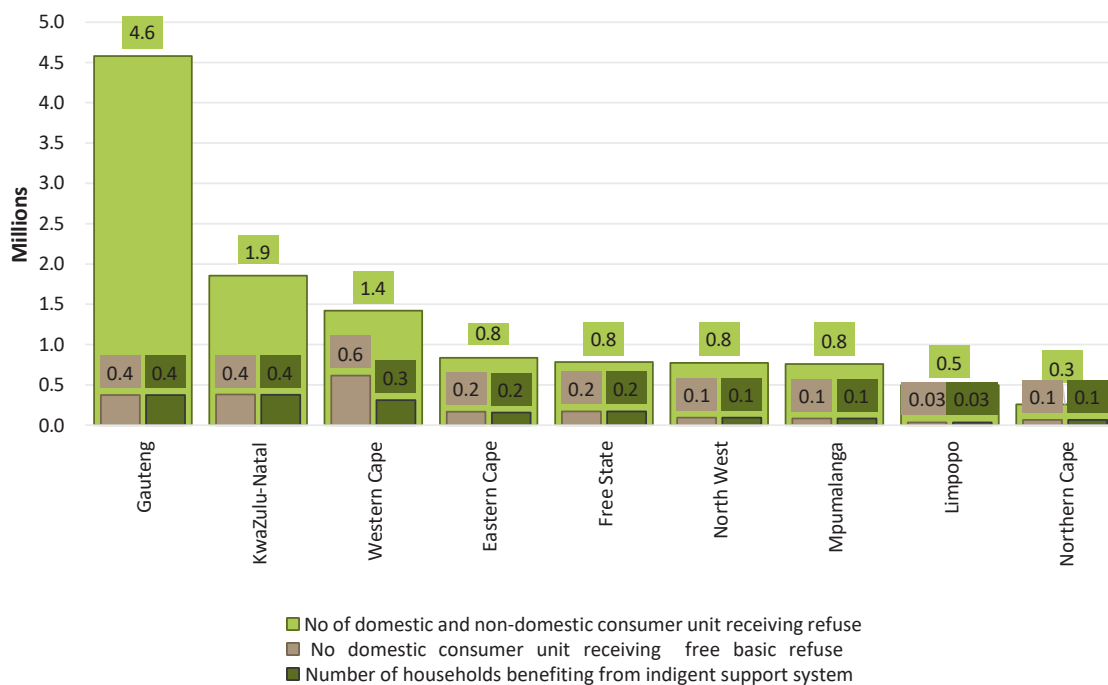
Figure 26: Number of municipalities in each province providing free basic sanitation services at standard and other levels



Source: Statistics South Africa Non-Financial census of municipalities, 2023

Figure 30 compares the number of domestic and non-domestic consumer units receiving refuse, the number receiving FBR, and the number of households benefiting from indigent support systems. The Western Cape has the highest proportion of consumer units receiving FBR, at 43% of all units. In contrast, Limpopo, despite serving a similar number of consumer units overall, provides FBR to only 7%.

Figure 30: Number of consumer units receiving refuse removal services and free basic service



Source: Statistics South Africa Non-Financial census of municipalities, 2023

## 4.6 INDIGENT POLICY MANAGEMENT

The National Framework for Municipal Indigent Policies provides guidance to municipalities in developing their own indigent policies and outlines the role of national government in supporting municipalities to fulfil their constitutional mandate of ensuring access to basic services. It defines an indigent household as one "lacking the necessities of life", including sufficient water, basic electricity, basic sanitation, and refuse removal.

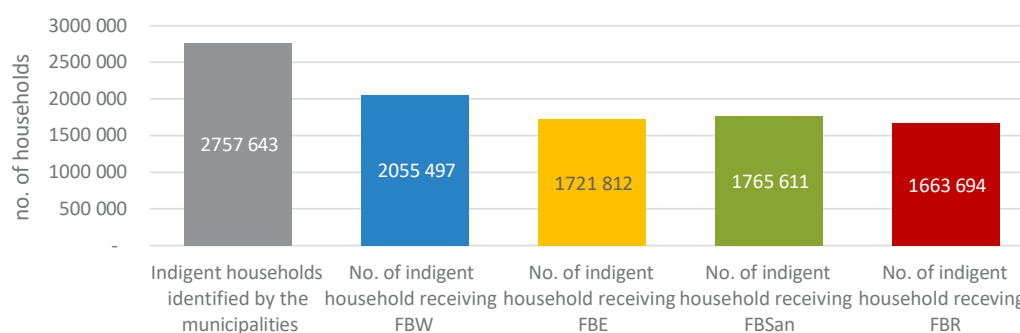
The Local Government Equitable Share (LGES) is an unconditional allocation from national revenue to municipalities envisaged in Section 214 of the Constitution. This grant is intended to support municipalities in meeting their developmental obligations through targeted budgeting. As described by National Treasury in a briefing to the Select Committee on Appropriations, "This allocation supplements municipal revenue by funding free basic services for poor households and by providing for the administrative and institutional capacity of municipalities, especially those with weak revenue bases." (National Treasury, 2021)

Municipalities are required to develop indigent policies to ensure access to free basic services for poor households. While criteria for qualifying households vary across municipalities and depend on available resources, the intent is to align with the national goal of improving the lives of indigent communities. A key requirement is the establishment of credible indigent registers; however, many municipalities, especially those with limited capacity, struggle to create and manage these effectively.

In most municipalities, benefitting from the FBS subsidy is linked to households having a municipal account, which then implies that a majority of those intended to benefit are not benefiting from the programme due to the lack of such an account. The majority of the poor live in informal settlements or deep rural areas and are not municipal account holders and are therefore excluded from the indigent registers. The fluctuations on the indigent registers of municipalities were the manifestation of many challenges such as changes in targeting methods, annual registrations, and lack of awareness raising campaigns.

According to 2022/2023 financial year estimates, there were 2,8 million indigent households as identified by municipalities, an increase of 5,2% from 2021/2022 financial year. Of the 2,8 identified indigents, 2,1 million indigent households (75%) benefited from the indigent support system on water, while 1,7 million (62%) benefited from indigent support on electricity provided by municipalities. Furthermore, 1,8 million indigent households (64%) benefited from the indigent support system on sewerage and sanitation and 1,7 million indigent (60%) households benefited from the indigent support system on refuse removal (see Figure 31). These gaps indicate that despite the expansion of indigent registers, municipalities continue to face significant challenges in ensuring comprehensive support across all basic services.

Figure 31 Indigent Households: Identified vs. Beneficiaries of Free Basic Water, Electricity, Sanitation and Refuse Removal



Source: Statistics South Africa Non-Financial census of municipalities, 2023

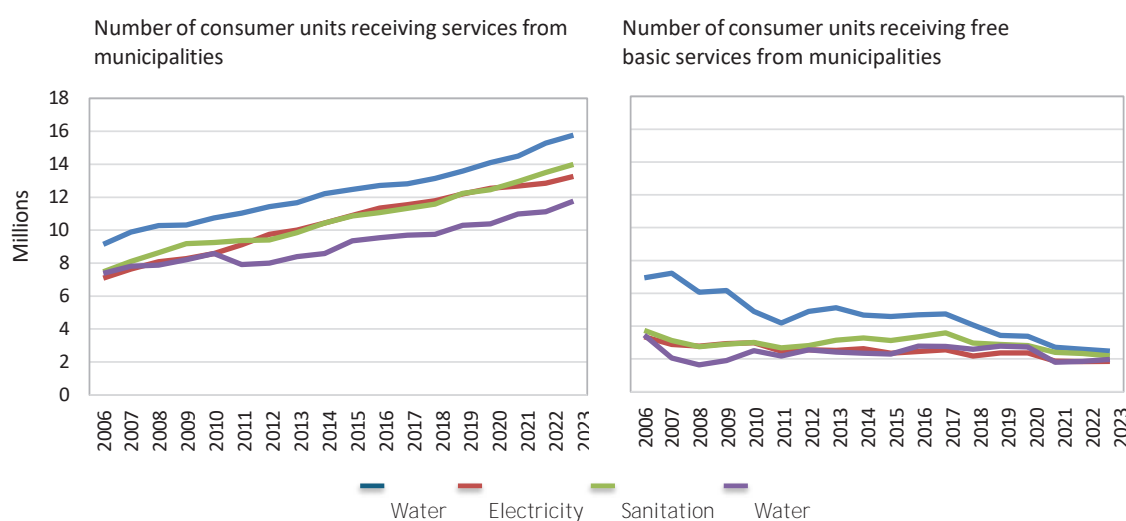
Further, Stats SA's *2023 Non-financial Census of Municipalities* highlights a decline in free service coverage across most services, with the exception of refuse removal. In 2022, municipalities provided water to 15,3 million consumer units, of which 17% received the service at no charge (or at a subsidised rate). By 2023, this number had risen to 15,8 million units, yet the share benefiting from free basic water dropped to 16% (Stats SA, 2025).

A similar pattern was recorded for electricity and sewerage s sanitation. The only exception was solid waste removal, where the number of consumer units increased from 11,1 million to 11,8 million, alongside a marginal rise in free coverage from 16,6% to 16,8% (Stats SA, 2025).

These trends reflect a broader decline since 2006 (see Figure 32). Stats SA notes that municipalities, once extending subsidised services to all households within their jurisdictions, have increasingly restricted access to only the poorest households due to budget constraints. Rapid growth in informal settlements has further strained already limited municipal resources (Stats SA, 2025).

Finally, awareness and registration processes remain a challenge. Households must apply and regularly renew their indigent status—often annually—to qualify for free basic services. In many communities, limited awareness of these requirements results in eligible households missing out on benefits (Stats SA, 2025).

Figure 32 Services by municipalities across South Africa, 2006-2023



Source: Statistics South Africa Non-Financial census of municipalities, 2023

#### 4.6.1 Provincial reporting

KwaZulu-Natal reports that all municipalities, apart from the Amajuba and uMkhanyakude District Municipalities have identified and registered indigents in their Indigent Registers, guided by municipal indigent policies. Most municipalities have indicated that it does spend a portion of its operating budget on Free Basic Services, with eight municipalities not providing any or providing incomplete data. Furthermore, some of the data seems questionable. Some municipalities report spending as low as 1% of their operating budget on FBS, whereas as other report 100%.

Eastern Cape reports that all municipalities were supported in developing their indigent policies in line with national guidelines, showing positive results. The province classifies half the municipalities as “Excellent”<sup>10</sup> in terms of their progress with regard to adoption of indigent policy. Only 7.86% of municipalities were classified as weak<sup>11</sup>, but 21.05% of municipalities did not provide data.

In Free State all municipalities provide FBS to qualifying households, and the Department monitors their implementation of indigent policies and registers. However, issues arose where Eskom removed indigent households from its system in several municipalities (e.g., Mafube, Mantsopa, Tokologo, Kopanong, Mangaung) due to municipal non-payment of FBS accounts.

Further Free State acknowledges that municipalities face several challenges in managing indigent registers and providing Free Basic Services. These include households failing to update their indigent status, lengthy registration processes, and difficulties in securing authority for child-headed households. Many indigent policies are not aligned with national guidelines, while access to free services is

<sup>10</sup> Excellent is defined by the province as: If the municipality report at least 60% achievement of their yearly target.

<sup>11</sup> Weak is defined by the province as: If the municipality report at less than 50% achievement of their yearly target.

particularly constrained for households on privately owned land, in backyard dwellings, and in rural areas such as OwaQwa and parts of Thaba 'Nchu.

Gauteng reports that municipalities have registered indigents in their databases and provided FBS as planned.

Linpopo reported that free basic services were provided in varying ways and quantities by municipalities.

Mpunalanga reported, a total of 150,636 households were registered as indigents in the province in 2022/23, all receiving FBS for water, sanitation, electricity, and refuse removal, marking an improvement of 6,474 households for electricity and 6,110 for refuse removal compared to the previous year. Increases in registered indigents were often linked to municipal awareness campaigns on indigent policy.

Northern Cape reported that all municipalities had adopted Free Basic Services (FBS) policies and implemented indigent registers by the end of 2022/23, with annual updates in place. However, many registers remain inaccurate, and reported figures often fail to reflect the actual level of support provided to households.

North West reported that all municipalities have approved indigent policies, but significant challenges remain in their coordination and management:

- Policies are outdated, referencing previous financial years without proper review or alignment to budget processes.
- Coordination is ad hoc under finance, with no dedicated officials or clear accountability.
- Municipal billing systems capture only account holders, excluding many indigent households.
- Limited participation from service directorates, causing inconsistent application (households may qualify for one service but not others).
- Capacity constraints, including lack of policy development expertise and weak municipal-level resourcing.
- Discrepancies between municipal indigent registers and DoRA provisions.
- Political instability disrupts administration, including delays in signing service-level agreements (SLAs).

Western Cape municipalities continue to provide the nationally mandated free basic services to registered indigent households. In addition, several municipalities have expanded their policies beyond the minimum requirements of the National Indigent Policy, enabling residents to access a higher level of support than prescribed nationally. The province stated that municipal free basic service provision is undermined by both internal compliance gaps and external disruptions. In George, past neglect of legislative requirements has limited water access, requiring interventions to meet Blue Drop standards. In Theewaterskloof, persistent cable theft diverts scarce resources from service delivery.

Overall, while all provinces report the existence of indigent policies and some progress in extending Free Basic Services, the quality and reliability of implementation remain uneven. Persistent weaknesses include inaccurate or outdated indigent registers, misalignment with national guidelines, exclusion of

vulnerable groups such as households on private land or in informal dwellings, and external factors such as non-payment to Eskom or theft of infrastructure. At the same time, positive practices in provinces like Mpumalanga, such as awareness campaigns to expand registration, demonstrate that well-designed interventions can significantly improve access. The contrast underscores the need for greater standardisation, stronger oversight, and targeted capacity support to ensure that indigent households across the country benefit equitably.

## 4.7 INFRASTRUCTURE INVESTMENT AND MAINTENANCE

### 4.7.1 Municipal Infrastructure Grant (MIG) Expenditure

The Municipal Infrastructure Grant (MIG) is allocated to municipalities as a conditional grant under the Division of Revenue Act (DoRA). It was introduced as part of broader reforms to improve coordinated service delivery across the three spheres of government. The grant is administered by the Department of Cooperative Governance (DCoG), which oversees its implementation in line with its mandate to foster cooperative governance and build municipal capacity.

According to the Division of Revenue Act No. 24 of 2024, the objectives of the MIG are

***To provide specific capital finance for eradicating basic municipal infrastructure backlogs for poor households, microenterprises and social institutions servicing poor communities; to provide specific funding for the development of asset management plans for infrastructure servicing the poor.***

In 2022/23, municipalities spent R13,6 billion of the R15,6 billion MIG allocation (86.7%), a slight decline from the 61.3% expenditure recorded in the previous financial year.

Table 11: National Overview MIG Expenditure at June 2022

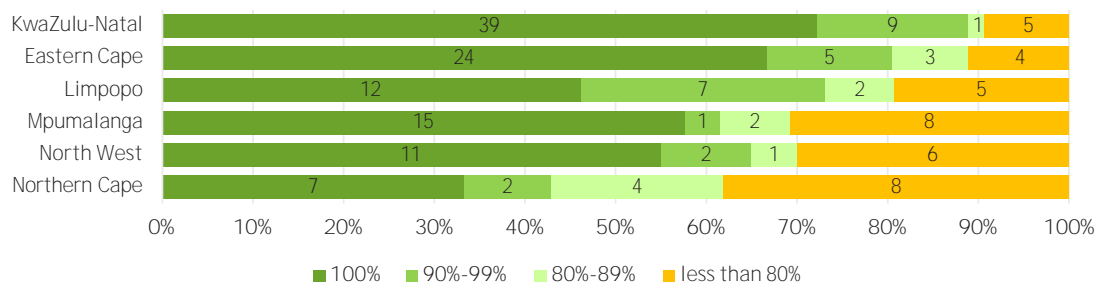
Province	Allocated (R'000)	Transferred to date (R'000)	Transfers as % allocation	Expenditure to date (R'000)	Expenditure as % allocation (excl roll-overs)	Expenditure as % transferred (excl roll-overs)	Unspent Balance (R'000)
Eastern Cape	3 150 667	3 150 667	100,00%	2 604 123	82.65%	82,65%	546 544
Free State	779 352	779 352	100,00%	618 398	79.35%	79,35%	160 954
Gauteng	281 652	281 652	100,00%	204 420	72.58%	72,58%	77 232
KwaZulu Natal	3 585 280	3 585 280	100,00%	3 563 584	99.39%	99,39%	21 696
Limpopo	3 100 822	3 100 822	100,00%	2 861 588	92.28%	92,28%	239 234
Mpumalanga	1 889 630	1 889 630	100,00%	1 832 322	96.96%	96,96%	57 398
Northern Cape	472 148	472 148	100,00%	346 371	73.36%	73,36%	125 777
North West	1 878 769	1 878 769	100,00%	1 525 171	81.18%	81,18%	353 598
Western Cape	454 428	454 428	100,00%	436 195	95.99%	95,99%	18 233
<b>TOTAL</b>	<b>15 562 748</b>	<b>15 562 748</b>	<b>100,00%</b>	<b>13 662 082</b>	<b>88.73%</b>	<b>88,73%</b>	<b>1 900 666</b>

Source: Department of Cooperative Governance and Traditional Affairs Annual Report, 2022/2023

From Table 11 above, five provinces (Eastern Cape, Free State, Gauteng, North West and Northern Cape) had less than 60% MIG expenditure against total allocation. The highest expenditure reported by municipalities against the provincial allocation was by municipalities in KwaZulu-Natal that spent R3.5 billion (66.36%) of their R3.6 billion MIG allocation.

Figure 33 affirms North West and Northern Cape's poorer relative performance. In both provinces the majority over ¼ of municipalities spent less than 80% of their MIG allocation.

Figure 33: Percentage distribution/no of municipalities and % expenditure of MIG against allocation



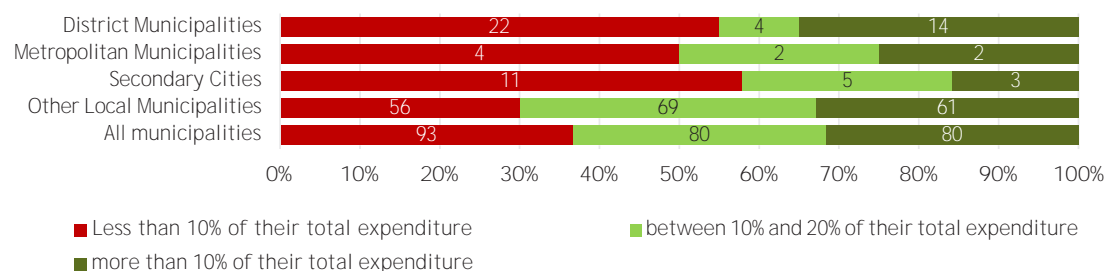
Source: Section 47 Reports

Overall, while the MIG programme continues to play a critical role in addressing infrastructure backlogs and enabling municipalities to extend basic services to poor households, expenditure performance remains uneven across provinces. High performers such as KwaZulu-Natal, Limpopo, Mpumalanga, and the Western Cape demonstrate that full utilisation of allocations is achievable, whereas persistent underspending in provinces like the Free State, Northern Cape, North West, and Gauteng points to capacity and implementation challenges that undermine the developmental impact of the grant.

#### 4.7.2 Capital Expenditure

The State of Local Government Finances and Financial Management Report 2022/23 by National Treasury notes that funding for capital infrastructure remains an ongoing challenge for many municipalities. Lack of infrastructure investment deters the ability of municipalities to address service delivery backlogs and to support more rapid economic growth. A total of 63 municipalities spent less than 10 per cent of their total expenditure on infrastructure in 2022/23, while the norm is between 10 to 20 per cent of the total budget of the municipality.

Figure 34: Total capital expenditure as a percentage of total expenditure

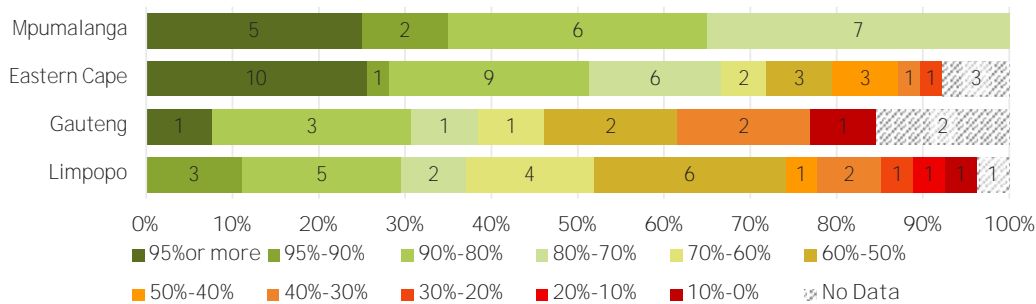


Source: National Treasury: State of Local Government Finances and Financial Management Report 2022/23

Four (4) provinces reported on the percentage of adjusted budgets actually spent on capital expenditure: Eastern Cape, Limpopo, Mpumalanga, and Gauteng. MFMA Circular 71 sets the benchmark norm for this ratio as 65% - 100%. The data continues to show very wide variation across municipalities, ranging from severe under-spending (0-10%) to significant over-expenditure above 100%, which may reflect data quality issues, reporting anomalies, project rollovers, or reclassifications.

- Mpumalanga shows the strongest and most consistent delivery across municipalities. Many municipalities report close to or above 100% expenditure, including Msukaligwa (100%), Dr JS Moroka (112%), Thembisile Hani (152%), and Dipaleseng (307%); the latter being an extreme outlier likely due to reporting or classification anomalies. Most other municipalities cluster between 70–65%, showing generally variable degrees of under-performance. Only one notable underperformer appears: Nkangala DM (75%) relative to its peers.
- Eastern Cape has the majority of municipalities falling in the 70–60% range, suggesting relatively stable under-spending. There were 1 particularly poor performers: Sundays River Valley (34%) and Sarah Baartman DM (22%).
- Gauteng: expenditure performance varies across the province Johannesburg (80%), Tshwane (57%), and Ekurhuleni (65%) show weaker outcomes relative to budget. Severe underperformance is observed in West Rand DM (3%) and Sedibeng DM (36%). By contrast, Rand West City (115%) overspent, and Midvaal (81%) and Lesedi (76%) performed reasonably well.
- Limpopo stands out for the widest disparities. Six municipalities reportedly delivered below 20% of expenditure. Conversely, seven municipalities exceeded 60%.

Figure 35: Percentage distribution of municipalities per Percentage (%) Bracket Budgeted Capital Expenditure spent: MP, EC, GP, LP



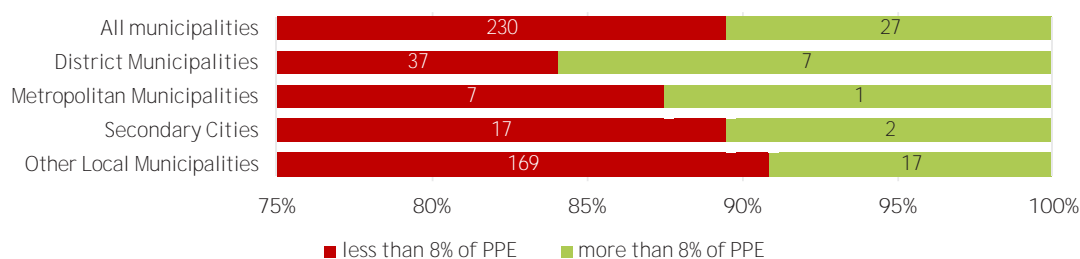
Source: Section 47 Reports

#### 4.7.3 Repairs and Maintenance

Persistent underspending on repairs and maintenance of existing infrastructure is a common challenge across local government. Almost 60 percent of municipalities spent below the 8 percent norm on repairs and maintenance of their assets. Asset maintenance is fundamental to prevent breakdowns of infrastructure assets and to avoid interruptions to service delivery. A total of 230 municipalities spent less than 8 percent of repairs and maintenance on assets while only 27 municipalities have met the target of 8 percent.



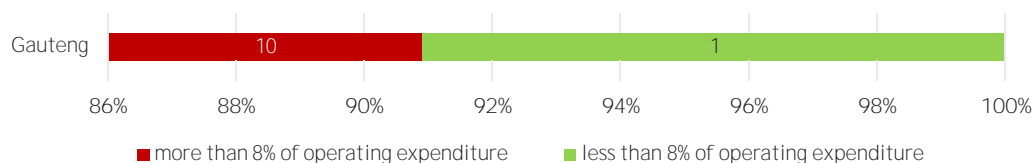
Figure 36: Repairs And Maintenance As A Percentage of Property, Plant and Equipment



Source: National Treasury: State of Local Government Finances and Financial Management Report 2022/23

Gauteng is the only province that reported on repairs and maintenance in the Section 47 report. In the figure below you can see the number of municipalities that have spent greater than 8% of operating expenditure on repairs and maintenance, which is the NT norm. Only 1 municipality reached this benchmark.

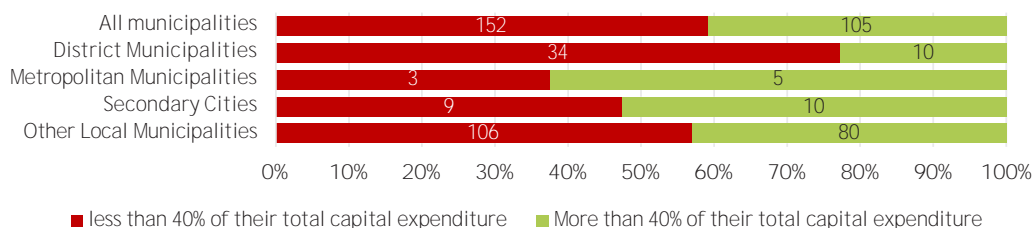
Figure 37: Repairs and Maintenance: GP



Source: Gauteng Section 47 Report

Similarly, spending on renewal and upgrading of existing assets remains substantially low. A total of 152 municipalities under invested in asset renewal below the recommended 40 per cent of the capital budget. This is an indication that municipalities are not prioritising asset management to ensure sustainability of services beyond the initial or original useful life of the asset. Another concerning factor is that many of these infrastructure assets have decreased in value and others have become obsolete. Therefore, underspending on asset renewal increases the risk of future asset deterioration.

Figure 38: Asset renewal/rehabilitation expenditure level



Source: National Treasury: State of Local Government Finances and Financial Management Report 2022/23

## 4.8 SUMMARY OF CHALLENGES – BASIC SERVICE DELIVERY

Municipalities continue to struggle to deliver basic services across their core service areas, and this reflects across their infrastructure spending as well. While some provinces do perform better than others, there remain stark differences in basic service access as reflected in Section 47 reports and among nationally collated datasets.

- **Water access:** While long-term national access to basic water services has improved since 2002 (growing from 84,4% to 87,0%), recent years show a plateau and even declines in provinces such as Limpopo and Eastern Cape. Section 47 reports highlight wide intra-provincial disparities, data gaps, and in some cases implausible outliers. High levels of water loss (averaging 41.7% nationally). Only Western Cape's (22.68%) provincial average sits below the international standard of 25%, while all other provinces fail, Mpumalanga (44.76%) is the worst performer. Water losses alongside frequent interruptions further undermine reliability and sustainability. 35.8% of households nationally reported water interruptions lasting longer than two days, with all provinces (except Gauteng and Western Cape exceeding this percentage). Once again, Mpumalanga (66.6%) is highlighted as the worst performing province, which may demonstrate the link between the issues that cause high water losses and water interruptions.
- **Sanitation access:** National access improved steadily from 61.7% in 2002 to 83.3% in 2023, but progress has stagnated since 2016. Provinces such as Western Cape, Gauteng, and Free State maintain higher access levels, while Limpopo and North West lag behind. Whilst access to flush toilets is 66%, there are still, many households still rely on pit latrines, ventilated and non-ventilated (27%). Whilst Eastern Cape has a high level of access, there is heavy reliance on pit latrines (40%) compared to other provinces. Section 47 reports highlight strong municipal-level performance in provinces like Mpumalanga and Western Cape, but data gaps in the Northern Cape make it difficult to make thoughtful analysis of the province's performance.
- **Electricity access:** National access rose from 78.3% in 2003 to 86.8% in 2023, but progress has slowed, and Gauteng and North West have seen stagnation or decline due to rapid in migration, or perhaps the growth of informal settlements. Reliability remains compromised by high electricity losses. In the two provinces that reported, losses exceed international norm of 10%, 25.8% in Gauteng's and 22.4%, in Northern Cape's, with extremes such as Merafong (GP) at 64%, and Emthanjeni (NW) and Phokwane (NW) at 57%. Such high losses affect the viability of the municipalities' electricity business.
- **Refuse removal access:** Nationally, 62.6% of households have weekly refuse removal while 28.6% use own refuse dumps. Urban-rural divides are stark: 78.8% of rural households self-dispose compared to only 7.2% in urban areas. Provincial disparities are significant: Western Cape (87.6%) and Gauteng (83.6%) show high coverage, while Limpopo (24.6%) lags far behind, with rural Limpopo (7.8%) among the lowest.

Noteworthy is what seems to be data gaps/anomalies in reporting on basic services. Across provinces, particularly Free State, the data is implausible and contradicts StatsSA figures. In the cases of reporting on percentage water/electricity losses, only two provinces reported, though all provinces should be able to track this data.

- **Indigent policy management:** While all municipalities report having indigent policies in place, implementation remains inconsistent. Nationally, 2.8 million indigent households were identified in 2022/23 (up 5.2% from 2021/22), yet only 60-75% benefitted from free basic services across water, electricity, sanitation, and refuse removal. Section 47 reports highlight outdated or inaccurate registers, misalignment with national guidelines, and exclusion of households without municipal accounts, particularly in informal settlements and rural areas. Stats SA confirms a declining share of households receiving free basic water, electricity, and sanitation, with only refuse removal showing marginal improvement. Mpumalanga demonstrates stronger practice through awareness campaigns that boosted registration, but overall indigent management remains weak, with persistent data and coordination gaps undermining equitable access.

- Infrastructure Investment and Maintenance: MIG remains an important vehicle for expanding access, but expenditure is uneven. Provinces such as KwaZulu-Natal and Mpumalanga spend close to 100% of allocations, while Free State (76.35%), Northern Cape (73.35%) and Gauteng (72.58%) underperform. Capital expenditure rates vary widely, with more than a third of municipalities (36.1%) spending less than 10% of budgets, far below the 10-20% norm. Repairs and maintenance are chronically underfunded, with 60% of municipalities spending below the 8% norm, increasing the risk of asset failure and service disruption.

Despite notable progress over the past two decades, basic service delivery in South Africa remains uneven, with stark provincial and municipal disparities. Gains in access are undermined by declining reliability, systemic infrastructure underinvestment, high technical and non-revenue losses, and persistent data quality issues. This combination of service backlogs, weak maintenance, and inconsistent reporting threatens the sustainability of basic services and highlights the urgent need for stronger municipal capacity, improved financial management, and a more consistent national performance measurement framework.

## 5 LOCAL ECONOMIC DEVELOPMENT

### 5.1 INTRODUCTION

Local Economic Development (LED) continues to be a cornerstone of local government performance. When good performance is realised, it fosters collaborative efforts between local government, private sector, and civil society to stimulate inclusive economic growth at the district and local levels. The aim is to align public, private, and non-profit investments to improve quality of life through integrated planning and implementation of localised economic development opportunities that catalyse the opportunities, resources and contextual advantages of an area. In 2022/2023, LED continued to be informed by the District Development Model (DDM), with its spatial and relational orientation to regionalised economic opportunity and coordination.

### 5.2 LEGISLATIVE AND POLICY FRAMEWORK

The constitutional mandate for LED remains unchanged:

- Section 152(c): Municipalities must promote social and economic development.
- Section 153(a): Municipalities must structure planning and budgeting to prioritise community needs and development.

The 1GG8 White Paper on Local Government reinforces this mandate by emphasizing the developmental role of municipalities. It highlights the need to address poverty and support local economic growth through municipal powers and functions.

Following the introduction of the first National Framework for LED in 2006, significant progress was made. This includes the:

- Development of LED strategies by many municipalities, integrated into their Integrated Development Plans (IDPs).
- Allocation of dedicated municipal budgets for LED activities.
- Establishment of LED support programmes in all provinces.
- Creation of over 30 Local Economic Development Agencies (LEDAs).
- Increased investment in LED from national departments and academic institutions, including funding, training, and formal education.
- Contributions from civil society and donors towards capacity building and development initiatives.

### 5.3 INDICATORS FOR 2022/2023

In the preceding financial year of 2021/2022, municipal performance in reporting LED indicators was poor. Many municipalities failed to report adequately on key indicators, very few with any reliable estimate on investment attracted to their jurisdictions. Even fewer made the linkages between where declining and unreliable basic services were failing to provide an enabling environment for social and economic development. District and local municipalities were the most affected by underreporting. Municipal reporting of LED indicators in 2022/2023 showed only marginal improvement compared to 2021/2022. Many municipalities still struggled with underreporting, particularly on investment attraction and LED job creation outcomes. District municipalities, especially in rural provinces, remain the most affected.

Key indicators covered in this section include:

- LED strategy and planning (council-approved strategies and plans)
- Municipal capacity (LED units, posts filled, and forums)
- Job creation (through EPWP, CWP, and LED programmes)
- Types of LED initiatives implemented

### 5.3.1 LED Strategy

Council-approved LED strategies continue to be uneven across provinces. There seems to have been a slowing down in the updating of LED strategies. Across the provinces there are reports of strategies dating back to a decade ago. Table 12 below describes the status of LED strategies within the province.

Table 12: Status of LED strategies in provinces

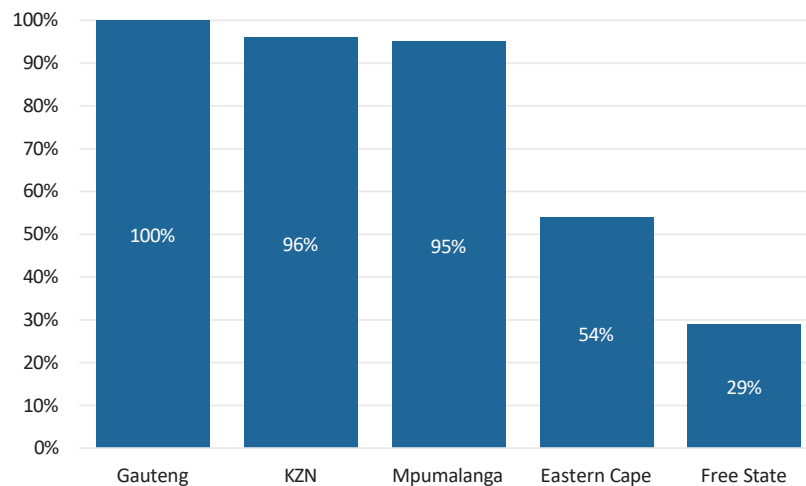
Province	Status / Progress
Eastern Cape	54% of municipalities have updated strategies, and implementation remains weak.
Free State	7 municipalities have approved LED strategies. There are some under review, and others not reported on.
Gauteng	All municipalities have LED strategies, except Tshwane
KwaZulu-Natal	53 LED strategies approved and up to date. Pongola is outstanding.
Limpopo	The report does not mention LED strategies
North West	The report does not mention LED strategies
Northern Cape	Limited reporting on LED strategies. There Section 47 report summarizes what each municipality is doing but one cannot tell from these initiatives whether an approved strategy is in place. There are only 7 clear up to date Council approved strategies.
Mpumalanga	16 municipalities reported approved to have LED strategies.
Western Cape	Strong alignment of LED strategies with provincial economic planning frameworks. However, it is not explicitly stated that the strategies are Council approved and up to date in most cases.

Source: Section 47 Reports

Figure 36 below shows the percentage of up-to-date approved strategies for provinces where it was clearly reported. Gauteng (100%), KZN (66%) and Mpumalanga (65%) all show a high percentage of approved and current strategies. Whilst the Eastern Cape (54%) and Free State (26%) have much lower rates of approved strategies, they are clear in their reports about the numbers that have been developed

and are awaiting Council approval. This highlights ongoing disparities across provinces in strategic readiness.

Figure 36: % Municipalities with Council Approved - up to Date Strategies



Source: Section 47 Reports

A key point to note is that LED Strategies and Plans are used here as a proxy and leading indicator for potential implementation. It is considered a policy and administrative prerequisite, but not sufficient condition for achieving local economic development. The data here suggests that excepting Gauteng, KZN, Mpumalanga and to some extent the Western Cape, even the basic policy and administrative conditions are not present.

### 5.3.2 Municipal Capacity to Plan and Implement LED

The functionality of LED units within municipalities is a critical measure of their capacity to implement Local Economic Development plans effectively. These units act as the operational arms of municipalities, ensuring that LED strategies move beyond policy documents into tangible action. A functional LED unit provides the institutional infrastructure necessary to coordinate stakeholders, manage resources, and monitor progress. It also signals credibility to external partners such as investors, government departments, and development agencies by demonstrating that the municipality has the internal systems and skills to deliver on development initiatives. Without such a unit, LED plans often remain aspirational, with little practical impact on local economies.

Functional LED units also ensure integration of LED plans into broader municipal strategies, such as the Integrated Development Plan and sectoral frameworks, while serving as a bridge between the municipality and local stakeholders. They are essential for mobilizing resources, packaging funding proposals, facilitating partnerships, and ensuring that communities are actively engaged in development processes. In this way, they enable municipalities to foster inclusive growth, create jobs, and support local enterprises. The presence of a functional LED unit therefore reflects a municipality's readiness to drive economic transformation, while the absence of one severely undermines the implementation and sustainability of LED initiatives. Only a few provinces state that an LED unit exists in their municipalities, thus the implication is that they are under-resourced or non-existent.

Across provinces, capacity challenges persist:

- Gauteng: Vacancy rate in LED units stands at 23%.
- Eastern Cape: not all municipalities have standalone LED units, and they are sometimes combined with other departments like Spatial Planning. Only 11 of 36 municipalities reported "Excellent"<sup>12</sup> and 6 are "Very Good"<sup>13</sup>. Therefore, across the 22 other municipalities their either is not a LED unit and/or there are unfilled positions. Furthermore, the report flags that there is a lack of funding for LED units.
- Mpumalanga: 35 of the 71 approved LED-related posts are filled, translating to a 50.7% vacancy rate.
- Free State: Capacity constraints within LED Units due to lack of skilled human resources, budget and understanding of LED
- North West: LED units largely under-resourced.
- Northern Cape: The data is mostly narrative. LED units are mentioned in 3 municipalities narratives, and a fourth mentioned the need to establish an LED unit, which may indicate limited uptake of LED units in the province.
- Western Cape: report provides extensive detail on comprehensive, multi-faceted LED strategies that are developed and being implemented but fails to make a direct mention of the presence of LED units in municipalities.

### 5.3.3 Municipalities with LED Forums

An LED forum serves as a structured platform where municipalities, local businesses, community representatives, government agencies, and other stakeholders come together to discuss, plan, and coordinate Local Economic Development initiatives. Its purpose is to create a space for dialogue, collaboration, and joint decision-making, ensuring that development strategies reflect local needs and opportunities while avoiding duplication of efforts. Encouraging shared responsibility, an LED forum is intended to enhance the effectiveness, legitimacy, and sustainability of LED plans, making it a vital mechanism for local economic growth and development. Despite these stated intentions, there is little evidence to suggest these forums actively contribute to those intentions in practice.

The presence of LED forums remains uneven, and they are mostly not reported on in the Section 47 reports. For those that did, the conceptualisation of functionality was inconsistent. What can be gleaned is:

- Western Cape: The data is mostly narrative. LED Forums are mentioned in 2 municipal summaries. In Hessequa, the forum is being established, and in Matzikama the forum is described as having diverse membership from various sectors
- Free State: In 6 (36.1%) of the 23 municipalities have functional LED stakeholder forums.
- Mpumalanga: Most municipalities (18 out of 20) reported having functional LED stakeholder forums. However, there is limited participation of private sector in LED stakeholder Forums. Further, in some of the municipalities, there would be disruptions of projects by people purporting themselves as local business forums and thus undermining the Municipal inclusive LED Stakeholder forums.

<sup>12</sup> Excellent performance: The municipality must have an LED unit in the organogram; approved budget for posts; all approved posts must be filled and have adequate resource allocation.

<sup>13</sup> Very Good performance: An LED unit is in place; approved posts have been budgeted for and filled but without provision of adequate resources.

- Limpopo: All municipalities have functional LED forums and meetings held regularly.
- Northern Cape: 2 Districts and 2 Local Municipalities noted the establishment of various forums, under the LED banner, namely: Youth Economic Development Forums, Business Forums, Transformations and job creation Implementation Forum, and Economic Collaborative Forum alongside standard LED Forums. This indicates some presence of LED Forums, but not large scale adoption.
- Other provinces: No quantitative data reported on this indicator.

It is also interesting to note that provinces with disproportionate contributions to the economy do not appear to correlate their economic performance with the presence or existence of these structures.

#### 5.3.4 Job Creation through LED Initiatives

The Expanded Public Works Programme (EPWP) and the Community Work Programme (CWP) are national employment initiatives designed to provide work opportunities while supporting service delivery and community development. The EPWP creates short-term jobs through labour-intensive projects such as road construction and maintenance, waste management, social services, and community infrastructure. The CWP complements this by offering guaranteed part-time employment days each year, often through community-based initiatives like agricultural projects, home-based care, and environmental services.

At municipal level, these programmes are crucial because they deliver both social and economic benefits. They help to ease unemployment in the short term while also providing participants with work experience and basic skills that improve employability. They are intended to strengthen community resilience by involving local residents in projects that directly benefit their areas, such as public works and care services. Importantly, they also support municipal service delivery and development priorities, linking job creation to tangible improvements in communities. In this way, municipalities can use these programmes as tools to reduce poverty, enhance livelihoods, and promote inclusive local growth.

Table 13 below presents the number of participants or beneficiaries involved in different employment and development initiatives across provinces during 2022/2023. It shows figures for the Expanded Public Works Programme (EPWP), the Community Work Programme (CWP), and other LED initiatives, with a total calculated for each province.

Table 13: Job opportunities created through EPWP, CWP and LED initiatives

	GP	KZN	LP	MP	NC	FS	NW	WC
EPWP	27540	25648	21403	7176	2624	-	-	50000
CWP	8660	28885	16817		-	24605	22,262	-
LED Initiatives	10210	-	8331		-	-	-	-



Total	46,710	54533	4G551	7176	2624	24605	22,2G2	50000 <sup>14</sup>
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Source: Section 47 Reports

The table highlights both the scale and distribution of these programmes, illustrating how provinces vary in their reliance on and implementation of employment and development opportunities. Gauteng, KZN, Limpopo and the Western Cape have the highest overall participation, followed by Free State and North West. The provinces break down the job opportunities created in different ways; thus, the total figures are the ones that likely provide the most holistic picture. The Eastern Cape did not provide a figure and simply states that all municipalities reported on job opportunities created through EPWP and CWP.

### 5.3.5 Types of LED Programmes and Initiatives

All nine reports highlighted a wide range of LED initiatives and programmes implemented during the 2022/23 financial year. The most common types of initiatives reported included:

- Support to SMMEs and cooperatives
- Business incubation and development services
- Small-scale farmer support and agricultural initiatives
- Township and small-town revitalisation projects
- Tourism development, including cultural and eco-tourism
- Entrepreneur mentorship and contractor training
- Support for informal trading
- Integration of EPWP projects with LED objective

## 5.4 SUMMARY OF CHALLENGES – LED CHALLENGES

Municipalities continue to experience recurring challenges in the implementation of Local Economic Development. While strategies, units, forums, and employment initiatives are in place across many provinces, their effectiveness remains uneven. The Section 47 reports point to constraints in strategy readiness, institutional resourcing, functionality of forums, and the sustainability of employment programmes, all of which are influenced by broader service delivery and infrastructure conditions.

- LED strategies: M Council-approved and up-to-date strategies remain uneven across provinces. Gauteng (100%), KwaZulu-Natal (66%), and Mpumalanga (65%) reported the highest levels of coverage, while the Eastern Cape (54%) and Free State (26%) showed far lower rates. Limpopo and North West did not report on LED strategies, and the Northern Cape provided mostly narrative descriptions, making it unclear whether approved strategies are in place. The uneven updating of strategies, with some dating back a decade, reflects significant disparities in strategic readiness.
- Institutional capacity: LED units are frequently under-resourced, with high vacancy rates, limited skills, and in some provinces an almost absent footprint. Vacancy rates of 23% in Gauteng and over 50% in Mpumalanga were noted, while the Eastern Cape reported that many municipalities do not have standalone LED units and face funding shortages. Free State, North

<sup>14</sup> This figure is an estimate as the graph in the section 47 report does not show the exact number. But it is in this region of 50 000

West, and Northern Cape municipalities similarly struggle with inadequate staffing and budget support. Without functional LED units, strategies remain aspirational and poorly implemented.

- LED forums: Forums, intended to coordinate stakeholders and drive inclusive development, are inconsistently established and poorly reported on. Limpopo and Mpumalanga noted widespread forum coverage, but participation is uneven and sometimes undermined by conflict (e.g., disruption by local business forums in Mpumalanga). In the Free State, only 6 of 23 municipalities reported functional forums, while in the Northern Cape, forums exist only in a handful of municipalities. In most provinces, forums are either absent or lack clarity on their role and functionality.
- Job creation initiatives: Provinces reported varying levels of employment creation through EPWP, CWP, and other LED programmes. Gauteng, KwaZulu-Natal, Limpopo, and the Western Cape reflected the highest levels of participation, while Eastern Cape did not provide figures for 2022/2023. The initiatives provide temporary relief through short-term opportunities, but reporting did not consistently link them to long-term economic outcomes or sustainable livelihoods.
- Enabling environment: Section 47 reports highlighted that declining or unreliable basic services, particularly in water, electricity, and waste management, constrain the impact of LED. These conditions limit the extent to which strategies, forums, and employment programmes can achieve inclusive economic growth.

In summary, LED strategies, units, forums, and initiatives exist across municipalities, but their impact is weakened by outdated or absent strategies, capacity shortages, inconsistent stakeholder coordination, and reliance on temporary employment interventions. These weaknesses are compounded by deteriorating service delivery, meaning LED often remains compliance-driven and short-term rather than a strategic lever for inclusive economic transformation.

## 6 MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT

### 6.1 INTRODUCTION

Sound financial management practices are fundamental to the long-term sustainability of municipalities and their ability to deliver services effectively. Municipal financial management spans a range of interrelated components – planning and budgeting, revenue generation, cash and expenditure management, procurement, asset management, reporting, and oversight. Together, these ensure that municipal expenditure is developmental, efficient, and accountable.

A critical starting point for financial viability lies in the strength of the municipal revenue base. The ability to bill accurately, collect revenues effectively, and safeguard key income streams such as property rates, service charges, and intergovernmental transfers determines whether municipalities can meet their service obligations. When billing systems are weak, collection rates fall, or consumer debt escalates, municipalities become increasingly dependent on external grants, undermining fiscal autonomy and predictability.

Expenditure patterns further shape financial sustainability. Municipalities must balance the developmental imperative of service delivery with strict affordability constraints, ensuring that outlays are efficient, targeted, and aligned with budgets. Rising employee costs, bulk purchases, and consumption-driven expenditure trends often crowd out investment in repairs, maintenance, and capital projects. Overspending or underspending against adjusted budgets signals weaknesses in discipline and planning, eroding both efficiency and service outcomes.

Financial viability also depends on how well municipalities manage their liquidity and cash flow. The availability of adequate and predictable funding, coupled with prudent financial management, is central to ensuring reliable service delivery. This is most clearly demonstrated by a municipality's ability to service debt from its own revenue and to collect receivables in order to fund day-to-day operations, thereby reducing reliance on external grants. In practice, viability is measured through a municipality's capacity to generate sufficient cash flows to cover operating expenditure and debt commitments, while maintaining and expanding service delivery. The 2007 Municipal Systems Act regulations set out three key performance indicators to assess this: debt coverage, outstanding consumer and service debtors to revenue, and cash flow.

Independent assurance is provided through audit outcomes, which reflect the integrity of municipal financial reporting and governance. The Auditor-General's findings on compliance, internal controls, and the accuracy of financial statements provide a window into the quality of oversight. While clean or unqualified audits signal credibility and accountability, repeated qualifications, disclaimers, or adverse outcomes expose systemic weaknesses in financial management and undermine public confidence.

Finally, patterns of financial distress provide a cross-cutting indication of viability. Municipalities struggling with chronic cash shortages, escalating debt to bulk service providers, and deteriorating creditor and debtor positions often enter distress, triggering interventions or debt relief processes. These conditions typically stem from interlinked failures in revenue collection, expenditure control, asset management, and governance. Persistent distress not only constrains the ability of municipalities to sustain basic services but also threatens the broader stability of the local government system.

Together, these dimensions (revenue, expenditure, liquidity and cash management, audit outcomes, and financial distress) provide a comprehensive picture of municipal financial viability and the risks that shape long-term sustainability.

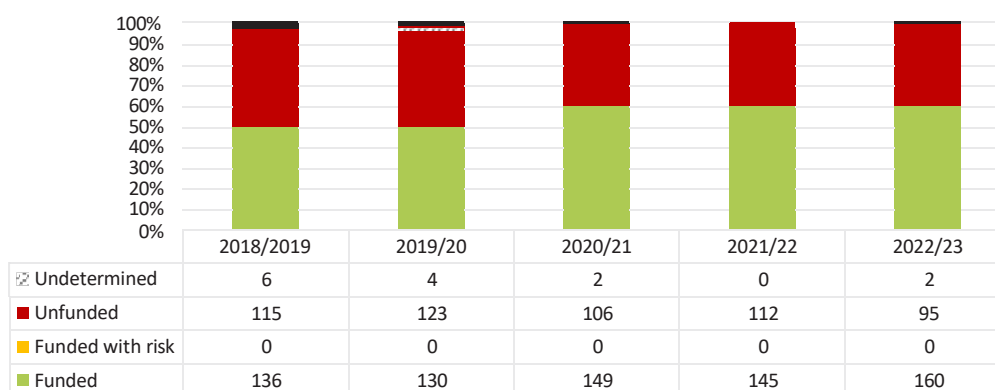
## 6.2 REVENUE

### 6.2.1 Funded/Unfunded Budgets

Funded budgets are a leading indicator of good financial management and viability. If a municipality adopts a budget that is not credible, realistic or sustainable, it runs a financial risk that may affect all areas of its operations. The State of Local Government Finances and Financial Management Report 2022/23 (SoLGF) published by National Treasury states that a total of 65 municipalities adopted unfunded budgets in 2022/23, a decline from 112 in 2021/22. This represents an improvement of 15% year-on-year. Unfunded budgets contravene the provisions of Section 18 of the MFMA and indicate that municipalities continue to overestimate their anticipated revenue and plan excessive spending, often resulting in financial strain.

Figure 40 below shows funded and unfunded budget information between 2018/16 and 2022/23. Over this five-year budget period, the number of municipalities adopting unfunded budgets decreased from 115 in 2018/16 to 65 in 2022/23, an improvement of 17%. While this trend signals some progress, the persistence of a large number of unfunded budgets suggests that municipalities are still struggling to align expenditure with realistically anticipated revenue. In addition, inefficiencies such as excessive water and electricity losses and growing unauthorised, irregular, fruitless and wasteful expenditure continue to place further pressure on municipal finances.

Figure 40: Five-year trend in Funded/Unfunded Budgets



Source: National Treasury: State of Local Government Finances and Financial Management Report 2022/23

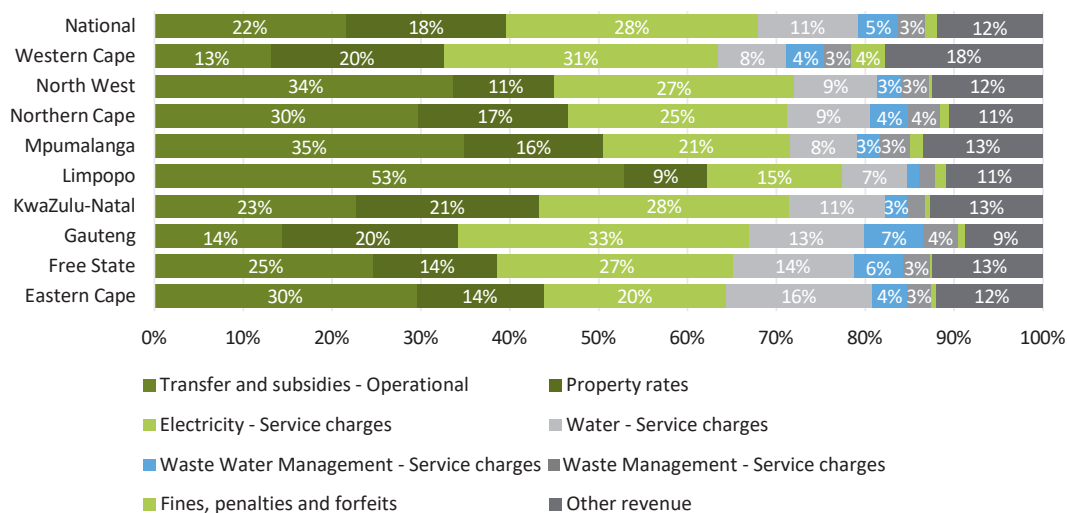
With respect to the metros, the City of Tshwane was the only metro that adopted an unfunded budget in 2022/23, marking the first time in the past three financial years that a metro has adopted an unfunded budget. Among the secondary cities, 10 out of 16 adopted unfunded budgets, unchanged from the previous year. The persistence of unfunded budgets in municipalities, despite ongoing support and recommendations from both National and Provincial Treasuries, suggests that systemic weaknesses in budget planning and financial governance remain entrenched. These include lack of capacity, weak governance, operational and institutional inefficiencies, and to some extent, political instability.

### 6.2.2 Revenue by Type

As shown in Figure 41, Electricity service charges remain the largest single source of municipal revenue, contributing 28% nationally. Gauteng (33%) and Western Cape (31%) record the highest reliance, with electricity accounting for around a third of total income. In contrast, Limpopo records the lowest share from electricity (15%), with more than half of revenue instead derived from transfers (53%), highlighting its heavier dependence on national funding. Transfers also make up roughly a third of revenue in North West (34%) and Mpumalanga (35%). Property rates contribute 18% nationally, with the highest shares in KwaZulu-Natal (21%) and in Gauteng and Western Cape (20% each). Water service charges account for 11% nationally, with Eastern Cape (16%) and Free State (14%) recording the highest proportions. Wastewater and waste management charges remain smaller contributors, at 5% and 3% of national municipal revenue respectively. Wastewater and waste management charges remain smaller contributors, at 5% and 3% of national municipal revenue respectively.

When combined, service charges for electricity, water, wastewater and waste management account for just under half of total municipal revenue nationally (47%). Gauteng records the highest combined share at 57%, followed by Free State (50%), Western Cape (46%) and KwaZulu-Natal (44%). Eastern Cape, Northern Cape and North West all fall between 40% and 50%. Mpumalanga (35%) and Limpopo (26%) record the lowest reliance on service charges, reflecting their higher dependence on transfers. The Western Cape continues to record the highest relative share from fines (4%), while other revenue streams together contribute 12% of municipal revenue nationally.

Figure 41: Breakdown of municipal revenue



Source: National Treasury Municipal MTREF A4 Budgeted Financial Performance, 2023/24, collated by author

### 6.2.3 % Growth from Previous Year

Nationally, as shown in Table:14, municipal revenue from electricity service charges increased by 14%, water service charges by 22%, wastewater service charges by 20% and waste management service charges by 21%. Gauteng recorded particularly strong growth across all four categories, with electricity increasing by 37%, water by 36%, wastewater by 33% and waste management by 43%, all well above the national municipal averages. By contrast, Limpopo reflected the weakest performance, with electricity service charges increasing by only 1% and wastewater revenue remaining unchanged, while water revenue increased by 16% and waste management by 4%, all below the national averages.

Several provinces recorded growth in specific categories that exceeded the national averages. Eastern Cape reported strong growth in water revenue (31%), higher than the national figure, while Free State exceeded the national average for wastewater revenue (6%) but recorded lower growth in the other categories. KwaZulu-Natal reflected above-average growth in property-related revenues (17%) and modest increases across the four service charges, though all remained below the national benchmarks. Northern Cape and North West also recorded growth below national levels in most categories, though both reflected stronger performance in wastewater charges (13% and 7% respectively). Western Cape recorded the lowest growth among provinces for electricity (0%), water (8%), wastewater (10%) and waste management (6%), all falling short of the national municipal averages.

The overall national increases in service charge revenue were driven primarily by Gauteng, where growth across all categories substantially lifted the national averages despite more modest results in most other provinces.

Table: 14 Annual growth in revenue from service charges (2021/22-2022/23)

Province	Electricity	Water	Waste Water Management	Waste Management
Eastern Cape	4%	31%	5%	4%
Free State	2%	6%	9%	-3%
Gauteng	37%	39%	33%	43%
KwaZulu-Natal	4%	8%	7%	12%
Limpopo	1%	19%	0%	4%
Mpumalanga	2%	-2%	7%	5%
Northern Cape	3%	7%	13%	12%
North West	2%	8%	7%	8%
Western Cape	0%	8%	10%	9%
Nationally	14%	22%	20%	21%

Source: National Treasury Municipal MTREF A4 Budgeted Financial Performance, 2023/24, collated by author

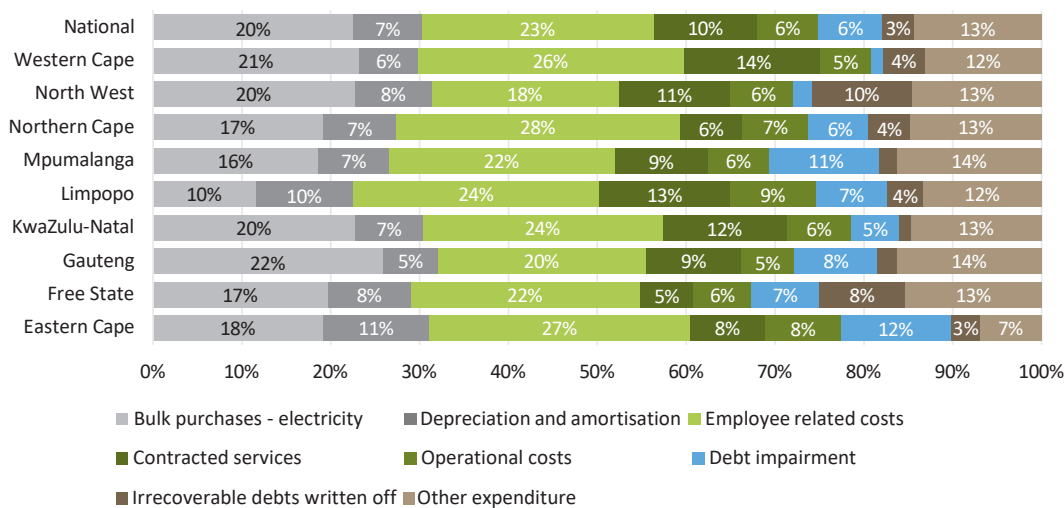
## 6.3 EXPENDITURE

### 6.3.1 Expenditure by Type

As shown in Figure 42, employee-related costs remain the single largest component of municipal operating expenditure, accounting for 23% nationally. Shares range from 18% in North West to 28% in Northern Cape, with Eastern Cape (27%) and Western Cape (26%) also above the national average. Bulk purchases, primarily for electricity, make up 20% nationally. Gauteng (22%) and Western Cape (21%) record slightly higher proportions, while Limpopo is notably lower at 10%.

Among other categories, debt impairment contributes 6% nationally, with Eastern Cape (12%) and Mpumalanga (11%) recording the highest shares. Depreciation and amortisation accounts for 7%, with Eastern Cape and Limpopo at 10-11%. Contracted services make up 10% nationally, but are higher in Western Cape (14%) and Limpopo (13%). Irrecoverable debts written off account for 3% nationally, though North West (10%) and Free State (8%) stand out. Operational costs (6%) and other expenditure (13%) show less variation, with most provinces close to the national averages, except Eastern Cape which records a lower share of other expenditure at 7%.

Figure 42: Breakdown of municipal expenditure



Source: National Treasury Municipal MTREF A4 Budgeted Financial Performance, 2023/24, collated by author

#### 6.3.2 % Growth from Previous Year

Nationally, as show in Table 15, employee-related costs increased by 12%, bulk purchases by 14%, debt impairment by 62% and depreciation and amortisation by 6%. Contracted services grew by 16%, operational costs by 16% and other expenditure by 21%, while irrecoverable debts written off declined by 26%. The overall increases were strongly influenced by Gauteng, which recorded large rises across most categories, including employee-related costs (40%), bulk purchases (36%), depreciation (32%), contracted services (30%), operational costs (37%) and other expenditure (37%). Debt impairment in Gauteng rose sharply (326%), far above the national increase.

Table 15: Annual growth in expenditure (2021/22-2022/23)

	Employee related costs	Bulk purchases - electricity	Debt impairment	Depreciation and amortisation	Contract ed services	Irrecover able debts written off	Operatio nal costs	Other expendit ure
EC	1%	4%	11%	4%	9%	30%	7%	-6%
FS	1%	-2%	-9%	1%	-18%	20%	-5%	1%
GP	40%	36%	329%	32%	30%	-61%	37%	37%
KZN	3%	5%	16%	3%	12%	-12%	3%	16%
LP	4%	1%	77%	-5%	0%	-41%	15%	16%
MP	5%	1%	109%	7%	3%	-60%	11%	28%
NC	10%	2%	195%	-8%	31%	-29%	10%	23%
NW	6%	5%	111%	-7%	16%	-2%	43%	33%
WC	2%	1%	48%	4%	16%	8%	8%	2%
Nati onal	12%	14%	G2%	G%	16%	-2G%	16%	21%

Source: National Treasury Municipal MTREF A4 Budgeted Financial Performance, 2023/24, collated by author

Other provinces also recorded notable increases in debt impairment, including Northern Cape (165%), North West (111%), Mpumalanga (106%), Limpopo (77%) and Western Cape (48%). By contrast, Free State recorded decreases across several items, including bulk purchases (2%), debt impairment (6%), contracted services (18%) and operational costs (5%). Declines in irrecoverable debts written off were widespread, with the sharpest reductions in Mpumalanga (60%), Limpopo (41%) and Eastern Cape (30%), consistent with the overall national decrease.

## 6.4 CASH MANAGEMENT AND LIQUIDITY

The most common indication of financial distress in a municipality is liquidity challenges. Municipalities with liquidity challenges fail to collect the money owed and lack the resources to pay their short-term obligations. As a result, their outstanding debtors' book are increasing, and because of lack of resources, the creditors are also rising. These municipalities are consequently unable to maintain positive cash flows to pay creditors within the legislated time frame of 30-days.

### 6.4.1 Cash Balance

Understanding the cash liquidity of municipalities provides an indication of municipalities ability to meet their financial commitments or sustain their operations. A municipality is likely to experience serious financial problems that escalate into a crisis and inevitably lead to dysfunctionality if it is without good cash flow management and a solid liquidity risk management strategy.

In terms of Section 45 of the MFMA, municipalities are not permitted to close the financial year with any short-term borrowing or overdraft. A negative cash balance at the end of the financial year is indicative of a municipality under financial stress.

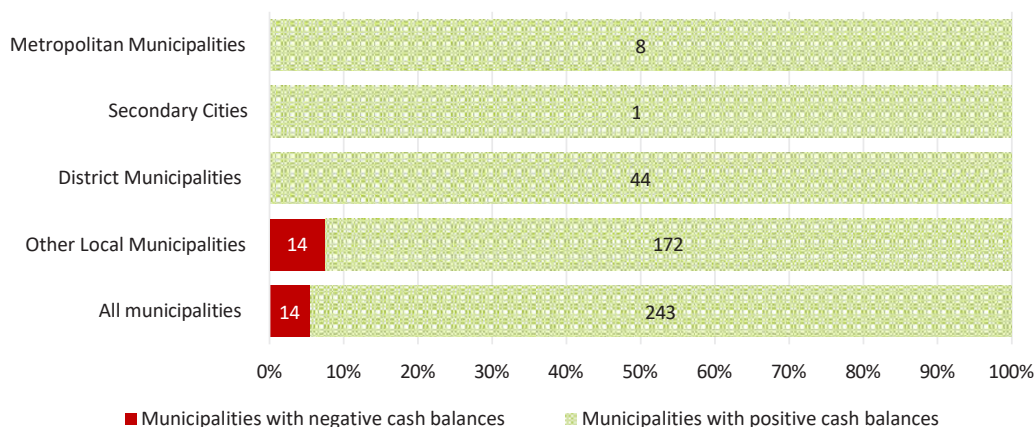
According to the 2022/23 Section 47 reports, only Gauteng and North West provided information on the cash balances of their municipalities:

- Gauteng reported that all its municipalities closed both the 2021/22 and 2022/23 financial years with positive cash balances.
- North West reported that none of its 22 municipalities had persistent negative cash balances at the end of 2022/23, an improvement from the previous year when two municipalities reported persistent negative balances.

Reliance on these reports is therefore inadequate for producing a picture of local government cash balance. To understand the national picture, one can refer to the SoLGF report. As shown in Figure 43, at the end of 2022/23 a total of 14 municipalities reported negative cash balances, the same number as in 2021/22. This indicates no overall improvement in the aggregate picture. Of these, 6 municipalities recorded recurring negative cash balances from the previous year, pointing to persistent cash flow problems.



Figure 43: National: % /no of municipalities with negative cash balances



Source: National Treasury: State of Local Government Finances and Financial Management Report 2022/23

All 8 metros maintained positive cash balances for the second consecutive financial year under review. By contrast, the Free State and Northern Cape reported the highest number of municipalities with negative cash balances in 2022/23, with 4 each, followed by North West with 3. Encouragingly, all 44 district municipalities reported positive cash balances in 2022/23, compared to 2 that reported negative balances in 2021/22.

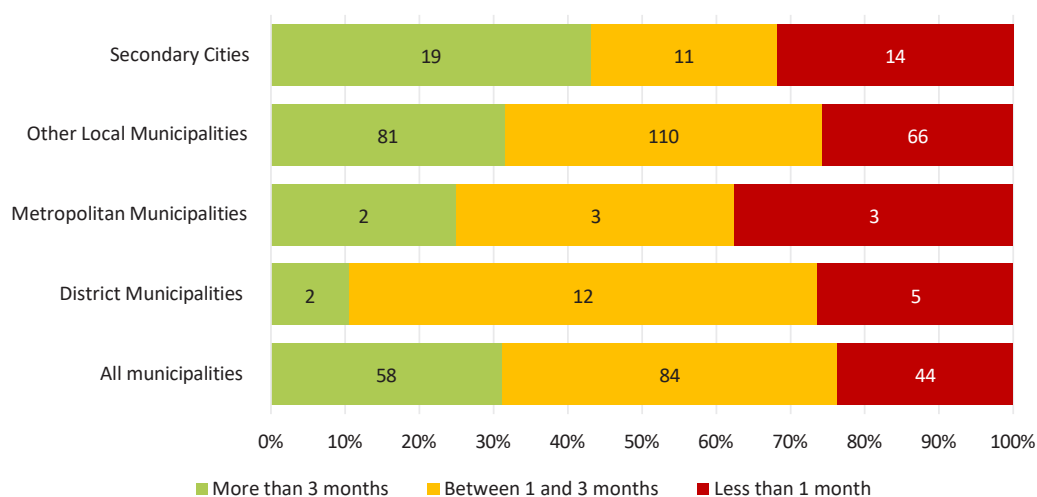
The figures suggest that while metros and district municipalities have generally managed to maintain healthy cash positions, a number of local municipalities continue to face structural cash flow challenges. These difficulties are often linked to weak revenue collection, escalating expenditure pressures, and limited capacity to manage working capital effectively.

#### 6.4.2 Cash Coverage Ratio

The cash coverage ratio is a key indicator of a municipality's ability to meet its monthly fixed operational costs, as it measures how many months of expenditure can be covered by the cash on hand. MFMA Circular 71 sets the benchmark norm for this ratio at between one and three months. A ratio below one month signals potential financial distress and indicates a heightened risk that a municipality may not be able to meet its financial commitments or sustain basic service delivery.

According to the SoLGF Report (Figure 44), at the end of 2022/23, 24% of municipalities had a cash coverage ratio of less than one month, 45% percent reported ratios of between one and three months, and 31% percent had ratios exceeding three months of operational expenditure. Compared to 2021/22, where nearly half (46.%) of municipalities had a ratio of less than one month, the 2022/23 results point to some improvement. Despite the improvement, a notable share of municipalities still remain below the benchmark.

Figure 44: %/no. distribution of Cash Coverage per municipality category



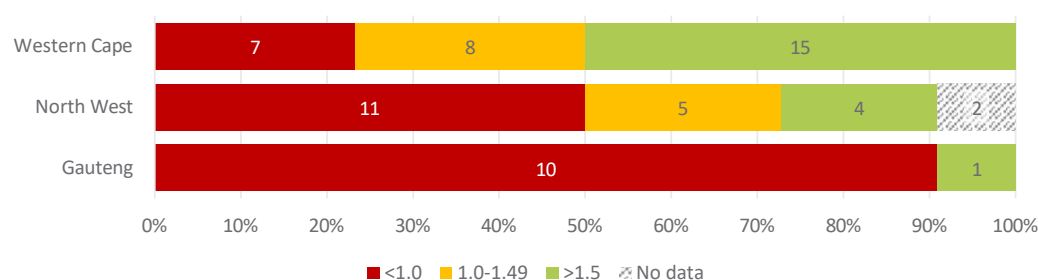
Source: National Treasury: State of Local Government Finances and Financial Management Report 2022/23

#### 6.4.3 Current Ratio

The current ratio measures whether a municipality has sufficient current assets to cover its current liabilities (such as debt and payables). A higher current ratio indicates a greater ability to meet short-term obligations and to continue operating as a going concern. MFMA Circular 71 sets the benchmark norm for this ratio at between 1.5 and 2.0. A ratio of less than 1 suggests that a municipality may be unable to pay all its short-term obligations if they fall due at the same time, highlighting serious financial challenges and likely liquidity constraints.

Only three provinces, as shown in Figure 45, reported the current ratios of their municipalities in their Section 47 reports: North West, Gauteng, and Western Cape. Each of the three provinces reported more municipalities with ratios below 1 than in 2021/22. In Gauteng, the number of municipalities with ratios below 1 increased from 8/11 to 10/11 (73% to 61%). In the Western Cape, it rose from 4/30 to 7/30 (13% to 23%), while in North West it moved from 6/22 to 11/22 (41% to 50%). These results confirm a worsening trend across all three provinces, with a greater share of municipalities unable to meet the benchmark.

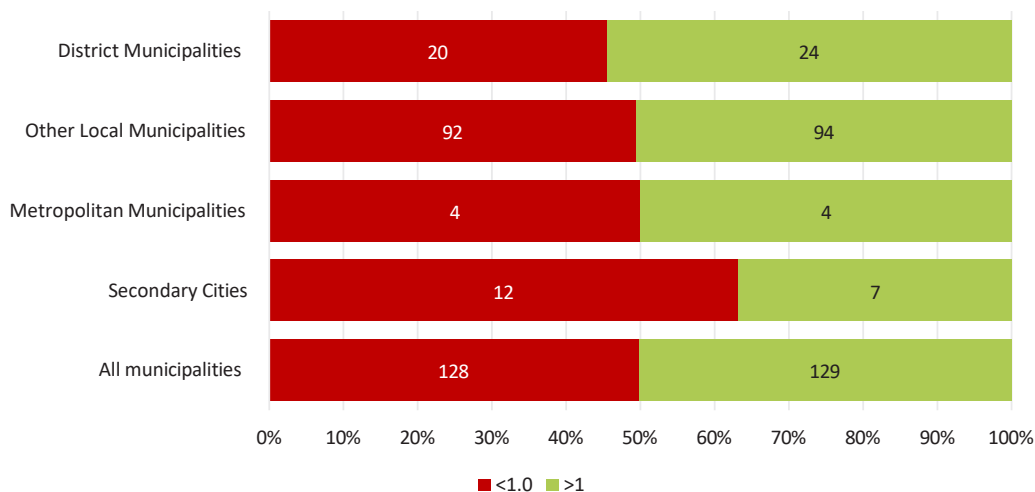
Figure 45: NW, GP s WC: %/no. of municipalities by current ratio category, by Province



Source: Section 47 Reports

When comparing this to SoLGF data, Figure 46 shows a similar pattern. Nationally, just under 50% of municipalities had a current ratio below 1 at the end of 2022/23. Metros remain among the weaker performers where 4 of the 8 reported a current ratio below 1, which is broadly consistent with the pattern observed in 2021/22, where metros also performed worse than other categories of municipality.

Figure 46: National: %/no. of municipalities by current ratio category, by municipality type



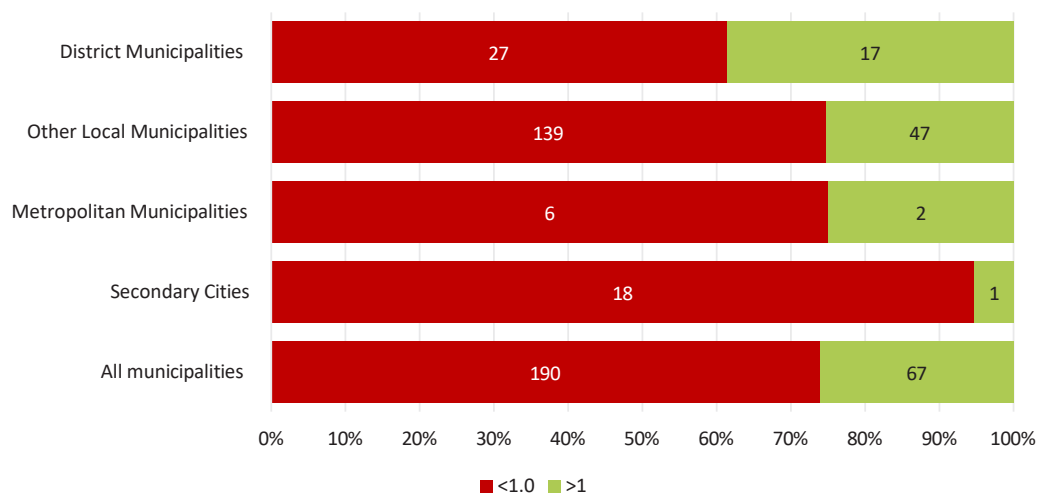
Source: National Treasury: State of Local Government Finances and Financial Management Report 2022/23

#### 6.4.4 Liquidity Ratio

While the current ratio measures whether a municipality has sufficient current assets to cover its current liabilities, the liquidity ratio focuses only on the most liquid assets, cash and investments, in relation to its liabilities. This makes it an important measure of a municipality's ability to settle debt obligations using readily available resources, without the need for external funding.

According to the SoLGF, Figure 47 shows at the end of 2022/23 a total of 160 municipalities (74%) had a liquidity ratio below 1, while only 67 municipalities (26%) demonstrated stable liquidity positions (see Figure 7). This represents a slight deterioration compared to 2021/22, when 188 municipalities were below 1 and 66 were above. The results confirm that liquidity remains a significant challenge for municipalities, with almost three-quarters unable to cover their short-term liabilities from cash and investments.

Figure 47: %/no. of municipalities by liquidity ratio category, by municipality type



Source: National Treasury: State of Local Government Finances and Financial Management Report 2022/23

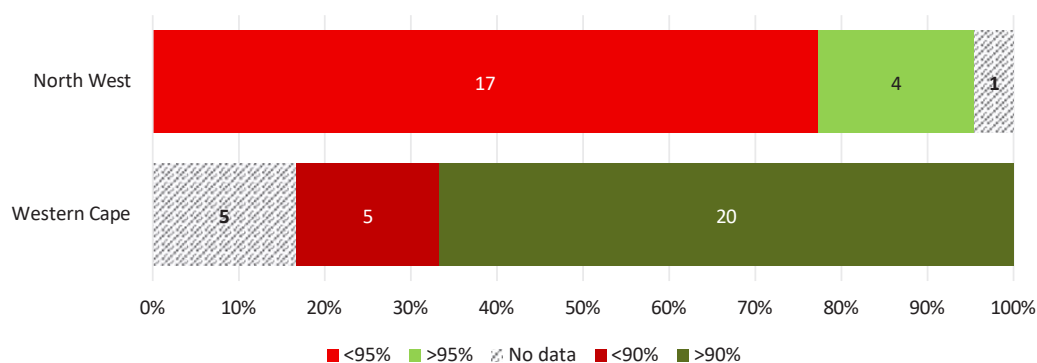
Looking across categories of municipalities, six of the eight metros reported liquidity ratios below 1, an improvement from seven in 2021/22, with the City of Cape Town maintaining a stable position and eThekweni improving. Secondary cities also showed marginal progress, with 18 of 16 below 1 compared to all 16 in 2021/22. In contrast, other local municipalities worsened, with 136 below 1 compared to 137 in 2021/22, and district municipalities also slipped from 25 to 27 below 1. Overall, the slight gains in metros and secondary cities were outweighed by deterioration in local and district municipalities, leaving the aggregate position weaker than the previous year.

#### 6.4.5 Debt Collection

The municipality's ability to collect revenue and recover debt has a significant impact on its cash flow management. One key metric for measuring this is the collection rate: the percentage of billed revenue collected. MFMA Circular 71 sets the benchmark norm for the collection rate at 65%. MFMA Circular 71 sets the benchmark norm for the collection rate at 65%. Only two provinces reported the collection rates of their municipalities: North West and Western Cape in their Section 57 reports.

As shown in Figure 48, the Western Cape applied a lower norm of 60% in its calculations. In this figure, the North West records a high proportion (77%) of municipalities below the norm for collection rate. The Western Cape reports that 5 municipalities (17%) fall below its 60% threshold. While this appears better than the other two provinces, it does not capture those municipalities achieving between 60% and 65%, a range that, although less concerning, still falls short of the MFMA benchmark.

Figure 48: NW s WC: %/no. of municipalities with collection rate &gt;65%



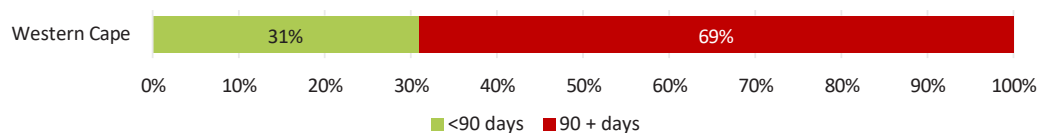
Source: Section 47 Reports

Another important metric for assessing a municipality's revenue and cash flow management capabilities is Debtor Days (or Debt Collection Period), which measures the average number of days it takes for a municipality to receive payment from consumers for bills or invoices issued. MFMA Circular 71 sets the benchmark norm at 30 days. Ratios above this level indicate that the municipality is exposed to significant cash flow risk and often reflect weak application of credit control and debt collection policies.

According to the 2022/23 Section 47 reports, only three provinces reported on Debtor Days or Debt Collection Period, and in varying formats. To allow for comparison, the data has been converted into percentages.

Figure 46 shows that 66% of municipal debt in Western Cape is older than 60 days. The data is presented only in two broad categories, less than 60 days and more than 60 days, and therefore does not show how much debt falls into the 30 to 60 or 60 to 60 day ranges.

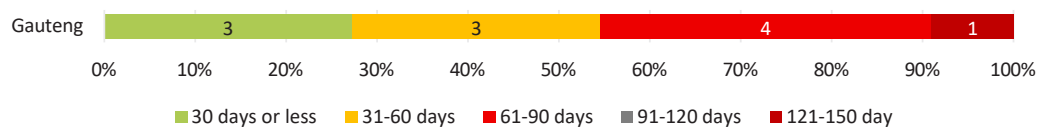
Figure 46: WC: % municipalities Debtor days exceeding 60 days



Source: Western Cape Section 47 Report

Figure 50 shows that 61% of Gauteng municipalities exceed 30 debtor days, while 6% exceed 60 days.

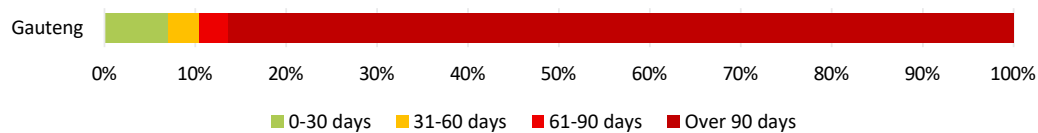
Figure 50: GP: %/no. of municipalities per debtors days category



Source: Gauteng Section 47 Report

Debt age analysis, reported by Gauteng, further indicates that 86% of the total debt owed across all municipalities in the province is older than 60 days (Figure 51).

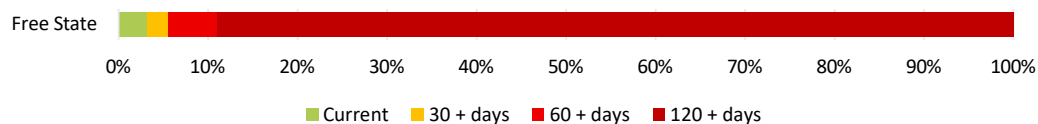
Figure 51: GP: Debtors Age Analysis - % per age analysis across all municipalities in the province



Source: Gauteng Section 47 Report

Figure 52 shows that in Free State 67% of outstanding debt exceeds 30 days, with 86% older than 120 days.

Figure 52: FS: Percentage distribution of outstanding debtors



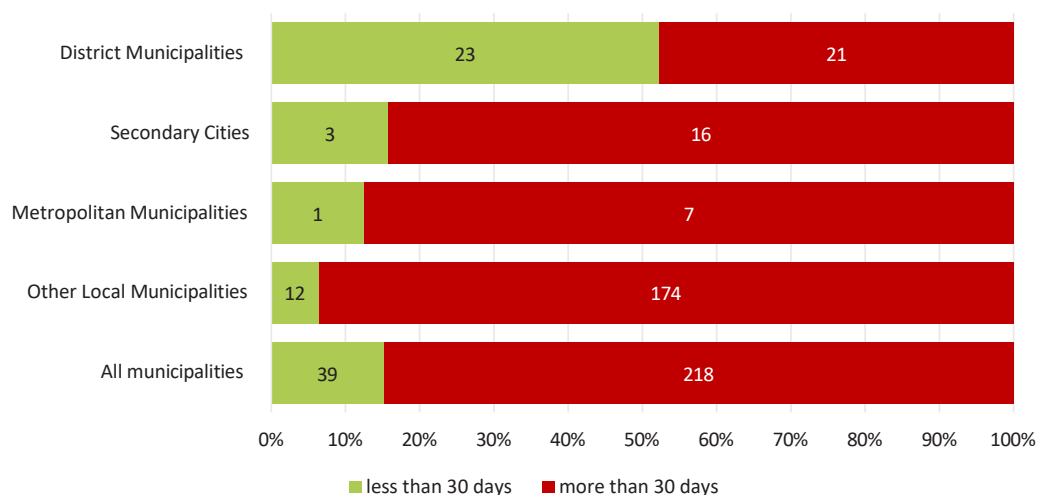
Source: Free State Section 47 Report

Across these provinces, the evidence points to poor revenue and debt collection performance, with arrears concentrated in long outstanding categories and persistent challenges in curbing the growth of overdue debt. Compared to 2021/22, the overall picture shows little change, confirming that persistent arrears remain a systemic challenge.

When comparing this to SoLGF data, Figure 53 shows that 218 municipalities (85%) nationally take longer than 30 days to collect debt, leaving only 36 (15%) municipalities collecting within the benchmark period. This represents a slight regression compared to 2021/22, when 216 municipalities (84%) exceeded 30 days. This confirms that municipalities across the country continue to struggle with debt collection, providing further explanation for the cash flow management challenges highlighted earlier.

Further analysis shows little improvement across municipal categories. 7 of the 8 metros now take more than 30 days to collect debt, with eThekweni the only metro collecting within the benchmark period. This represents a slight deterioration from 2021/22, when 6 metros were above 30 days. Among secondary cities, 16 of 16 (84%) take longer than 30 days, a small improvement compared to 17 (86%) in the previous year. At the local municipality level, only 12 municipalities (6%) collected debt within 30 days, down from 16 (6%) in 2021/22, continuing a year-on-year regression. District municipalities showed a minor improvement, with 23 municipalities (52%) collecting debt within 30 days compared to 21 (48%) in 2021/22.

Figure 53: %/no. municipalities with Debtors Days exceeding 30 days per municipality type



Source: National Treasury: State of Local Government Finances and Financial Management Report 2022/23

Overall, national debt collection remains weak, with only marginal shifts across municipal categories between 2021/22 and 2022/23. The persistence of high debtor days underscores the systemic nature of the challenge and confirms that arrears remain a key driver of municipal cash flow constraints.

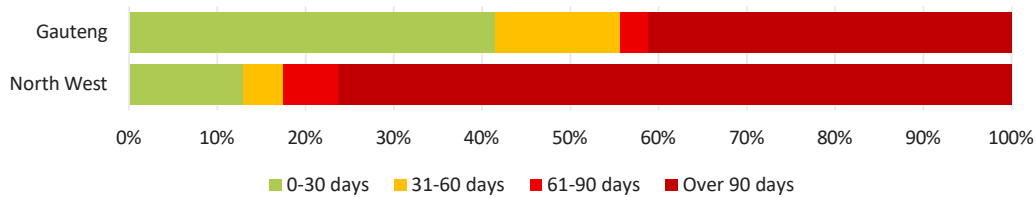
#### 6.4.6 Creditors

The creditors payment period provides information about a municipality's payment patterns and how well its cash flow is being managed. A shorter period of less than 30 days indicates that payments are made promptly, and creditors are prioritised. This implies that the municipality maintains an effective system of expenditure control and internal processes for the timely turnaround of creditor payments. A period longer than 30 days is an indication of cash flow pressures or ineffective internal controls. Timely payment of creditors is therefore crucial for maintaining municipal liquidity and for supporting local economies, particularly Small, Medium, and Micro Enterprises (SMMEs), which are highly vulnerable to payment delays.

The MFMA sets a clear standard. Section 65(2)(e) requires all monies owed by a municipality to be paid within 30 days of receiving an invoice or statement, unless prescribed otherwise for specific categories of expenditure. Section 65(2)(h) further requires the accounting officer to take reasonable steps to manage available working capital effectively and economically. Non-compliance with these provisions not only contravenes the MFMA but can also signal serious financial problems and trigger the conditions outlined in Section 138 and Section 140 of the Act.

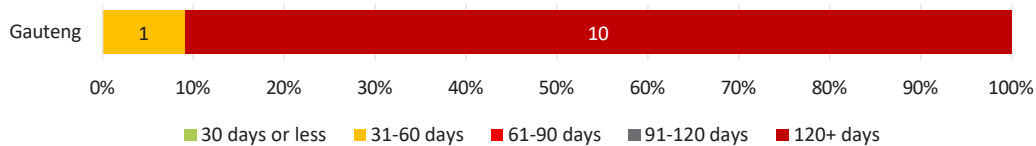
According to the 2022/23 Section 47 reports, as shown in Figure 54, only Gauteng and North West provided a creditor age analysis. In the North West, 87% of creditor debt exceeded 30 days, with 76% older than 60 days, indicating a very high burden of overdue obligations. In Gauteng, as shown in Figure 55, 56% of creditor debt was older than 30 days and 41% older than 60 days. More concerning, however, is that no municipality in the province paid creditors within 30 days, with the average creditor payment period recorded at 458 days. 10 of the 11 municipalities reported payment periods exceeding 120 days, with four above 400 days. These figures leave both provinces exposed to significant cash flow and compliance risks.

Figure 54: NW's GP: Creditor Age Analysis



Source: Section 47 Reports

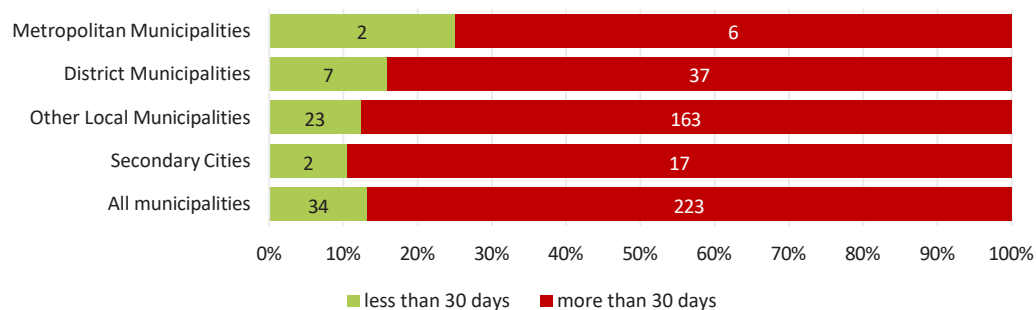
Figure 55: GP: %/no. of municipalities per Creditor Payment Period category



Source: Gauteng Section 47 Report

When these Section 47 reports are contrasted with SoLGF data, as shown in Figure 56, provides a broader view of creditor payment performance across all municipalities. In 2022/23, 223 municipalities in total (87%) took more than 30 days to pay creditors. Within this national picture, 6 metros (75%), 17 secondary cities (86%), and 163 local municipalities (88%) recorded payment periods beyond 30 days. District municipalities also showed weak performance, with 37 of 44 (84%) exceeding the benchmark. This widespread non-compliance with Section 65(2)(e) of the MFMA highlights systemic weaknesses in municipal cash flow management and contributes to the financial distress experienced by many municipalities.

Figure 56: Creditor payment period: %/no of municipalities that pay creditors within 30 days of receiving the invoice, per municipality type



Source: National Treasury: State of Local Government Finances and Financial Management Report 2022/23

## 6.5 AUDIT OUTCOMES

### 6.5.1 Overview

The MFMA Section 134 report provides an overview of actions taken to address issues raised by AGSA, assessment conducted by respective MECs of Local Government to determine the extent which the municipalities have adequately addressed issues raised by AGSA and support interventions by the Department of Cooperative Governance to address issues raised by AGSA. The report should be



considered during the section 48 report of Municipal Systems Act in accordance with section 134 of the Municipal Finance Management Act, No 56 of 2003. This section on the submission of financial statements and the reports of the Auditor-General is based on the MFMA Section 134 report by DCoG for 2022/23.

Section 131 of the MFMA requires the MEC responsible for Local Government to assess the annual financial statements of municipalities in the province, the audit report on such statements and any responses of municipalities to such audit reports, and whether the municipalities have adequately addressed all issues raised by the Auditor General. This section should be read together with section 47 of the Municipal Systems Act, which requires the MEC for local government to annually compile and submit to the provincial legislatures and the Minister a consolidated report on the performance of municipalities in the province.

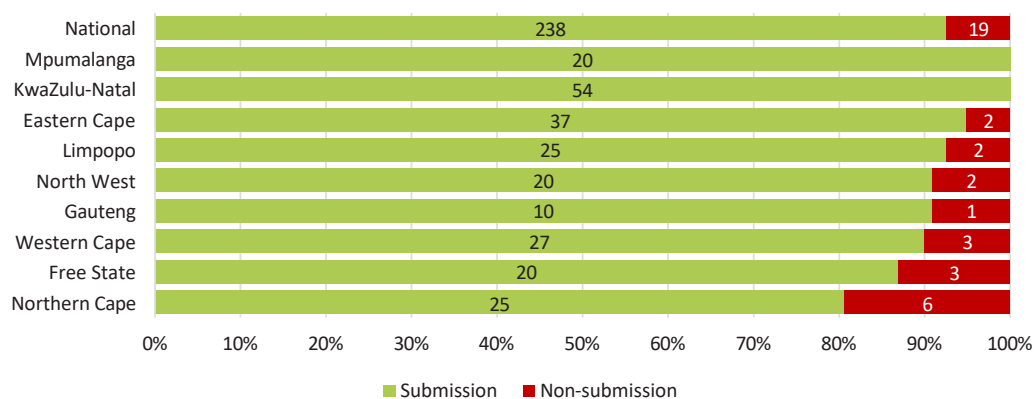
Section 134 of the MFMA further states that the Cabinet member responsible for local government must, as part of the report referred to in section 48 of the Municipal Systems Act, annually report to Parliament on actions taken by MECs for local government to address issues raised by the Auditor General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

The Minister of Cooperative Governance and Traditional Affairs issued letters to MECs of Local Government to share their respective MFMA section 131 report. The provincial reports lay the foundation for the development of the MFMA section 134 report. This section finds much of its content from this Section 134 report.

#### 6.5.2 Timely Submission of Annual Financial Statements

A total of 238 municipalities (63%) submitted the 2022/23 AFS to the Auditor General, while 16 municipalities failed to submit the AFS by legislated date (7%) Figure 57. This reflects a slight improvement compared to 236 municipalities in 2021/22. Although the overall number of late submissions continues to decrease, persistent challenges remain. The majority of municipalities that failed to submit on time are new offenders, with 13 municipalities in this category submitting late for the first time. However, 5 municipalities have failed to submit their AFS within the legislated timeframe for three consecutive years, signalling entrenched non-compliance.

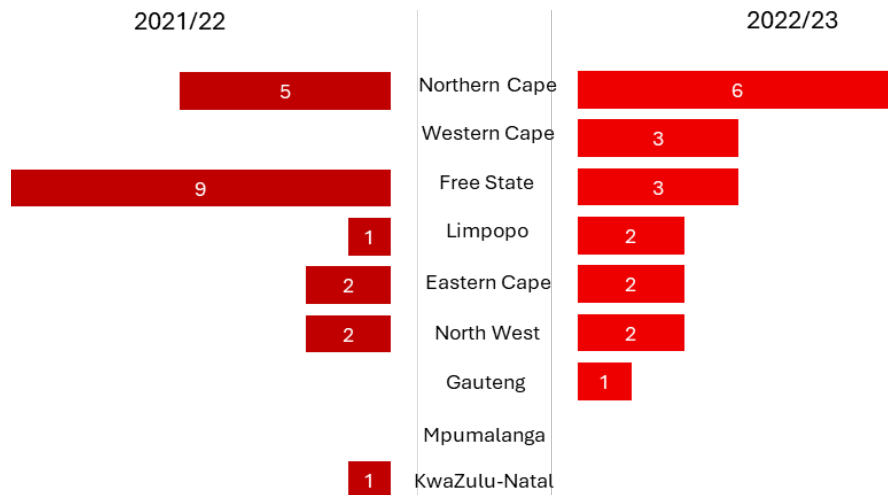
Figure 57: Submission of 2022/23 Municipal AFS to Auditor General



Source: MFMA Section 134 Report

Figure 58 shows that the provincial distribution of late or non-submissions shifted compared to the previous year. Free State, which had recorded the highest number of non-submissions in 2021/22 (6 municipalities), decreased to 3 in 2022/23. Northern Cape increased from 5 to 6 municipalities, the highest number nationally. Western Cape, which had no non-submissions in 2021/22, recorded 3 in 2022/23. Limpopo increased from 1 to 2, while Gauteng, which had none in the previous year, recorded 1. Eastern Cape (2) and North West (2) remained unchanged. KwaZulu-Natal decreased from 1 municipality in 2021/22 to none in 2022/23, while Mpumalanga recorded none in both years.

Figure 58: Comparison by province in non-submission between 2021/22 and 2022/23



Source: MFMA Section 134 Report

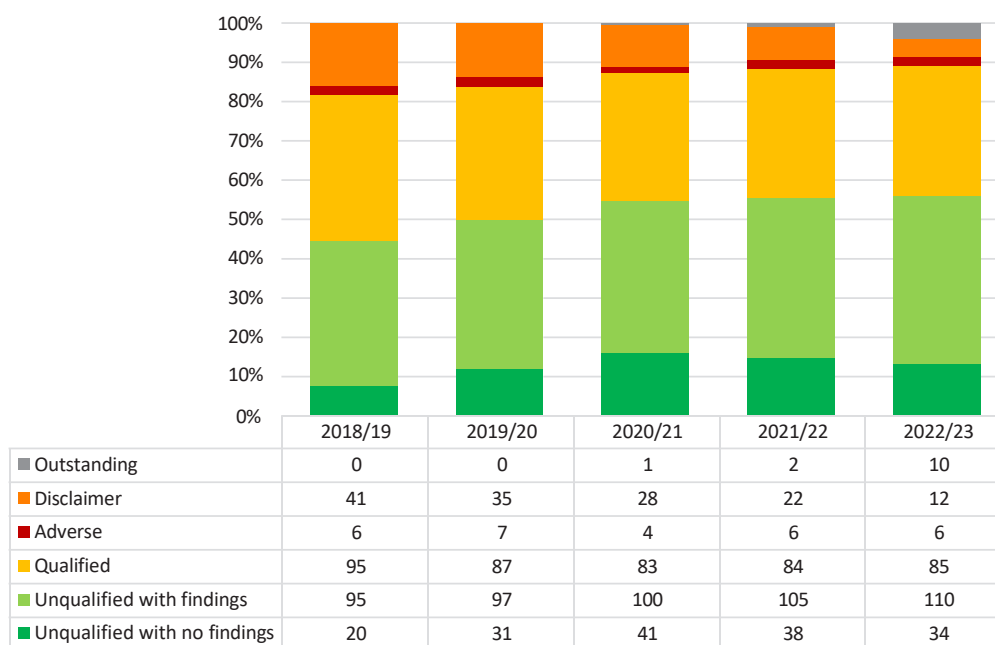
While the Free State was the most improved, the spread of non-submission extended more widely in 2022/23. The reasons for late or non-submission of AFS were varied but point to systemic challenges. These include:

- governance instability (leadership changes, senior management turnover, labour protests and closure of municipal offices),
- suspension of financial systems due to non-payment of system administrators, and municipalities transacting outside of financial systems resulting in backlogs in capturing and reconciling records.
- withdrawal of AFS due to omitted information or reconciliation errors,
- ongoing capacity constraints and delays by consultants, and
- challenges in addressing prior-year audit issues.
- In some cases, technical difficulties meant that submissions made shortly after midnight on 1 September 2023 were deemed non-compliant.
- A few municipalities also failed to provide any explanation for their late submissions.

## 6.5.3 Audit Opinions

## C.5.3.1 Movement of Audit Opinions

Figure 56: Five-year trend of municipal audit outcomes



Source: MFMA Section 134 Report

In the 2022/23 financial year, as shown in Figure 58, the number of clean audits decreased slightly from 38 to 34, with 32 municipalities managing to maintain their clean audit status. The trend analysis of audit outcomes remains mixed: some municipalities improved, others regressed, while a number of sustained improvements achieved in prior years. At the time of the release of the general report, 10 municipal audits were still outstanding, and the final outcomes may shift once these are concluded.

Over the past five years, the number of municipalities achieving clean audits initially improved, increasing from 20 in 2018/16 to 41 in 2020/21. Since then, however, the trend has reversed, with clean audits declining to 38 in 2021/22 and further to 34 in 2022/23. This downward trajectory highlights the difficulty municipalities face in sustaining improvements, even where progress has been made.

The underlying root causes of the poor state of local government remain largely unchanged. These include:

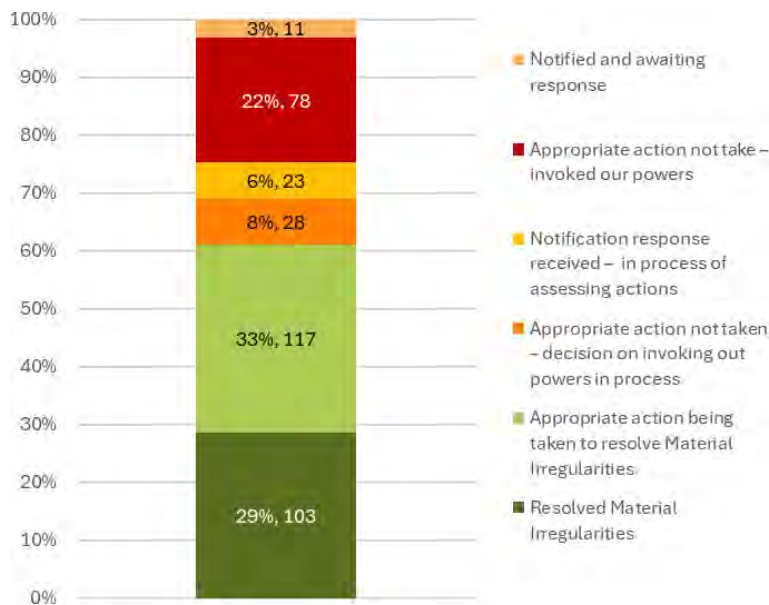
- ineffective internal controls,
- capacity gaps caused by skills shortages and vacancies,
- leadership instability at both political and administrative levels,
- weak monitoring of internal control implementation, and poor execution of audit action plans leading to repeat findings.
- the absence of accountability and consequence management,
- poor record keeping,

- inadequate delivery and maintenance of municipal infrastructure, and
- persistent unauthorised, irregular, fruitless and wasteful (UIFsW) expenditure continue to undermine improvements in audit outcomes.

#### C.5.3.2 Material Irregularity

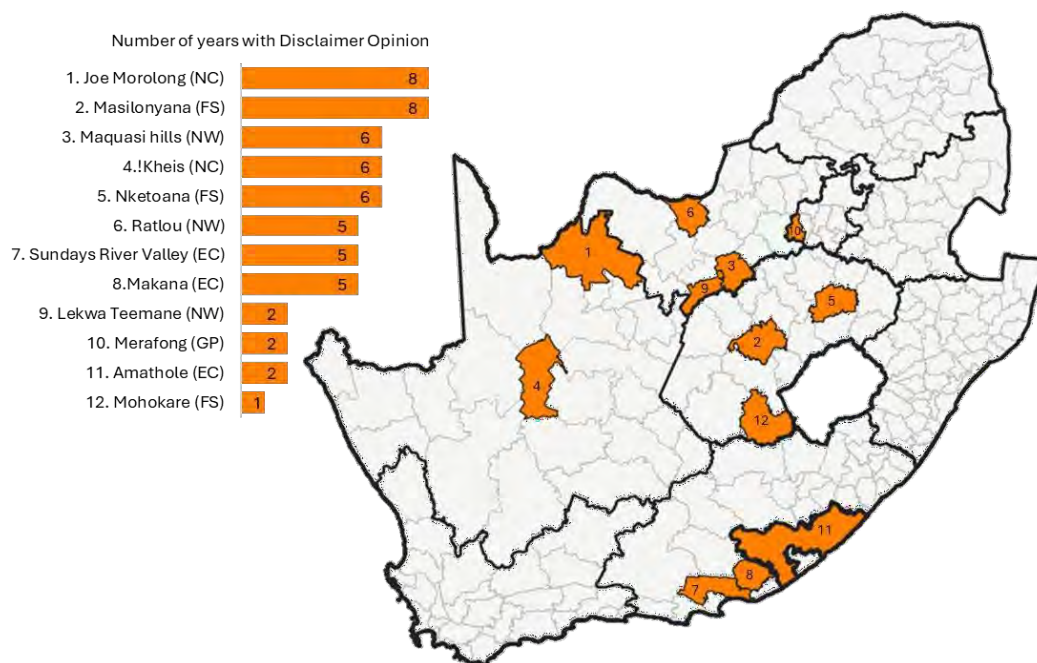
The number of auditees tested for material irregularity increased and resulted in an increase in the number of material irregularity findings from 268 to 360 that was raised and reported by the AGSA. Material irregularity findings raised by the AGSA are resolved when the municipal manager and council has performed their legislative responsibilities in terms of the applicable legislation which include the recovery of all financial losses, implementation of consequence management and the introduction of preventative controls to mitigate any further losses. 78 municipalities (22%) did not take appropriate actions to address or resolve the material irregularity findings and hence AGSA has invoked its powers, and these were referred to the relevant public bodies for further investigations.

Figure 60: Status of 360 identified material irregularities



### C.5.3.3 Municipalities with Disclaimer Audits

Figure 61: Municipalities with disclaimed audit opinions



Source: MFMA Section 134 Report (number of years disclaimed as at 2022/23)

In 2022/23, 12 municipalities received disclaimed audit opinions (Figure 61), a reduction from 20 in the previous year. All 12 of the municipalities have a history of disclaimer audit opinions. Encouragingly, the 2022/23 MFMA Section 134 Report notes that, since the last year of the previous administration, 18 municipalities have moved off disclaimer status, largely in KwaZulu-Natal, Mpumalanga and North West, and that 6 of these improvements occurred in 2022/23, mostly in Northern Cape and North West. The improvements are attributed to strengthened internal controls and record-keeping, timely implementation of audit action plans, and the filling of vacancies in key positions, supported by closer provincial monitoring and stronger council oversight. Notwithstanding this progress, repeat disclaimers remain concentrated in the Eastern Cape and North West, indicating persistent governance and capacity weaknesses. 4 of the 12 municipalities shown above are under section 136 intervention, signifying sustained dysfunction that has not yet manifested in credible municipal administration

### C.5.3.4 Outstanding Audits

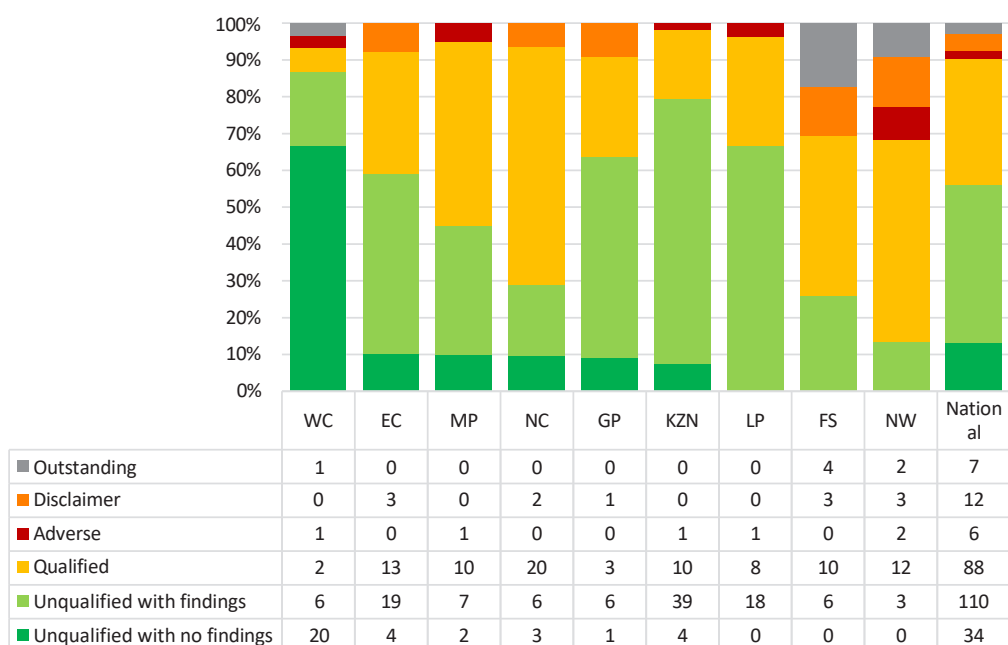
In terms of the AGSA consolidated report, by 31 March 2024, the 2022-23 audits of 10 municipalities had not been completed. By 20 June 2024, the audits of seven of these municipalities financial statements were submitted late and had been finalised, 1 audit encountered delays during audit

process, due to protest actions, but subsequently signed off after cut-off date and not included in detailed analysis and 2 remained outstanding.<sup>15</sup>

#### 6.5.4 Provincial Overview

This section highlights some of the issues raised by the AGSA, provinces' responses and actions taken on issues raised by AGSA and the support to municipalities to improve the audit outcomes in line with section 131 of the MFMA. Figure 62 below illustrates the 2022/23 audit outcomes per province.

Figure 62: Provincial overview of municipal audit outcomes



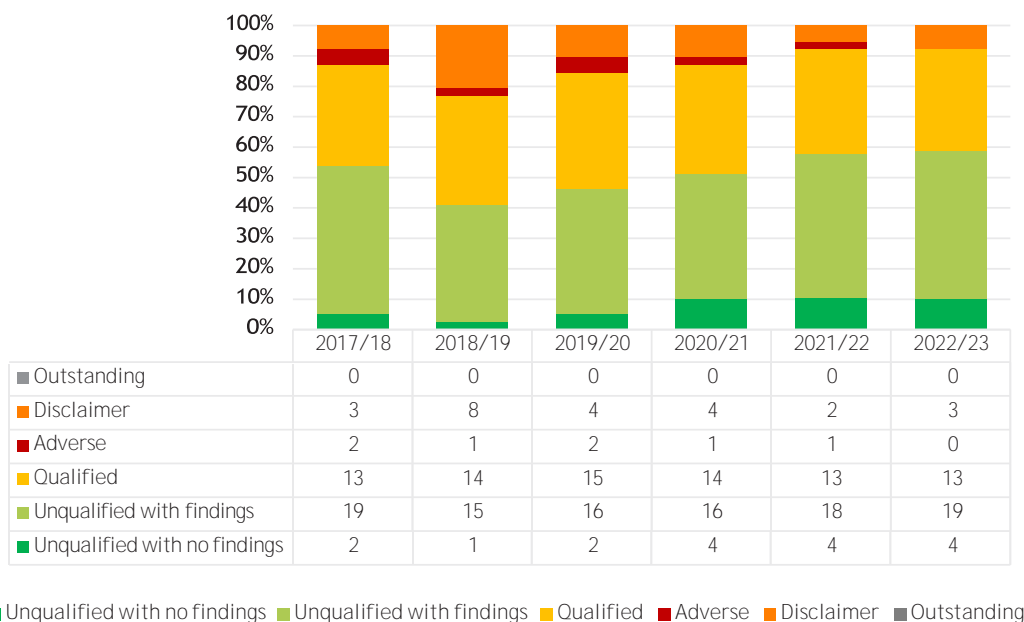
Source: MFMA Section 134 Report

##### C.5.4.1 Eastern Cape

Figure 63 below illustrates the trend analysis of the municipal audit outcomes in the Eastern Cape. The province has 36 municipalities, of which 4 obtained clean audits, 16 received unqualified opinions with findings, 13 received qualified opinions, and 3 received disclaimers of opinion. While the number of clean audits remained unchanged, there was a small improvement with one additional unqualified opinion compared to the prior year.

<sup>15</sup> The two municipalities with audits still outstanding are Ditsobotla LM (North West) and Maluti-a-Phofung LM (Free State). Ditsobotla's 2021/22 financial statements and Maluti-a-Phofung's 2020/21 financial statements were never submitted and have therefore remained outstanding for two and three years, respectively.

Figure 63: Six-year trend in Eastern Cape municipal audit outcomes



Source: MFMA Section 134 Report

#### Reflection by the Province on Recurring Issues and Common Challenges

The province highlighted concerns regarding a weak control environment, which continues to undermine sustainable interventions and improvements. Liquidity challenges remain widespread, and unauthorised, irregular, fruitless and wasteful (UIFSW) expenditure is not being addressed in line with Section 32 of the MFMA. Municipalities continue to make extensive use of consultants for financial reporting, without translating into significant improvements.

Revenue collection is also a growing concern, particularly debts owed by government departments and state-owned entities. This has created knock-on effects, as some municipalities are unable to pay their own creditors, including water boards, Eskom, SARS, and the Auditor-General. Support is being provided to help these municipalities recover debt, but the risk to financial sustainability remains.

#### Recurring Findings that were Not Adequately Addressed

- Accounting officers were not appointed for the full 2022/23 financial year at 16 municipalities (48%).
- The Head of Supply Chain Management position remained vacant for more than 24 months in 6 municipalities.
- 6 municipalities (23%) did not have policies and procedures in place to monitor, measure, and evaluate staff performance.

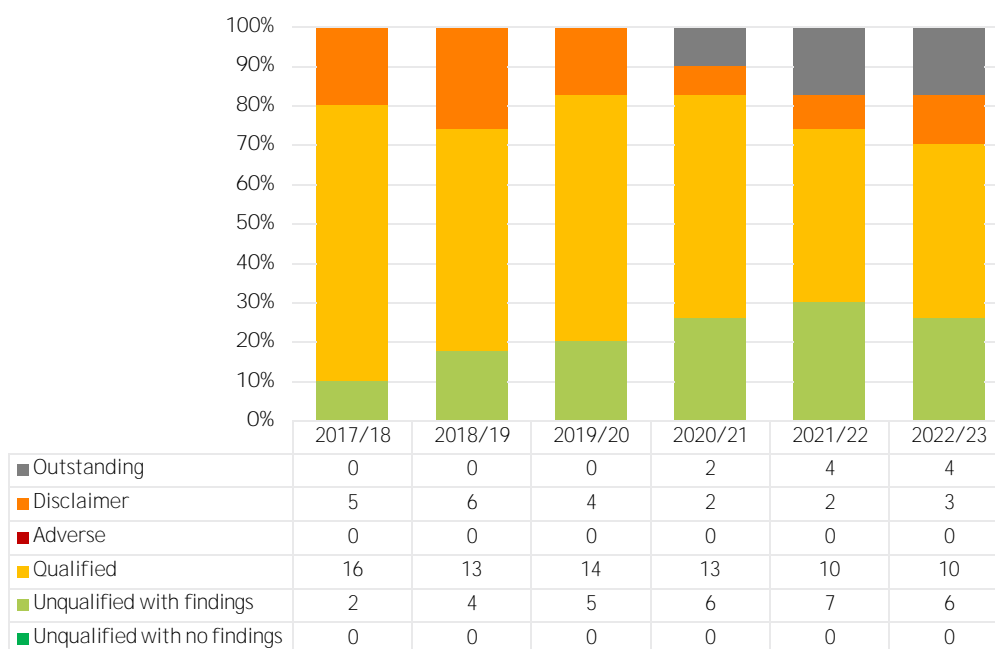
#### Support Intervention by EC Province:

MEC engagement sessions with all the Mayors, Speakers, MPAC Chairpersons, MMC's, Accounting Officers, Chief Financial Officers, Chief Audit Executives and all directors within the municipalities wherein the municipalities would present their Audit Findings as well as strategies/audit action plans on how to turn the situation around, that be followed by commitments to ensure realisation of the Unqualified Audit findings, collaborate with stakeholders (PT and SALGA) on all Audit Improvement Plans related issues, hold individual sharing and learning of best practices by allowing those that do not do well emulate and benchmark from those that obtained unqualified with no matters.

#### C.5.4.2 Free State

The province has 23 municipalities. For the past six years, no municipality has achieved a clean audit. In 2022/23, 6 municipalities received unqualified opinions with findings, 10 received qualified opinions, 3 received disclaimers of opinion, and 4 audits were still outstanding. The persistent history of late submission of the AFS continues to have a negative impact on the timely finalisation of audits and compliance with legislation.

Figure 64: Six-year trend in Free State municipal audit outcome



Source: MFMA Section 134 Report

#### Reflection by the Province on Recurring Issues and Connon Challenges

The province highlighted that municipal leadership, senior management, and officials failed to develop, implement, and monitor effective systems and processes of internal control, including corrective actions. Leadership has not acted on repeated recommendations or adequately addressed risks identified by the Auditor-General.

A lack of skills and competencies among key officials in financial reporting has resulted in over-reliance on consultants, who are often used for day-to-day functions rather than specialised expertise.



Vacancies and instability in critical positions, particularly within the Budget and Treasury Office, Internal Audit, and Risk Management, continue to undermine the functioning of municipalities.

Action plans to address prior audit findings are inadequately implemented. Processes and monitoring tools to identify legislative requirements, track changes, and prevent or detect non-compliance were either absent or inconsistently applied. Similarly, municipalities lack Standard Operating Procedures to support the implementation of internal controls, and systems to collate and report credible performance information remain weak.

Non-compliance with key local government legislation is widespread, including in procurement and contract management, the preparation of quality financial statements, prevention of unauthorised, irregular, fruitless and wasteful expenditure, enforcement of consequences, timely payment of creditors, and management of assets. These issues have remained persistent, pointing to systemic governance and control failures across the province.

Support Intervention by FS Province:

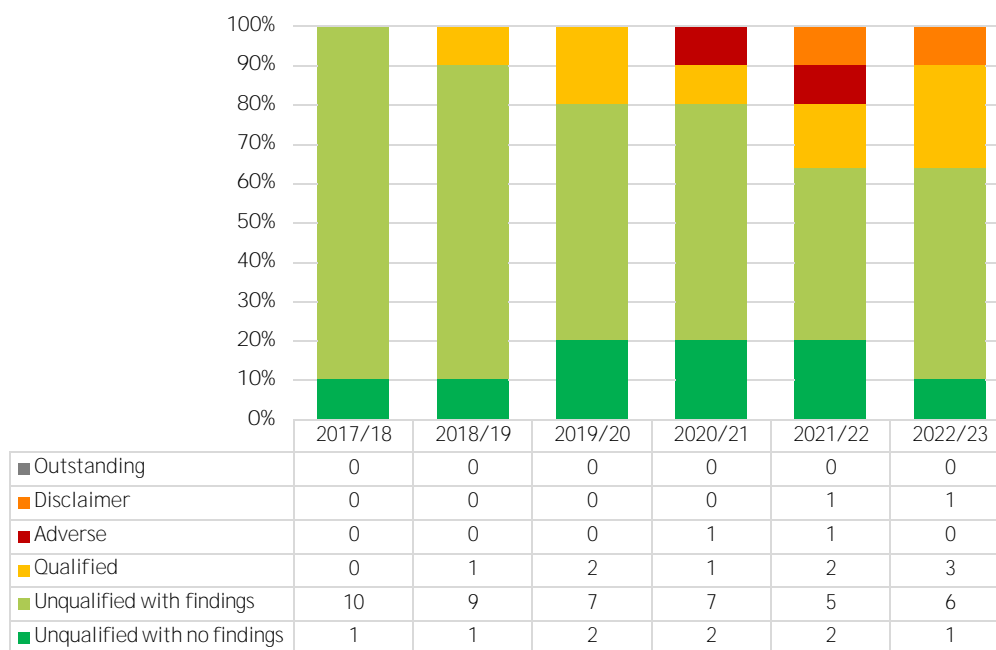
An Operation Clean Audit Integrated Plan was developed by Provincial Treasury and COGTA and SALGA was identified as key role players in the process of obtaining clean audits. Some of the key deliverables are highlighted below in terms of the key focus area based on AGSA key findings, proposed actions as well as targeted.

The Provincial Treasury established district forums to support municipalities in the implementation of the audit action plans. The provincial Cogta will be participating at the forums, it focuses on progress on the Audit Action Plan, Progress on the AFS Preparation Plan, Progress on the Audit Readiness Plan, and Status of unauthorized, irregular and fruitless and wasteful expenditure.

#### *C.5.4.3 Gauteng*

The province has 11 municipalities. In 2022/23, 1 municipality obtained a clean audit, 6 obtained unqualified opinions with findings, 3 obtained qualified opinions, and 1 received a disclaimer of opinion. Midvaal has sustained its clean audit for 6 consecutive years, while Ekurhuleni regressed from a clean audit in the previous year to an unqualified opinion with findings. Figure 65 below illustrates trend analysis of the municipal audit outcomes for the past six years.

Figure 65: Six-year trend in Gauteng municipal audit outcome



Source: MFMA Section 134 Report

#### Reflection by the Province on Recurring Issues and Common Challenges

The province highlighted the financial ratios of municipalities as a measure of financial health, focusing on payment of creditors, debt collection, solvency, current ratio, and revenue growth. Despite these assessments, significant concerns persist regarding compliance, financial reporting, and governance.

Non-compliance with laws and regulations remains widespread, with the Auditor-General reporting material findings across most municipalities. Material misstatements in revenue management, particularly debt impairment, were the most common, accounting for 73% of non-compliance. Eight municipalities had material misstatements in their annual financial statements, excluding only Ekurhuleni, West Rand, and Midvaal.

Non-compliance in annual performance reporting was also noted in 45% of municipalities, where reported achievements were not supported by sufficient audit evidence. Deviations from supply chain processes, weak contract management, and a lack of competitive bidding contributed to rising irregular expenditure, while fruitless and wasteful expenditure increased largely due to interest on overdue accounts owed to Eskom and Rand Water.

Expenditure management remains a critical challenge, with most municipalities unable to pay creditors within 30 days. Recurring audit issues also include weak consequence management for supply chain management transgressions, deficiencies in audits of predetermined objectives (AoPO), poor asset management, and material irregularities. These persistent issues point to limited implementation of recommendations and action plans from prior audits, demonstrating a lack of accountability and sustainable corrective measures.

Support Intervention by Gauteng Province:

CoGTA leads the Operation Clean Audit Provincial Coordinating Committee (OPCA-PCC). The committee is a monitoring and supporting structure consisting of both government and key finance professional bodies across Gauteng (Auditor-General South Africa, CoGTA, National and Provincial Treasury, SALGA and CIGFARO). The committee meets quarterly to provide advisory support to municipalities by assessing and strengthening the municipal audit response plans.

CoGTA is providing support on performance information management to two (2) targeted municipalities (Lesedi LM and Mogale City LM), and the objective of this project is to assist these municipalities in improving their legislated organizational performance management systems, including the audit of predetermined objectives (AoPO). Once the project is implemented, it should result in improved internal controls and overall management and reporting of performance information.

CoGTA with key stakeholders, i.e., AGSA, SALGA, and National and Provincial Treasury, provides advisory support through participation in the Municipal Operation Clean Audit steering committees, chaired by Municipal Managers or Chief Financial Officers, which further monitor the implementation of audit response plans at the municipal level.

In order to support municipalities in improving the quality of financial statements, Gauteng Province (CoGTA, Provincial Treasury and SALGA) conducted in-depth technical reviews of annual financial statements (AFS) to ensure that these statements were prepared in line with all required GRAP standards. Similar reviews are conducted on interim financial statements. Additionally, these statements need to comply with the requirements of the Municipal Finance Management Act (MFMA) and other legislative transcripts from the National Treasury, including checks on the quality of the audit file as per MFMA Circular 50.

Municipalities have been supported with additional capacity through CoGTA experts to resolve unauthorised, irregular, and fruitless and wasteful (UIFsW) expenditure by identifying, preventing, and reducing UIFsW expenditure. The Department has deployed the services of skilled professionals to provide additional capacity to seven (7) municipalities to strengthen the municipal capability to develop effective and innovative controls in dealing with unauthorised, irregular, and fruitless and wasteful expenditure. Through the UIFsW expenditure project currently implemented in the municipalities, the Department trained MPAC members on how to deal with these expenditures.

The Department provides support to municipalities during the audit process by participating in the municipal audit steering committee meetings convened by the AGSA in all municipalities. The department's experts provide technical support to municipalities by assisting with requests for information (RFIs) in order to ensure that auditors are provided with the correct information in a timely manner to avoid limitation of scope.

The Department's experts also assist municipalities with responses to communication of audit findings (COAFs) based on the findings raised by the AGSA. This ensures appropriate responses are submitted to the auditors, and where management agrees with the findings, corrective measures are put in place to address internal control deficiencies in the future.

The Department will continue to support municipalities with completeness of revenue through the implementation of the simplified revenue plans and audit of large power and water users in Gauteng, and that will subsequently assist with the audit queries raised by AG on the completeness of revenue.

The department, together with Gauteng Provincial Treasury, set up a Government Debt Management Committee. The objectives of the Committee are to fast-track payment of monies owed to municipalities by national and provincial government departments, and the committee meets on a quarterly basis.

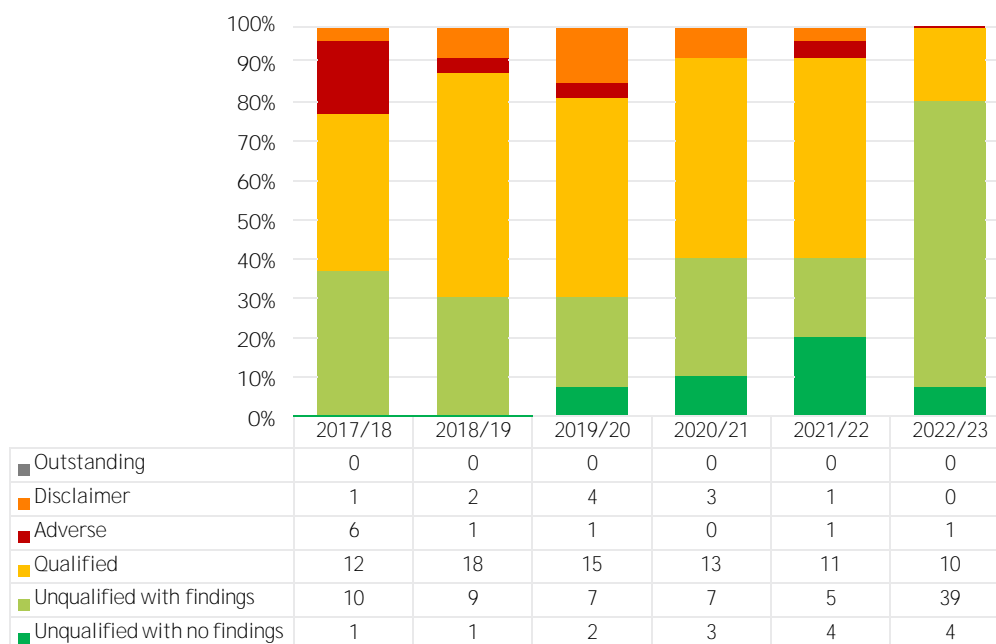
In addition, the department supports the identified municipalities with additional capacity to ensure correct and accurate billing of large power and water users. The support is intended to facilitate the collection of revenue from large water and power users. The project will result in improved revenue management and reduced municipal consumer debt for large power and water users. It is also anticipated that the project will result in the protection of municipal revenue collection potential.

National Treasury, Provincial Treasury, Accounting Standards Board (ASB) and Institute of Internal Auditors (IIA) as well as CoGTA, should coordinate a technical working team to discuss and clarify issues of misinterpretation of laws and regulations as well as standards and guidelines, e.g., MFMA circulars and the application of new Generally Recognised Accounting Practice (GRAP) standards, to ensure consistency. This will assist with the resolution of disputes or disagreements between municipalities and AGSA during the audit.

#### C.5.4.4 KwaZulu-Natal

The province has 54 municipalities. In 2022/23, 4 municipalities obtained clean audits, 36 received unqualified opinions with findings, 10 received qualified opinions, 1 received an adverse opinion, and no municipalities received a disclaimer. All audits were finalised within legislated timelines.

Figure 66: Six-year trend in KwaZulu-Natal municipal audit outcome



Source: MFMA Section 134 Report

### Reflection by the Province on Recurring Issues and Common Challenges

The number of audit findings increased from 567 in 2021/22 to 652 in 2022/23, an increase of 85 issues or 15%. The rise was driven by adverse opinions, qualifications, emphasis of matter items, and a higher incidence of non-compliance with the Supply Chain Management Regulations, the Division of Revenue Act, Section 65(2) of the MFMA, and internal control deficiencies. The increase also reflects the Auditor-General's deeper analysis and the enhancement of technical standards for auditing.

The most common findings across municipalities include:

- Material debt impairment
- Weaknesses in annual financial statements
- Procurement and contract management failures
- Material adjustments to performance information
- Unauthorised, irregular, fruitless and wasteful expenditure
- Restatement of corresponding figures
- Lack of consequence management
- Material losses in water and electricity
- Weak internal control and management oversight
- Non-compliance with the 30-day payment requirement

The province also highlighted that issues remain prevalent across categories such as emphasis of matter, going concern, predetermined objectives, compliance with legislation, and internal controls. Recurring findings show that municipalities are not adequately institutionalising corrective measures, resulting in repeat audit queries year-on-year.

The lack of sufficient and appropriate audit evidence remains the root cause of negative audit outcomes. Underlying causes include poor record keeping, weak or broken information management systems, inaccurate data, weak internal controls and processes, and inadequate technical skills in the application of GRAP standards.

In 2022/23, non-compliance with legislation and GRAP standards accounted for 251 audit queries (38% of the total), increasing by 6% compared to the prior year. Internal control deficiencies also increased, with 43 more items raised compared to 2021/22.

Material irregularities also rose, with 60 identified in 2022/23 compared to 45 in the previous year. While 27 of these were resolved (up from 6 the year before), 33 remain unresolved or in progress. These irregularities could have been prevented through basic disciplines and processes. CoGTA is monitoring their resolution on a quarterly basis.

### Support Intervention by Kwazulu-Natal Province:

The Department of Cooperative Governance and Traditional Affairs together with Provincial Treasury and SALGA developed an audit outcomes turnaround plan based on the 2021/2022 audit outcomes of municipalities. The support interventions provided by the Department of Cooperative Governance and Traditional Affairs sets out priority actions of the Department in support of municipalities towards the achievement of improved audit outcomes. These were included in the Department's annual performance plan for the 2022/2023 financial year and is audited by the AGSA.

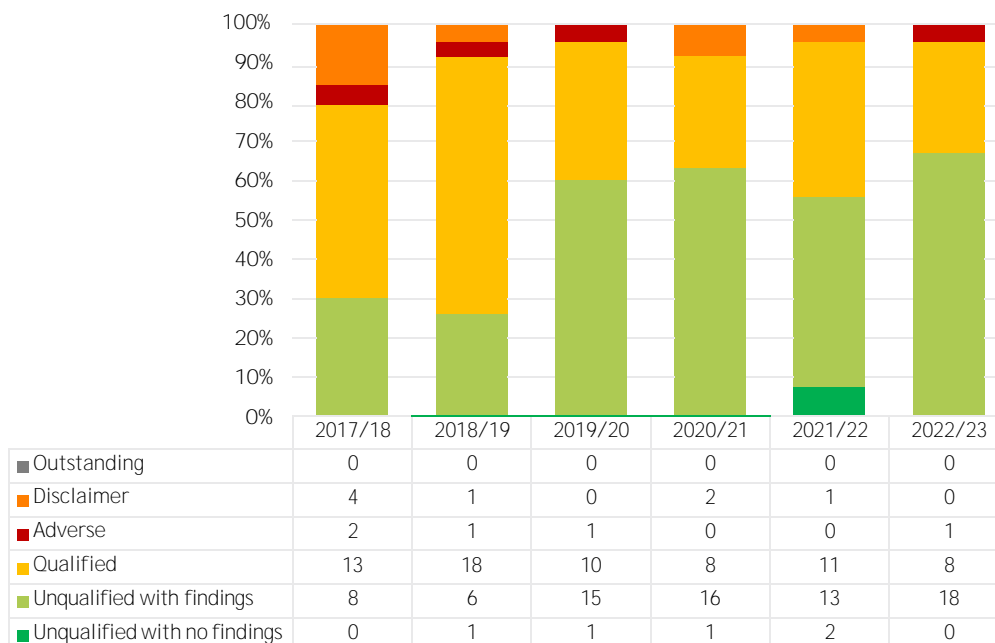
The following support interventions and activities of the Department were implemented during the 2023/2024 provincial financial year.

- 1) Implementation of Audit Response Plans and audit support.
- 2) Support in developing post audit action plans through provision of technical advice and guidance.
- 3) Audit readiness on preparation of annual financial statements.
- 4) Review of draft Annual Financial Statements.
- 5) Payment voucher audit at targeted municipalities.
- 6) Assessment on the functionality s effectiveness of Audit Committees.
- 7) Internal Audit and Municipal Audit Improvement Plans assessment and monitoring of implementation.
- 8) Support to reduce Unauthorized, Irregular, Fruitless and Wasteful expenditure by March 2023.
- 6) Revenue enhancement to targeted municipalities in developing a revenue enhancement strategy.
- 10) Improve collection of Government Debt
- 11) Supporting alignment of IDP, SDBIP and Organizational score cards
- 12) Quarterly performance assessment reviews.
- 13) Reduction in AG findings on usefulness and reliability of municipal performance information as well as
- 14) on the adjustment of material misstatements on the Annual Performance report
- 15) Support relevant municipalities that have received negative audit outcomes from AG report of 2021/2022 financial year to fill posts in terms of the applicable legislation in ensuring effective administrative leadership and stability.
- 16) Monitor the implementation consequence management in respect of senior management in terms of the Local Government: Disciplinary Regulations for Senior Managers in all relevant municipalities that have received negative audit outcomes from AG report of 2021/2022 financial year to improve accountability.
- 17) Monitor and enforce implementation of recommendations of forensic reports tabled in municipal councils to promote good governance, accountability and consequence management.
- 18) Co-ordinate Capacity Building Interventions to ensure that the local government sector specific needs are met.
- 16) Facilitate ESKOM and Water Board Debt payments owed by municipalities by reviewing of financial plans at municipalities with financial distress (Budget Funding Plans) and ESKOM payment plans.
- 20) Provision of technical support on financial management, performance management and compliance to improve audit outcomes at intervention municipalities and those that may obtain unqualified audit outcomes with no findings through the deployment of financial experts at 16 municipalities.
- 21) Support nineteen municipalities that have received negative performance audit outcomes from the Auditor General to improve performance management.
- 22) Monitor and support municipalities on municipal performance monitoring and reporting reforms that were introduced by DCOG and National Treasury to all municipalities.
- 23) Establishment of a Provincial Local Government MsE Forum which comprises of municipal senior managers responsible for performance management and sector departments as a learning platform and structure for sharing of best practice and lessons.

#### C.5.4.5 Limpopo

The province has 27 municipalities. In 2022/23, no municipality obtained a clean audit. Eighteen municipalities received unqualified opinions with findings, 8 received qualified opinions, 1 received an adverse opinion, and none received a disclaimer. All audits were finalised within legislated timelines. Figure 67 below illustrates the movement of the municipal audit outcomes for the past six years.

Figure 67: Six-year trend in Limpopo municipal audit outcome



Source: MFMA Section 134 Report

#### Reflection by the Province on Recurring Issues and Common Challenges

The reliance on consultants to prepare annual financial statements (AFS) and fixed asset registers remained a significant challenge due to capacity constraints within municipalities and vacant Chief Financial Officer positions. Consultants were also appointed for specialist services requiring technical expertise, such as actuarial work. While there was a slight improvement in in-house capacity, with 11 municipalities preparing their AFS internally compared to 10 in the prior year, the overall quality of financial reporting remains weak.

The Auditor-General identified recurring qualification issues affecting AFS, particularly:

- Material misstatements
- Property, plant and equipment
- Revenue from exchange and non-exchange transactions
- Payables, receivables, and accruals
- Expenditure, contingent liabilities, and commitments

Common compliance issues included:

- Poor quality of submitted AFS with material misstatements or limitations
- Procurement irregularities, including awards to providers in service of the state, unjustified deviations, failure to invite competitive bids, missing declarations of interest, and incorrect application of the preference point system
- Weak consequence management, with UIFsW expenditure not investigated to establish liability

- Expenditure management failures, including late payments to creditors and inadequate prevention of UIFsW expenditure
- Weak revenue management, with ineffective systems of internal control

The AGSA issued 32 material irregularities (MIs) to 14 municipalities in 2022/23. Of these, 8 have been resolved, while 24 remain under corrective action. The irregularities included:

- Payments for goods and services not received, of poor quality, or outside contract terms
- Failure to safeguard assets
- Inefficient use of resources with limited or no benefit derived
- Loss of municipal investments
- Late payments to Eskom, water boards, lenders, and suppliers, resulting in interest charges
- Payroll and VAT returns not submitted or calculated correctly, leading to SARS penalties and interest
- Revenue not billed

These findings highlight persistent weaknesses in financial management, compliance, and governance. Despite some marginal progress in in-house preparation of AFS, municipalities continue to struggle with systemic control failures and poor institutional capacity.

Support Intervention by Linpopo Province:

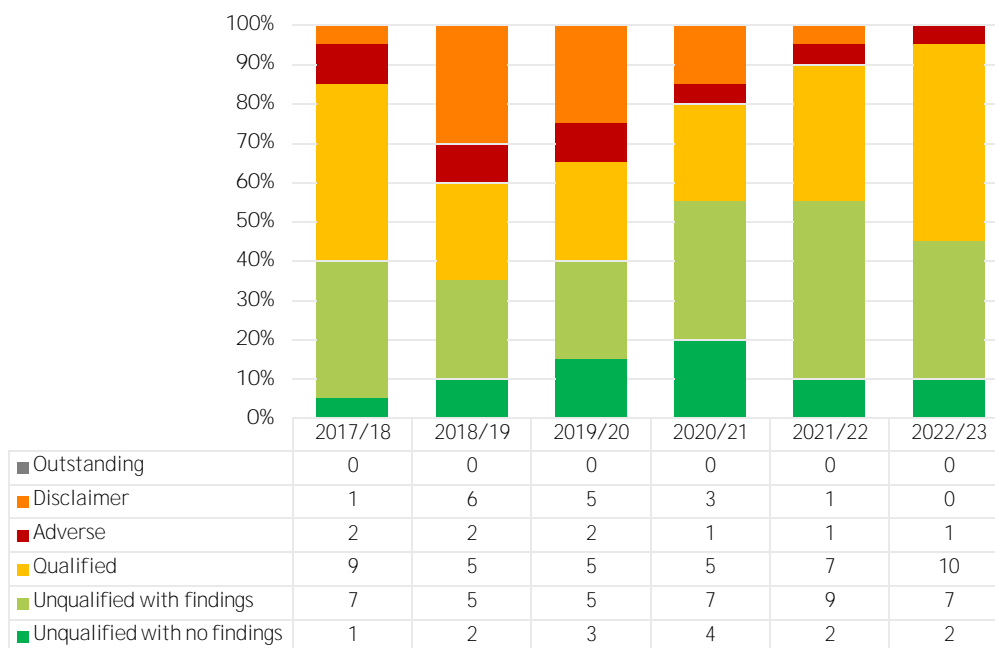
- Assist municipalities to expediate recruitment processes for filling critical vacant posts, including senior management posts.
- Municipalities to develop SLAs that require skills transfer and a Consultant Reduction Strategy. Continuous training of municipal employees.
- Continuous monitoring by Provincial Department and participate in the audit steering committee meetings. Mayors should continue chairing ASC meetings.
- Municipalities to strengthen preventative controls to ensure full compliance with legislation and where applicable, implement consequence management.
- The province has developed a comprehensive support plan to ensure that municipalities in the province are assisted and supported jointly with other stakeholders to improve audit outcomes in terms of the collaboration framework.

#### *C.5.4.C Mpumalanga*

The province has 20 municipalities. In 2022/23, two municipalities obtained clean audits. Seven received unqualified opinions with findings, ten received qualified opinions, one received an adverse opinion, and none received disclaimers. All audits were finalised within legislated timelines.



Figure 68: Six-year trend in Mpumalanga municipal audit outcome



Source: MFMA Section 134 Report

#### Reflection by the Province on Recurring Issues and Connon Challenges

Audit outcomes showed overall stagnation in 2022/23: 17 municipalities recorded no movement from the previous year, one improved, and two regressed. Misstatements in annual financial statements and non-compliance with laws and regulations remain the most significant challenges, despite marginal reductions in the total number of findings.

The Auditor-General reported 1,067 findings across Mpumalanga municipalities in 2022/23, a slight decrease from 1,143 in the previous year. Key trends include:

- Misstatements in Annual Financial Statements: 533 findings (48.6% of total), though slightly down from 581 in the previous year, this remains the most prevalent issue.
- Non-compliance with laws and regulations: 314 findings (28.6% of total), primarily related to supply chain management.
- Other reported information: 150 findings (13.7%).
- Misstatements in annual performance reports: 100 findings (6.1%), up from 87 in 2021/22.

When classified, 370 findings (33.7%) were matters directly affecting the auditor's report, while 727 (66.3%) were recorded as "other important matters." While the latter may not immediately affect audit opinions, they highlight systemic weaknesses that, if left unaddressed, could escalate into material misstatements or significant non-compliance in future years.

These results demonstrate persistent weaknesses in financial management and compliance systems. Although there was a marginal reduction in the total number of findings, the continued dominance of misstatements and non-compliance underscores the need for stronger preventative controls and institutional capacity within municipalities.

Support Intervention by Mpunalinga Province:

The Department of Cooperative Governance and Traditional Affairs together with Provincial Treasury, SALGA and District's developed an Integrated Audit Improvement Support Plan based on the 2022/2023 audit outcomes of municipalities. The support interventions provided by the Department of Cooperative Governance and Traditional Affairs sets out priority actions of the Department in support of municipalities towards the achievement of improved audit outcomes.

The following areas of support interventions are highlighted in the plan:

- Oversight
- Submission of Annual financial Statements (AFS)
- Unfunded Budgets
- Revenue enhancement
- Cost of Services I Contract Management
- Capacity of the Administration
- Infrastructure Planning
- Records management
- Anti-corruption
- Audit findings

The strategic focus of the support to municipalities related:

- Establishment of all key Governance Structures
- Support Municipalities to reduce UIFsW
- Adoption of policies and by-laws
- Filling of all critical vacancies including Section 56 positions
- Sound system of delegation must be adopted.
- Effective oversight over administration to ensure accountability.
- Involvement of strategic partners (i.e. DBSA, SASOL)
- Close engagement and monitoring of municipalities by HODs
- Support and align to the District Development Model

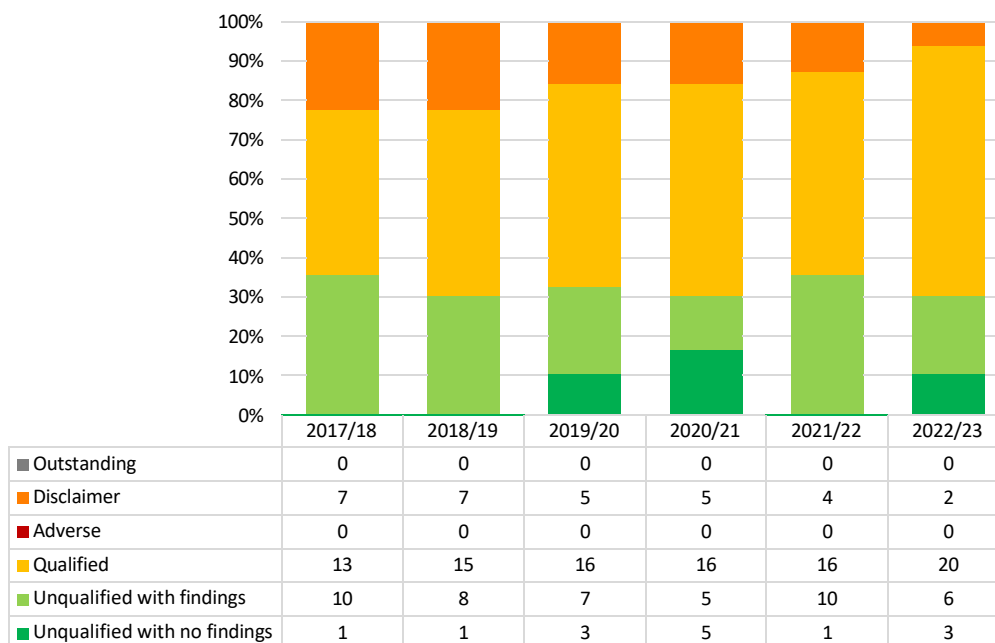
The support to the municipalities includes the following pre-conditions for support:

- Enforcement of performance management on sec 54 and 56
- Performance contracts should include clause that addresses audit outcomes
- Consequences management for transgressions
- Ensure functionality of key governance structures
- Municipalities to avail staff for training and technical support
- Municipalities to solicit PT, COGTA to assist in appointing suitable consultants to ensure skills transfer and value for money.
- Effective use of Finance Interns in accordance with FMG guidelines to augment support with BTO.
- Political and Administration will and buy-in.
- Ensure sound system of delegation is in place.
- Have effective oversight over administration to ensure accountability.
- UIFsW reduction plans developed and approved by council.
- Credible and realistic audit action plans approved by council.

#### C.5.4.7 Northern Cape

The province has 31 municipalities. In 2022/23, three municipalities obtained clean audits, six received unqualified opinions with findings, 17 received qualified opinions, none received adverse opinions, and two received disclaimers. Three audits remained outstanding at the legislated date.

Figure 66: Six-year trend in Northern Cape municipal audit outcome



Source: MFMA Section 134 Report

#### Reflection by the Province on Recurring Issues and Cannon Challenges

Audit outcomes in the province have shown gradual regression in the number of clean audits over the past three years, decreasing from five in 2020/21 to four in 2021/22, and further down to three in 2022/23. While this reflects an erosion of strong financial management practices, there was an improvement in the reduction of disclaimers from four in the previous year to two in 2022/23.

Key recurring challenges identified by the Auditor-General include:

- **Leadership and governance:** Leadership must create an environment conducive to strong internal controls, ethical behaviour, commitment to good governance, and effective oversight. Risk management activities, functional audit committees, and well-resourced internal audit units remain underdeveloped in many municipalities.
- **Capacity and skills:** Weak human resource practices and insufficiently skilled officials contribute to persistent technical errors, particularly in applying GRAP standards. Poor performance management of staff further exacerbates weaknesses.
- **Financial and performance reporting:** Municipalities struggle with proper record keeping, inaccurate financial information, and unreliable performance reports that often cannot be supported by source documentation. Limitations of scope are frequently raised due to insufficient and inappropriate audit evidence.

- Internal control and compliance: Daily and monthly processing and reconciliations are not consistently performed, leaving material misstatements undetected. Non-compliance with legislation, weak information systems, and poor monitoring mechanisms compound the challenges.
- Assets and revenue management: GRAP-compliant reporting of capital assets remains the main reason for qualifications and disclaimers, along with poor collection of receivables and delays in paying creditors.

Overall, the lack of reliable reporting systems, weak record-keeping, and inadequate internal controls continue to undermine audit outcomes across the province. Without urgent attention to leadership accountability, financial discipline, and technical capacity, municipalities will remain at risk of further regressions.

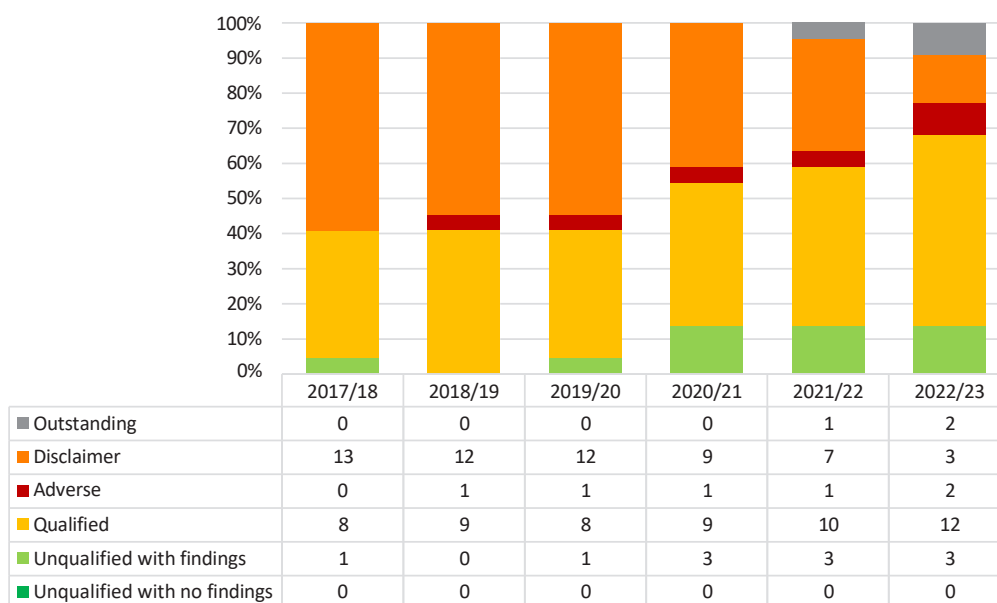
Support Intervention by Northern Cape Province:

- The DG of the Province, HOD of Provincial Treasury and HOD of CoGHSTA, Office of the AG and officials of both Provincial Treasury and CoGHSTA held a MFMA Audit Workshop on the 11th of May 2023. The AG had identified areas that the province must focus on to improve the audit outcomes in municipalities. It was agreed that there was a need for shift in culture by the province in its engagements with municipalities to have an impact on the audit outcomes.
- The Operation Clean Audit Committee (OPCA) held a workshop with Office of the Auditor General on the 27 May 2023 to identify areas that needed urgent attention to improve the audit outcomes of municipalities in the province.
- OPCA had engaged the municipalities during the month of June 2023.
- A follow-up workshop was also held on 22 July 2024 to take stock of the performance of the municipalities during the 2022/23 audit cycle and chart a way forward. It was stressed that only by setting the correct tone by both the political leadership of municipalities and the provincial oversight departments that the situation will improve. The AG had identified the municipalities.
- Both Provincial Treasury and CoGHSTA must increase their capacity to be able to support the municipalities. National Treasury has digitised the Audit Action Plan to simplify its monitoring. The implementation of consequence management will also improve the situation by holding officials accountable for the actions.
- From the adopted Audit Action Plans, municipalities were addressing issues raised by the AG. Implementation of these plans will result in an improvement in the audit outcomes. Unfortunately, only few of the municipalities are implementing the adopted Audit Action Plans.
- The financial management in municipalities is being strengthened by training and supporting the Municipal Public Accounts Committees (MPACs).

#### C.5.4.8 North West

The province has 22 municipalities. In 2022/23, none obtained clean audits. Three municipalities received unqualified opinions with findings, 12 received qualified opinions, two received adverse opinions, and three received disclaimers. Two audits remained outstanding at the legislated date. Figure 70 below illustrates the movement of the municipal audit outcomes for the past six years.

Figure 70: Six-year trend in North West municipal audit outcome



Source: MFMA Section 134 Report

#### Reflection by the Province on Recurring Issues and Common Challenges

Overall, there has been a marginal improvement in audit outcomes: the number of disclaimers decreased significantly from seven in 2021/22 to three in 2022/23, although qualified opinions increased from 10 to 12. The continued absence of clean audits highlights deep-rooted weaknesses in governance and accountability.

Key recurring challenges include:

- Consequence management: Municipalities are not investigating unauthorised, irregular, fruitless, and wasteful (UIFSW) expenditure in line with Section 32 of the MFMA. Accounting officers also fail to compile comprehensive UIFSW expenditure reports for Municipal Public Accounts Committees (MPACs), undermining oversight and leading to escalating UIFSW expenditure.
- Slow implementation of audit action plans: Despite repeated findings, municipalities have made limited progress in addressing the Auditor-General's recommendations.
- Weak governance and oversight: Municipalities often fail to record progress on the web-enabled portal, and governance structures show inadequate follow-through.
- MPAC functionality: Many MPACs remain ineffective due to poor attendance, lack of commitment from members, and failure by administrations to submit reports. In addition, the absence of dedicated budgets hampers their ability to conduct public participation and strengthen oversight.
- Legislative non-compliance: Accounting officers are not complying with Section 126(2)(a) of the MFMA, delaying and weakening the oversight process.

These systemic weaknesses point to persistent failures in accountability, oversight, and financial discipline. Without urgent interventions to strengthen consequence management, accelerate the

implementation of corrective action plans, and resource MPACs effectively, municipalities in the province will continue to face recurring audit findings and service delivery risks.

Support Intervention by North West Province:

The province reviewed the audit action plans for adequacy and proposed remedial actions.

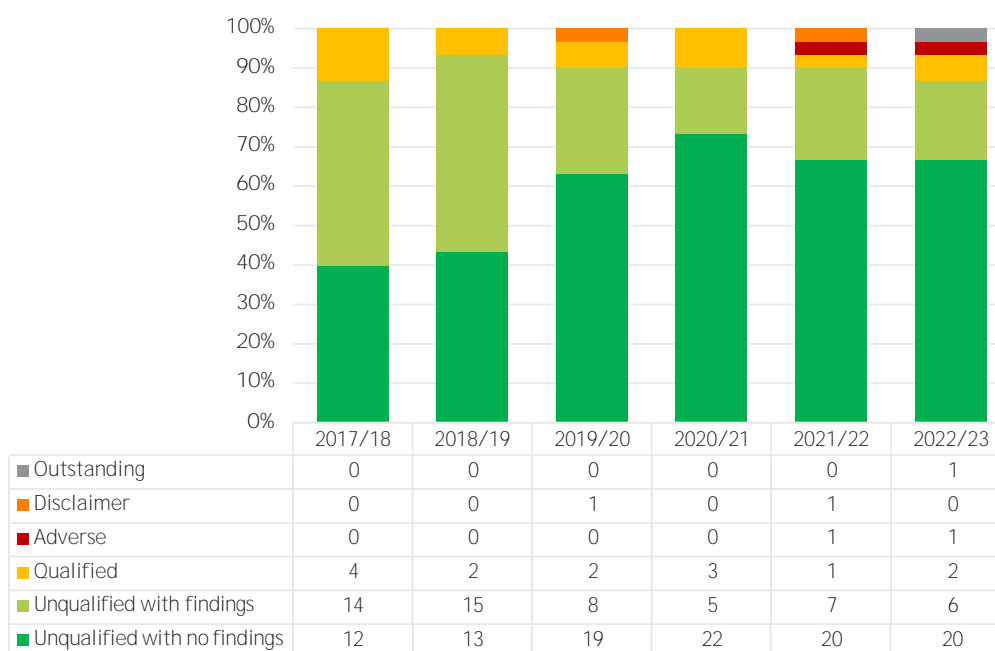
Municipalities were encouraged to implement the following recommendations:

- That follow up on implementation of PAAP be made.
- That MPACs be trained and supported regularly on UIFSW expenditure investigations.
- Accounting officers be held accountable for non-compliance with Sec 126(2)(a) and 32(4) of the MFMA.
- That all MPACs be allocated their own budget / vote, that is independent of the Speaker's budget

#### C.5.4.3 Western Cape

The province has 30 municipalities. In 2022/23, 20 municipalities obtained clean audits, six received unqualified opinions with findings, two received qualified opinions, one received an adverse opinion, and there were no disclaimers. One audit was still outstanding at the legislated date. The Western Cape remains the leading province, with 87% of municipalities receiving unqualified opinions. Figure 71 below illustrates the movement of the municipal audit outcomes for the past six years.

Figure 71: Six-year trend in Western Cape municipal audit outcome



Source: MFMA Section 134 Report

### Reflection by the Province on Recurring Issues and Common Challenges

Despite maintaining the strongest audit outcomes nationally, several persistent challenges have been raised:

- Service delivery and governance decline: The Auditor-General has noted that the general decline of services, visible in community dissatisfaction and reduced investor confidence, is beginning to manifest in audit findings. Root causes often relate to weak leadership and competing agendas within councils and administrations.
- Political instability: The emergence of coalition governments at local level has created governance instability. Current systems and oversight mechanisms, designed for stable democracies, have not adapted to this environment, limiting effective accountability.
- Capacity constraints: Municipalities face growing difficulties in attracting and retaining suitably qualified senior managers, particularly municipal managers, undermining governance and service delivery.
- Compliance-driven environment: Increased regulatory requirements and a strong compliance focus have discouraged innovation and constrained service delivery, as municipalities fear sanction and negative audit findings.
- Irregular expenditure reporting: Many items classified as irregular expenditure are later found to be misreported. While these are not always linked to corruption, they still create reputational risks and complicate financial reporting.
- Financial year misalignment: The misalignment between the financial years of national and provincial governments and municipalities hinders project implementation, delays budget expenditure, and negatively affects multi-year, cross-sectoral projects.
- Provincial intervention limitations: The current legislative framework restricts the Provincial Executive from intervening swiftly in municipalities facing governance, oversight, or service delivery breakdowns, prolonging crises and limiting corrective action.

Overall, while the Western Cape continues to set the benchmark for municipal audit outcomes, underlying governance, capacity, and systemic challenges present risks to the sustainability of strong financial management in the province.

### Support Intervention by Western Cape Province:

- Ongoing strengthening of positive IGR Relations between the Provincial Government and Municipalities.
  - Over time, the Provincial Government, under the leadership of the Department of Local Government invested and succeeded in building and establishing strong intergovernmental relationships with municipalities.
  - Strong working relationships have been created with other key stakeholders which include, amongst others, ESKOM and the Auditor-General. Regular meetings take place where matters of strategic importance are discussed to guide and further improve processes, systems and encourage strong governance.
- A strategic focus in the province has been on collaboration as a strengthening and enabling mechanism to encourage and enhance vertical and horizontal co-planning, -budgeting and -implementation in a geographical space.
  - The Joint District and Metro Approach (JDMA) was conceptualised and adopted as operating model by the Leadership in the Province and has since been effectively implemented across all Districts. To date several projects have been successfully completed.
- The Provincial Executive prioritizes its monitoring and oversight responsibility.

- o Mechanisms and internal capacity have been established to consider, and where required, investigate any allegations of fraud, corruption and maladministration in a municipality. A dedicated team of investigators has been appointed in the Department of Local Government and who also established a close working relationship with other legal authorities such as the NPA and the Hawks.
- The Provincial Departments have adopted strategies to provide “hands-on and targeted support” to municipalities to improve and enhance their functioning and service delivery.
- The Department of Local Government have 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, that meets on a quarterly basis.
- In line with the pro-active, hands-on approach in assisting municipalities and municipal entities, National Treasury has harnessed the advantages of technology to not only increase efficiency in municipal reporting but also to accelerate the provision of real-time assistance to municipalities across the country through the introduction of the free web-enabled audit action plan system.
- The Department of Local Government provides continuous support to municipalities to institutionalise Information and Communication Technology (ICT) governance and to address ICT related Audit findings.
- The DLG in collaboration with its partners will continue to provide extensive support to municipalities towards achieving good governance, positive audit outcomes and improving the lived experience of citizens.

#### 6.5.5 Implementation of the Audit Action Plans

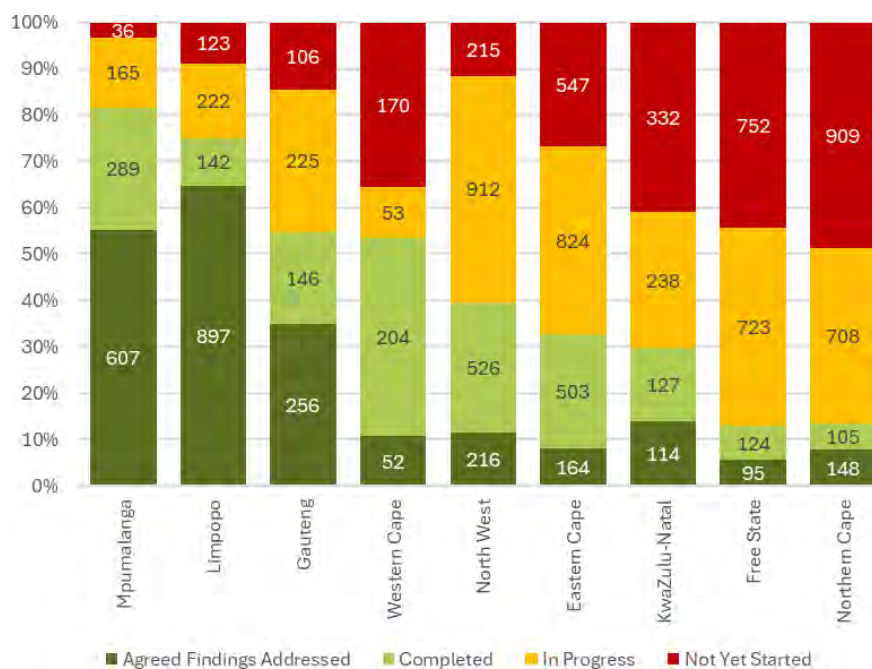
Section 131 of the MFMA requires that a municipality must address any issues raised by the Auditor-General in an audit report. Each municipality must develop an action plan that details how it will address the audit findings raised in its annual audit report (e.g. irregular expenditure, supply chain weaknesses, reporting errors, internal control deficiencies). The plan should specify corrective actions, responsible officials, and timelines for resolution.

National Treasury has issued MFMA Circular 113: Web-Enabled Audit Action Plan System (2022) and introduced a web-enabled audit action plan system to enable municipalities to report and update progress on the implementation of action plans. However, there is a slow pace at which municipalities are uploading information on the system and the accuracy or credibility thereof.

Figure 71 shows the status of the audit findings per province as recorded in the Audit Action Plan System.



Figure 72: Audit action plan implementation status: Sept 2024



Source: MFMA Section 134 Report, 2022/23

#### Strong Performing Provinces:

- Mpumalanga: The total number of audit findings capture in the system is 1067. Mpumalanga shows the highest combined proportion of "Agreed Findings Addressed" (55%) and "Completed" (26%). The province has a very low backlog, 3% "Not Yet Started"
- Limpopo: The total number of audit findings capture in the system is 1384, 26 of which were not assigned to any municipality. Limpopo has the highest proportion of "Agreed Findings Addressed" (65%) and a relatively low backlog, 6% "Not Yet Started"
- Gauteng: The total number of audit findings capture in the system is 733, 82 of which were not assigned to any municipality. Gauteng findings are mainly distributed across three statuses: 35% "Agreed Findings Addressed", 20% "Completed", and 31% "In progress". There is a slightly higher backlog, 14% "Not Yet Started", compared to the stronger performing provinces.
- Western Cape: The total number of audit findings capture in the system is 476. Western Cape has the highest proportion (43%) of "Completed" findings, whereas the "Agreed Findings Addressed" are relatively low, 11%, and backlog remains high, 35% "Not Yet Started"

#### Moderate performing Provinces:

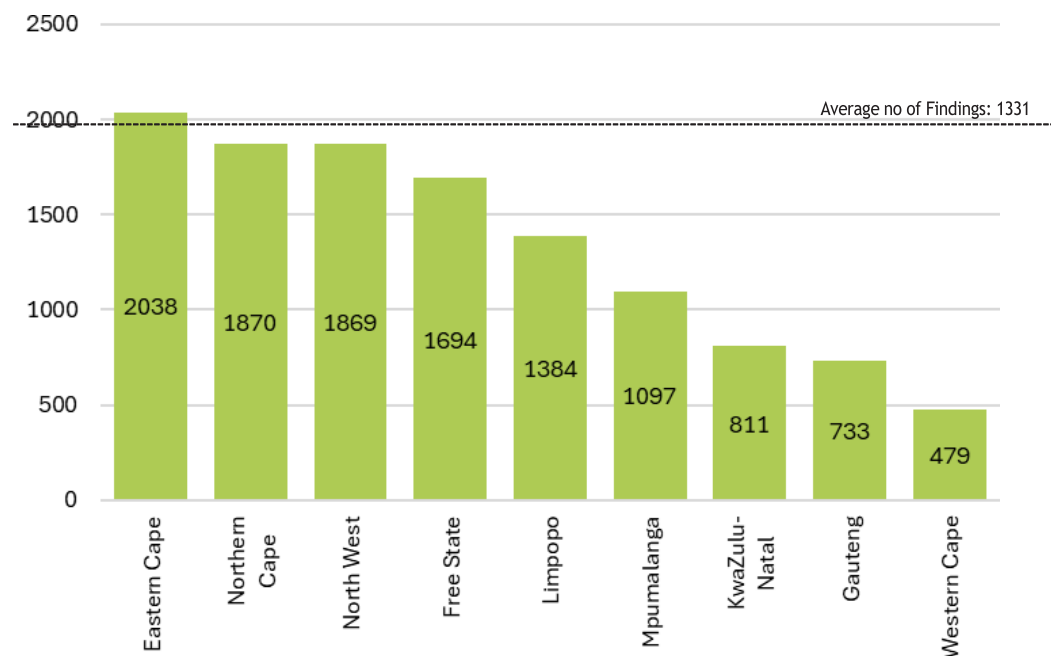
- North West: The total number of audit findings capture in the system is 1866. The province has the highest proportion (46%) of findings "In Progress". Only 12% of findings are categorized as "Agreed Findings Addressed", whereas more than a ¼ of findings are "Completed" (28%).
- Eastern Cape: The total number of audit findings capture in the system is 2038, 38 of which were not assigned to any municipality. The province also has a relatively high proportion (40%)

of findings "In Progress", but the province also has more than ¼ of findings "Not Yet Started" (27%).

#### Weakest performing Provinces:

- KwaZulu-Natal: The total number of audit findings capture in the system is 811. The province has a high proportion of findings "Not Yet Started" (41%) and have just under a third findings that are "Agreed Findings Addressed" (14%) and "Completed" (16%).
- Free State: The total number of audit findings capture in the system is 1664, 18 of which were not assigned to any municipality. The province has a high proportion of findings "Not Yet Started" (44%) but so has an equally high proportion of findings "In Progress" (43%).
- Northern Cape: The total number of audit findings capture in the system is 1870. The province has a highest proportion of findings "Not Yet Started" (46%), but also has an equally high proportion of findings "In Progress" (38%).

Figure 73: No of Audit Findings per province, as of Sept 2024



Source: MFMA Section 134 Report, 2022/23

Despite having just over the average number of audit findings, Limpopo is one of two provinces that has completed/addressed above 70% of findings.

The provinces with the highest proportion of audit findings "In Progress" (Free State, North West, Northern Cape and Eastern Cape) all have an above average number of findings. While North West and Eastern Cape are classified as moderate performers, the high volume of outstanding findings is concerning. The data does not indicate how long findings have remained "In Progress," which raises

questions about whether these provinces are taking particularly long to address their audit issues. This is a cause for concern and may require additional support.

By contrast, Mpumalanga, Gauteng and Western Cape have below-average numbers of findings, which may contribute to their ability to address and complete their findings more effectively. KwaZulu-Natal also has below-average findings, but its low percentage of addressed and completed findings, combined with a relatively high number "Not Yet Started," suggests either a lack of resources or proportionally more complex findings that are harder to resolve.

## 6.6 FINANCIAL DISTRESS

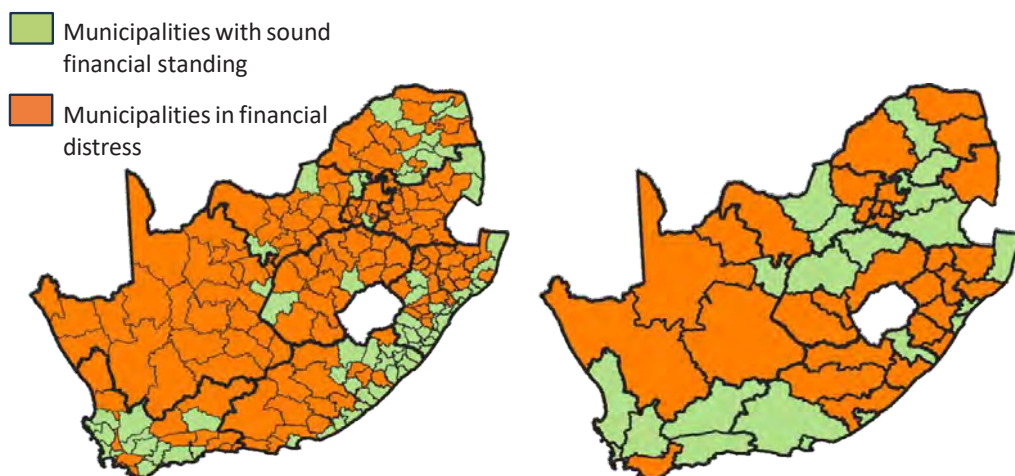
### 6.6.1 Financial Distress Indicator

The SOLGF Report identifies 168 municipalities (65.4%), as shown in Figure 73, as being in a state of financial distress based on key financial indicators used in the report. This represents an increase from 157 municipalities (61%) in 2021/22. Financial distress in this context is defined as a municipality's ongoing failure to control finances necessary to fulfil its constitutional obligations to deliver basic services as well as providing other needs to communities.

Municipal financial distress continues to be characterised by weak cash flow management, growing debtors' books and creditors, and inadequate investment in the repair and maintenance of infrastructure. Many of the affected municipalities also carry repeated disclaimed audit opinions and unfunded budgets, reinforcing the seriousness of their financial position. These challenges undermine the ability of municipalities to meet their financial commitments and contribute to ongoing service delivery failures.

The 2022/23 SoLGF Report further shows that financial distress persists even in municipalities with relatively strong audit outcomes. Twelve municipalities that received clean audits were nonetheless classified as financially distressed, while more than half of those with unqualified opinions with findings also fell into this category. This illustrates that compliance with reporting standards does not automatically translate into financial sustainability, reflecting persistent liquidity constraints and mounting debt. A significant number of municipalities in financial distress are also participating in the debt relief programme, underscoring the extent to which instability has become entrenched.

Figure 74: Metropolitan, Local and District Municipalities that are in Financial Distress per the SOLGF Report



Source: National Treasury: State of Local Government Finances and Financial Management Report 2022/23

#### 6.6.2 Section 13G Interventions

The Constitution of the Republic of South Africa allows in Section 136 for the relevant provincial executive to intervene should a municipality not be able to fulfil an executive obligation in terms of the Constitution or legislation.

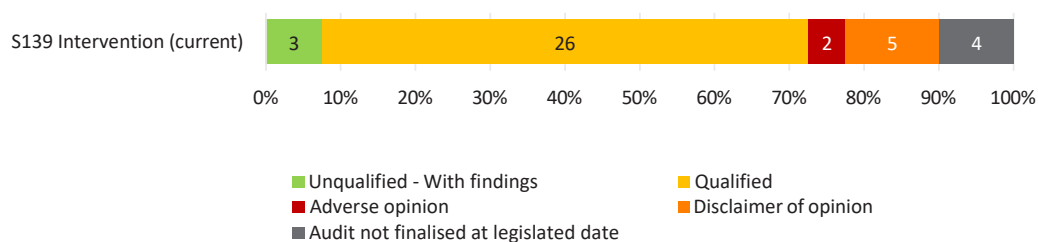
The subsections of Section 136 outline different forms of intervention:

- Section 136(1)(b) - The provincial executive may assume responsibility for the relevant obligation, taking over certain functions of the municipality to ensure the obligation is met. This is generally applied in cases of governance or administrative failure.
- Section 136(5) - Where a municipality is in a serious financial crisis, the provincial executive is obliged to impose a Financial Recovery Plan (FRP) to restore the municipality's ability to provide basic services and meet its financial commitments.
- Section 136(7) - The national executive may intervene if the provincial executive fails to act adequately in terms of Section 136(1) or (5). This shifts the intervention from provincial to national oversight.
- Section 136(7)(c) - The national executive may approve and enforce a Financial Recovery Plan if the provincial plan required under Section 136(5) is inadequate. This typically occurs in more severe or persistent cases of municipal failure.

According to the State of Local Government Finances and Financial Management Report 2022/23 (SoLGF) published by National Treasury, there are currently 40 municipalities under Section 136 interventions (see Figure 75). Audit outcomes for these municipalities, as reported in SoLGF, show a concerning picture: of the 40 municipalities, 3 received unqualified audits with findings, 26 received qualified opinions, 2 received adverse opinions, 5 received disclaimers of opinion, and for 4 municipalities the audits were not finalised within the legislated timeframe (see Figure 75).

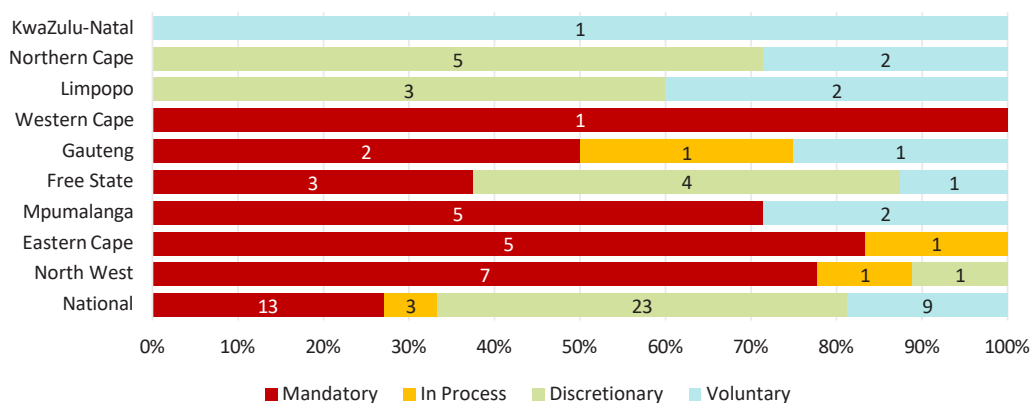
In terms of financial recovery planning, 23 municipalities under intervention are subject to mandatory Financial Recovery Plans (FRPs), while 13 are under discretionary FRPs. An additional 3 municipalities are in the process of having FRPs developed. Beyond these 40, a further 8 municipalities have voluntarily agreed to receive a Financial Recovery Plan (see ).

Figure 75: Audit opinions of municipalities under S136 interventions



Source: National Treasury: State of Local Government Finances and Financial Management Report 2022/23

Figure 76: Status of FRP for municipalities under S136 intervention



Source: National Treasury: State of Local Government Finances and Financial Management Report 2022/23

Section 7.6 will go into further detail regarding the status of these interventions.

## 6.7 SUMMARY OF CHALLENGES - MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT

The 2022/23 reporting cycle paints a troubling picture of municipal financial management. While some municipalities demonstrated resilience, the overall trend is one of poor and in several cases deteriorating financial health. Key findings include:

- Revenue and Expenditure: Many (65 out of 257) municipalities continue to pass unfunded or unsustainable budgets, with expenditure frequently outpacing own revenue generation. Dependence on national transfers remains high, while revenue collection from consumer debtors is weak. Growth in operating expenditure, driven by employee-related costs and bulk service purchases, outstrips revenue growth in several provinces.
- Cash Management and Liquidity: Liquidity remains the most visible sign of municipal financial distress. At the end of 2022/23, 14 municipalities reported negative cash balances, with the Free State and Northern Cape worst affected. Nearly 50% of municipalities had a current ratio below 1, meaning they cannot meet short-term obligations, while 74% recorded liquidity ratios below 1, confirming systemic vulnerability. Despite slight improvements in metros, local municipalities continue to deteriorate, with escalating arrears to creditors and suppliers.
- Municipalities continue to struggle with revenue collection, with collection rates persistently below the MFMA norm of 65%. National Treasury's SoLGF shows that 85% of municipalities take longer than 30 days to collect debt, leaving arrears concentrated in older debt (over 60 days). Section 47 reports confirm weak credit control and billing systems, with provinces such as Free State and Gauteng reporting more than 80% of debt overdue beyond 120 days.
- Audit outcomes: Audit outcomes remain generally poor, with late submission of financial statements, widespread material misstatements, and a limited number of clean audits, only 13.2% across the country. While some municipalities in better-resourced provinces (e.g. Western Cape, Gauteng) show incremental improvements, persistent disclaimers and regressions in provinces such as the Free State, Limpopo, and North West highlight systemic

governance and accountability failures. Implementation of Audit Action Plans is weak and inconsistent.

- Financial distress: The State of Local Government Finances Report continues to flag high numbers of municipalities in financial distress. The report flagged 168 (65.4%) municipalities, noting a persistence of weak cash flow management, increasing debtors and creditors days, and limited infrastructure maintenance and investment. Further, 40 municipalities are under Section 136 interventions and 8 under voluntary Financial Recovery Plans, which amounts to 18.7% of municipalities. 13 of these municipalities are under mandatory Financial Recovery Plans, signalling a particular issue with the financial viability of the municipalities.

Additionally, it is critical to note that despite the abundance of quantifiable, public financial data (budgets, audit reports, NT publications), Section 47 provincial reports often under-report on financial management. This not only weakens oversight but also obscures the strong interdependence between financial viability and other KPAs such as service delivery, governance, and LED. The absence of a consistent, standardised reporting framework limits the ability to track progress and respond effectively.

In summary, municipal financial viability is under severe strain. Chronic weaknesses in revenue collection, cash flow management, audit compliance, and governance have left many municipalities in a state of fragility, with growing risks to their ability to sustain services. These challenges are compounded by reporting gaps that mask the depth of the problem, making financial viability the most quantifiable yet the most neglected KPA in provincial reporting.

## 7 GOOD GOVERNANCE AND PUBLIC PARTICIPATION

### 7.1 OVERVIEW

Municipal governance and community participation are fundamental elements of a capable and developmental system of local government. Governance is exercised through councils, council committees, oversight structures, and intergovernmental relations forums, which together create the framework for decision-making, resource management, and accountability. These structures provide the institutional backbone that allows municipalities to plan, implement, and monitor their activities in line with developmental priorities.

Public participation complements these governance mechanisms by ensuring that communities have a voice in shaping municipal decisions and priorities. Through ward committees, the Integrated Development Plan (IDP) processes, and structured consultations, residents can influence planning, hold leadership accountable, and guide service delivery priorities. Where councils are stable, oversight is functional, and participation is meaningful, municipalities are better positioned to deliver services, maintain financial discipline, and respond effectively to community needs. Conversely, instability, weak committees, or the exclusion of community voices often result in poor performance, declining trust, and weak accountability. Reporting on governance and participation therefore offers critical insight into the municipality's ability to fulfil its developmental mandate.

This section looks at indicators around:

- Ward committees and public participation
- Functionality of Council Structures, Oversight and Accountability
  - Functionality of Municipal Public Accounts Committees (MPACs)
  - Functionality of Audit committees and internal audit units
  - Functionality of other committees (Section 76 and 80)
- Anti-corruption and fraud prevention (existence of policy and strategy)
- Intergovernmental Relations
  - Section 136 interventions
  - Functionality of IGR forums

### 7.2 WARD COMMITTEES AND PUBLIC PARTICIPATION

In terms of Section 16 of the Municipal Systems Act, 32 of 2000 (as amended) and Section 72 of the Municipal Structures Act, 117 of 1998, 1668 municipalities must establish ward committees that will serve as vehicles for community participation in municipal affairs.

Table 16 sets out the establishment and functionality of ward committees, and the number of committee meetings that were councillor convened in each province according to the 2022/2023 Section 47 reports. All provinces report on the number of ward committees, and 7 provinces report on a level of functionality. Some reports do not provide adequate information on the number of wards where councillors have convened meetings.

Table 16: Ward Committees s CDWs – 2022/2023 (All 6 Provinces)

Province	1. Ward Committees Established	2. Ward Committees Functional (No. s %)	3. Wards where Councillors convened community meetings	4. Ward Operational Plans in place	5. Community Development Workers (CDWs)
Gauteng	422 <sup>16</sup>	418 (66%). This is an increase from 65% reported in 2021/22	Not reported directly; only 3225 ward committee meetings held. This is a big improvement on previous of just over 600 meetings held	10 of the 11 municipalities reported on operational plans being submitted	340 Wards have CDW deployed. Only 186 wards had CDWs actively reporting information
Limpopo	565	565 (100%)	Not reported as number of wards; only general participation noted	Operational plans in all wards	Not provided
Mpumalanga	400	265 (73%). This is a drop from 78% reported in 2021/22	Not reported – focus on ward committees only	Not reported	362 CDW deployed, with 81 vacant positions.
Free State	Report cuts off at page 60 - not reported				
KwaZulu-Natal	883	801 (61%)	3206	Operational plans in all functional wards	Not provided
Northern Cape	232	231 (66,5%)	Not reported	206 (60%)	Not provided
Eastern Cape	715	715 (100%)	Not reported as number of wards; only general	Operational plans in all wards	CDWs active across province. 6 municipalities have “excellent”

<sup>16</sup> Gauteng has 526 wards; this number does not include City of Tshwane which has not had ward committees since 2014



			community participation		CDW monitoring systems, 5 "very good", 3 "good", 11 "weak", and 13 municipalities did not report.
Western Cape	405	236 (58,2%)	Not reported - focus on ward committees, not councillor meetings	Operational plans in all wards	CDWs active across municipalities, but no provincial figure given
North West	366	Not reported - say functionality improving	Not reported - councillor meetings not tracked	Not provided	Not provided

Table 16 shows that four (4) provinces (Gauteng, Limpopo, KwaZulu-Natal and Northern Cape) have 60% or more of their wards functional. The exceptions are North West, and Free State, which did not report on their ward functionality; and Mpumalanga (73%) and Western Cape (58%) who report lower functionality. The difficulty with this indicator is that functionality is not clearly defined in the report. Municipalities may be defining functionality in different ways. The National Guidelines: Framework for the Establishment of Ward Committees (2005) sets the minimum expectation of at least quarterly meetings with a quorum (50% + 1) to regard a ward committee as functional. However, municipalities may set stricter rules (e.g. monthly meetings, and functionality may not focus just on frequency of meetings, but also about documented evidence of participation, reporting, and feedback. Provinces need to be clearer on what these criteria are.

Table 16 also shows the status of Community Development Workers (CDWs). CDWs are there to improve government's capacity to fight poverty and foster development. They are a link between communities and local government. Therefore, CDWs should work with communities to facilitate access to social grants and identity document.

Gauteng and Mpumalanga were the only province to report on a number of CDWs who were actually deployed. Both provinces report significant vacancies, with Gauteng stating that of the 529 wards<sup>17</sup>, 174 do not have CDWs, and Mpumalanga noting 81 vacant positions due to resignations, retirements, or deaths.

The Eastern Cape does not provide deployment numbers but indicates whether municipalities (i) have a database of employed CDWs, (ii) receive regular reports from CDWs, (iii) have a dedicated official for CDW matters, and (iv) provide feedback to the Provincial Department on CDW

performance. It ranks municipalities on a scale from Excellent to Weak: six (6) municipalities are Excellent, five (5) Very Good, three (3) Good, eleven (11) Weak, and thirteen (13) did not report.

Several challenges around CDW deployment have been identified. These vary by province:

- Mpumalanga: The programme struggles with high vacancies and slow filling of posts, linked partly to austerity measures. CDWs face poor integration into municipal programmes, lack of office space, and weak responses from municipalities and departments due to ineffective complaints systems.
- Gauteng: CDWs face inadequate coordination with municipalities, unclear role definitions in relation to ward committees (leading to duplication or conflict), limited resources and logistical support, and insufficient integration into municipal programmes.
- North West: Collaboration between CDWs and ward committees is “not ideal” because CDWs are often not invited to ward-committee activities, relations with councillors are strained, and relations with the Offices of the Speaker are non-cooperative.
- Western Cape: The report outlines roles and functions but does not explicitly mention challenges.
- KwaZulu-Natal, Eastern Cape, Limpopo, Northern Cape: CDW-specific challenges are not listed.

## 7.3 FUNCTIONALITY OF COUNCIL STRUCTURES, OVERSIGHT AND ACCOUNTABILITY

### 7.3.1 Comparison of MPAC Functionality Across Provinces (2022/23)

The Municipal Public Accounts Committee (MPAC) is a structure created within every municipality to enhance oversight and strengthen accountability in local government. Its function is comparable to that of the Standing Committee on Public Accounts (SCOPA) in Parliament.

The main role of MPAC is to evaluate how municipalities manage both finances and performance, providing a key governance structural nexus between financial management and other KPAs. It ensures that public resources are used legally, efficiently, and for their intended purposes. To achieve this, MPAC examines annual reports, audit findings, and cases of unauthorised, irregular, fruitless, and wasteful (UIFW) expenditure, after which it submits recommendations to the municipal council. MPACs are significant because they promote openness, accountability, and sound governance practices. Where they operate effectively, they contribute to better service delivery, improved financial management, and renewed public confidence in municipalities. However, when MPACs are weak or non-functional, they undermine accountability and fuel ongoing governance and audit challenges.

The Section 47 reports across provinces reveal significant differences in how Municipal Public Accounts Committees (MPACs) function. The table below provides a provincial overview of how well MPACs are functioning, based on whether they are in place, the frequency of meetings, and the submission of reports to councils. The main differences between provinces can be summarised as follows:





● **Best Practice Provinces (Western Cape, Gauteng, KwaZulu-Natal):** These provinces demonstrate consistent MPAC functionality, reports submitted, and approved. They are regarded as models of oversight and accountability.





● **Moderate Practice Provinces (Mpumalanga and Limpopo):** MPACs exist and are partly functional,


but challenges such as weak capacity, and poor follow-through on recommendations undermine effectiveness.

● Weak Practice Provinces (Free State, Northern Cape, North West): Many MPACs are dysfunctional, fail to submit reports, and face systemic political and capacity-related challenges. Oversight is weakest here.

Table 17: Status of MPAC committees, meetings and report submissions

Province	MPAC Status	No. of MPAC Meetings Held	Submission of MPAC Report	Key Issues/ Notes
 <b>Western Cape</b>	Notes that all political and governance structures are in place	No information provided	All oversight reports were approved without reservations	No information provided
 <b>Gauteng</b>	All municipalities established MPACs	No information provided	All municipalities submitted reports to Council though 4 out of 11 did not fully comply with the process, and 4 were approved without reservations	Good institutional support; UIFW oversight still a challenge
 <b>KwaZulu-Natal</b>	All municipalities (except 1) had MPACs in place, though functionality varied	MPACs held meetings across all municipalities	No information provided	No information provided
 <b>Mpumalanga</b>	MPACs established in all municipalities	Chairpersons not capacitated to run MPAC meetings effectively, though capacitation of council committees yielded positive results.	Delays in the tabling and adoption of Oversight Reports by municipalities	Loss of institutional knowledge upon re-deployment of MPAC chairpersons. Lack of human resources, capacity, and tools of trade to assist MPACs with administration. Administrative officials failing to

				provide reports to MPACs for processing
 <b>Limpopo</b>	MPACs established in all municipalities	District MPAC forums convened quarterly	66% of municipalities submitted oversight reports	Fail failure by MPAC's to investigate MFMA section 32 expenditures timeously
 <b>Free State</b>	MPACs established, only 2 municipalities reported non-functional MPACs	No information provided	No information provided	Poor administration support to provide reports for MPAC, Insufficient tools of trace, lack of training provided to the broader council, political interference, lack of work ethic, and lack of commitment amongst MPAC members
 <b>Northern Cape</b>	MPACs established, but AG raised concern that MPACs are ineffective, thus does not encourage accountability and consequence management	No information provided	12 of 31 municipalities adopted their Oversight Reports, and only 6 submitted them to Provincial Legislature.	The AG has highlighted the ineffectiveness of MPACs in fostering accountability and consequence management
 <b>Northern West</b>	MPACs established, but only partly functional	No information provided	Only 13 out of 22 municipalities submitted oversight reports	A worsening trend in compliance with oversight report submission, MPACs failing to investigate UIFsW expenditures, lack

				of consequence management
 <b>Eastern Cape</b>	<b>Did not offer specific details regarding the establishment, functionality, number of meetings, or submission of reports for Municipal Public Accounts Committees</b>			

From Table 17 above, it is clear that good practice provinces for MPAC functionality are in the minority. Even in stronger provinces such as Gauteng, challenges with UIFW oversight persist. Widespread deficiencies in Mpumalanga, Northern Cape, North West, and the Free State highlight the need for targeted support, while the lack of reporting in Eastern Cape makes it difficult to assess performance.

### 7.3.2 Audit Committees and Internal Audit Units

Internal auditing is an independent and objective activity that provides assurance and advice to strengthen governance and improve operations. It supports municipalities by applying a systematic approach to review and enhance risk management, internal controls, and compliance.

In terms of MFMA section 165(2), every municipal internal audit unit must:

- Prepare an annual risk-based audit plan; and
- Advise the accounting officer and report to the audit committee on matters such as internal controls, accounting practices, risk management, performance management, loss control, and compliance with the MFMA, DoRA, and other legislation (e.g., Water Services Act, Electricity Regulation Act).

The Audit Committee, required by MFMA section 166, is a council-appointed independent body. Its responsibilities include:

- Advising the council, management, and political leadership on internal financial control, audits, risk management, accounting policies, performance management, governance, and legislative compliance.
- Reviewing annual financial statements to provide a credible view of the municipality's financial position, efficiency, and compliance.
- Responding to issues raised by the Auditor-General.
- Undertaking investigations into financial affairs when requested by the council or board of directors.

Overall, the functionality of audit committees and internal audit units remains uneven across provinces. Gauteng, Western Cape, Eastern Cape and Limpopo demonstrate stronger performance, with well-functioning committees and units that meet regularly and provide effective oversight. In contrast, provinces such as Free State, and Mpumalanga reflect persistent weaknesses.

Table 18: Audit committees and Internal Audit Units

Province	Audit Committees	Internal Audit Units
Gauteng	All municipalities had audit committees; functional and met regularly	Units functional (except in Sedibeng), supported audit committees with regular reports
Western Cape	All municipalities had functional audit committees with strong performance	Well-resourced and functional in most municipalities
KwaZulu-Natal	Committees established but effectiveness varied; capacity gaps noted	No information provided
Eastern Cape	32 of 36 municipalities reported "excellent" <sup>18</sup> performance of committees	No information provided
Mpumalanga	Committees in place, but inadequate implementation of audit action plans and audit committee resolutions by the municipalities was observed	Limited human resources in Internal Audit units to review all auditable areas
Northern Cape	Committees existed in most local municipalities or support service was rendered by the district. However in 5 of the 31 municipalities there was no structure	Unit existed in most local municipalities or support service was rendered by the district. However Karoo Hoogland was the only LM where the unit was not functional
Limpopo	All audit and performance committees are established and functional	All units are established and functional
Free State	6 out of 25 audit committees are not functional, and only 5% of municipalities reported having effective audit committees.	21% of municipalities reported having internal audit units.
North West	No information provided	No information provided

<sup>18</sup> Excellent is defined as if the municipality reports the existence, responsibilities and functionality of an Audit Committee including a report attached in the Annual Report

## 7.3.3 Mayoral, Executive, Section 7G and Section 80 Committees

Functioning Section Mayoral Committees, Executive Committees as well as section 76 and 80 structures are critical for strengthening municipal performance. These oversight and advisory committees enable councillors to scrutinise executive decisions, monitor service delivery, and hold officials accountable. Where Section 76 committees provide political oversight, Section 80 committees offer specialised technical support to the executive, ensuring more informed decision-making. When these structures operate effectively, they promote transparency, improve governance, and enhance the quality-of-service delivery, ultimately building public trust in local government. The table below describes what is reported in terms of the various committees.

Table 16: Functionality of Other Committees/Structures (Mayco, EXCO, Section 76, 80 and other committees of council)

Province	Mayco/EXCO Functionality	Section 7G Committees	Section 80 Committees	Other Committees
Gauteng	Mayoral Committees (Mayco) in metros functional; effectiveness tied to political stability	Established and functional across municipalities	In place to support EXCO/Mayco	Audit, risk, MPAC functional
Western Cape	Strong Mayco/EXCO functionality; stable leadership supported governance	Functional across municipalities, strong oversight	Support executive structures effectively	Audit, risk committees functional, contributed positively
KwaZulu-Natal	Mayco/EXCO established in all municipalities; functionality varied by stability	Established and functioning, varied performance	Established and functioning	Audit, risk, performance committees in place
Eastern Cape	No information provided	No information provided	No information provided	Audit, risk, performance committees functional in most municipalities
Mpumalanga	EXCOs present and functional	Present, functionality uneven	Exist in municipalities with EXCO	Audit, risk committees established but resource challenges

Northern Cape	EXCO structures present, but small municipalities struggled with effectiveness	Present, inconsistent functionality	Exist where EXCO structures present	Audit, performance committees under capacity constraints
Linpopo	EXCO present	Established and functional	No information provided	Audit, risk, performance committees functional in all municipalities
Free State	Structures existed, but lack of records or information on functionality	11 out of 23 municipalities did not provide information on s76 committees. 8 municipalities reported having functional committees.	11 out of 23 municipalities did not provide information on s80 committees. 4 municipalities reported having functional committees.	Audit, risk, disciplinary boards weak
North West	No information provided	No information provided	No information provided	Audit, risk, disciplinary boards present but could be more effective

Across provinces, while formal structures generally exist, their effectiveness depends heavily on political stability, adequate resources, and consistent reporting. Information gaps in several provinces obscure a full picture of functionality, suggesting weaknesses in monitoring and transparency.

## 7.4 ANTI-CORRUPTION AND FRAUD PREVENTION

### 7.4.1 Fraud and Corruption Strategies/Policies (2022/23)

Strengthening governance in municipalities requires firm anti-corruption measures that also encourage whistleblowing against unethical behaviour. To advance this agenda, the Department of Cooperative Governance (DCoG) updated the Local Government Anti-Corruption Strategy and rolled out the Integrity Management Framework, which places integrity at the centre of municipal operations. Together, these instruments set out the strategic priorities for preventing and addressing corruption in local government.

Fraud and anti-corruption policies are essential for protecting scarce municipal resources from abuse and ensuring that funds are used for service delivery. Well-designed policies not only safeguard finances but also enhance accountability, reinforce governance, and help restore community confidence in municipal institutions.

The 2022/23 Section 47 reports highlight differences in the existence and effectiveness of fraud and corruption strategies across provinces.



Table 20: Status of Fraud and Corruption Strategies/Policies

Province	Fraud and Corruption Strategies/Policies
Gauteng	Adopted fraud prevention strategies and anti-corruption policies in 6 out of 11, 5 of which are regularly review and aligned with relevant legislation amendments.
Limpopo	All municipalities have compiled and implemented anticorruption plans
Mpumalanga	16 out of 20 municipalities have Anti-Corruption measures in place
Eastern Cape	Report notes that most of the municipalities were explicit in providing information related to Corruption prevention mechanisms, only a few could not provide information reflecting whether the fraud prevention policy is available and have been adopted by the Council, but no figures were provided
Free State	The anti-corruption strategies of the only 2 out of the 23 municipalities are not in place due to non-functionality of audit committees and he council to approve policies in time
Western Cape	Municipalities had established fraud prevention and anti-corruption policies with active enforcement and monitoring.
North West	7 out of 22 municipalities do not have anti-corruption policies in place. For the remaining 15 municipalities that did have an anti-corruption policy, many still lack proper implementation plans, ethics policies, and whistleblowing mechanisms.
Northern Cape	No information provided
KwaZulu-Natal	No information provided

Evidence from provincial reports most municipalities have adopted such policies, except in North West which stands out as an outlier. However, the other provinces provided limited detail on the implementation of their policies, which may hide deeper challenges. The Western Cape is a notable exception, providing robust evidence of comprehensive policy adoption and effective implementation, with a strong governance culture.

## 7.5 INTERGOVERNMENTAL RELATIONS (IGR)

Measuring indicators such as Section 136 interventions and the functionality of Intergovernmental Relations (IGR) forums is important because they directly reflect the health of municipal governance and the capacity of municipalities to fulfil their responsibilities. Section 136 interventions signal serious failures in governance, finance, or service delivery, where provincial or national government must step in to restore stability. Tracking the frequency and type of interventions provides insight into systemic weaknesses in local government, the sustainability of municipal performance, and whether

municipalities are improving or regressing over time. Our experience shows that while interventions are necessary to stabilise distressed municipalities, prolonged or repeated use often reflects deeper structural problems that are not being resolved.

Similarly, IGR forums are vital for ensuring coordination across spheres of government and aligning local, provincial, and national priorities. When these forums function effectively, they strengthen accountability, improve planning, and enable municipalities to pool resources and address service delivery challenges more coherently. Weak or dysfunctional forums, on the other hand, often result in duplication, fragmented responses, and missed opportunities to address community needs. By assessing both Section 136 interventions and the functionality of IGR forums, we gain a more complete picture of governance performance and the capacity of municipalities to deliver on their developmental mandate.

#### 7.5.1 Functionality of IGR Forums

For municipalities to effectively fulfil their developmental mandate, active collaboration between all three spheres of government is essential to ensure efficient and effective service delivery. Each sphere contributes to development planning, the setting of priorities, and the allocation of resources.

The Intergovernmental Relations Framework Act (2005) establishes the framework for cooperation, recognising the three spheres of government as distinctive, interdependent, and interrelated. The Act further outlines the responsibilities and institutional arrangements necessary to strengthen coordination. Building structured and formalised relationships with municipalities is particularly important to ensure alignment in planning, improved information sharing, and the promotion of sound governance practices.

The 2022/23 Section 47 reports reveal differences in the functionality of Intergovernmental Relations (IGR) forums across provinces.

Table 21: Provincial Comparison of IGR Functionality (2021/22)

Province	IGR Forums Functionality
Western Cape	Forums are well-institutionalised, stable, and functional. Platforms such as TIME and JDMA support co-planning, co-budgeting, and co-implementation. Interface Teams prepare reports for District Coordinating Forums. Strong vertical and horizontal alignment achieved.
Gauteng	Forums (IGR Forum, Premier's Coordination, COGTA IGR, Nthiriso) are established and functional. They advise on operationalising policies and curbing duplication. However, gaps remain in intergovernmental coordination and plan alignment, with participation in IDPs being voluntary.
Mpumalanga	Provincial IGR Framework finalised in 2022/23. Forums linked with the District Development Model (DDM), established to enable cross-sphere planning, budgeting, and implementation. Alignment with DDM structures noted, but challenges the confidentiality of meetings prevents municipalities from sharing details for the purpose of this report.
Eastern Cape	Forums exist and are improving. District municipalities report on IGR structures with TORs for Technical IGR and Political DIMAFO. All local municipalities

	participate in District and Provincial fora. However, underreporting persists, and functionality of DIMAFOs varies from excellent to weak.
Limpopo	Report simply states that IGR functions are operational across all municipalities
Northern Cape	The provincial Intergovernmental integration remains a challenge due to minimum participation of .sector departments during the municipal review process
North West	Forums referenced mainly through SPLUMA and LED processes. District economic work streams established, but coordination remains poor.
Free State	Forums functional at district level and assessed against criteria (constitution, role, mandate, operations, coordination, technical support). Seen as key for strengthening municipalities and service delivery, though effectiveness varies by district.
KwaZulu-Natal	No direct mention on IGR Forums

The functionality of IGR varies significantly across provinces. The Western Cape and Gauteng demonstrate the strongest and most institutionalised forums, with established platforms that drive alignment, though Gauteng still faces gaps in coordination and IDP participation. Mpumalanga, Eastern Cape, and the Free State have structures in place and show progress, but effectiveness is inconsistent. Limpopo reports IGR functions as operational across all municipalities, though without detail on performance. In contrast, the Northern Cape and North West struggle with weak participation, poor coordination, and minimal impact.

## 7.6 SECTION 139 INTERVENTIONS

As noted earlier, Section 136 of the Constitution provides provinces with the authority to intervene when municipalities are unable or unwilling to fulfil their executive obligations. These interventions are an important safeguard for governance and service delivery, but they also highlight the depth of challenges faced at local government level.

From a governance point of view, the collective experience to date shows that interventions are complex, often protracted, and not always successful in restoring stability or functionality. While in some cases they have helped to address immediate failures, such as approving a budget or developing a financial recovery plan (as reflected in the preceding section on Financial Management), in others they have struggled to produce sustainable improvements. Factors such as political instability, weak administration, and financial distress frequently limit the effectiveness of these measures.

As noted earlier the Section 136 interventions take different forms:

13G(1)(a): The province issues a directive to the municipality.

13G(1)(b): The province assumes responsibility for an executive obligation.

13G(1)(c): Dissolution of the municipal council.

13G(4): Intervention due to failure to approve a budget.

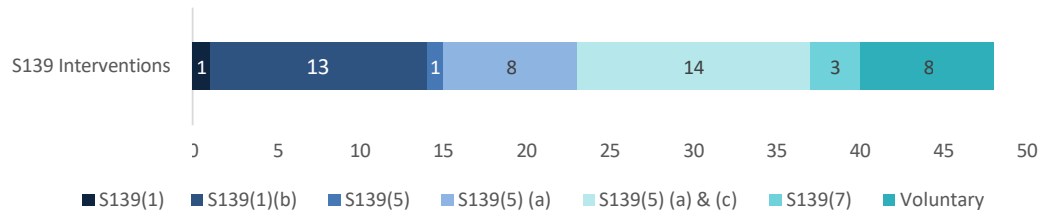
13G(5)(a): When a municipality cannot meet its financial commitments, the provincial executive must impose a financial recovery plan.

13G(5)(c): If the municipal council fails to adopt the financial recovery plan, the provincial executive must dissolve the council and appoint an administrator to approve a budget and implement the plan.

13G(7): The national executive intervenes when a province cannot or does not fulfil its oversight role, assuming responsibility to ensure the municipality meets its obligations.

There are currently 40 active section 136 interventions and 8 municipalities who have voluntarily agreed to receive an FRP, as shown in Figure 77. The majority fall under section 136(5)(a) and (c) (14 interventions) and section 136(1)(b) (13 interventions).

Figure 77: S136 Interventions by Type



Source: National Treasury: State of Local Government Finances and Financial Management Report 2022/23

Table 22 provides a list the municipalities under s136 intervention 2022/2023. There was only one new Section 136 added in this year. This is from Magareng in the Northern Cape. None were removed from the 2021/2022 list in this financial year.

Table 22: List of current Section 136 Interventions

Province	Cat	Code	Name	S13G Intervention	FRP Status
Eastern Cape	B	EC104	Makana	S136(5) (a)	Mandatory
Eastern Cape	C	DC12	Amathole	S136(5) (a)	Mandatory
Eastern Cape	B	EC136	Enoch Mgijima	S136(7)	Mandatory
Eastern Cape	C	DC13	Chris Hani	S136(5) (a)	In Process
Eastern Cape	B	EC145	Walter Sisulu	S136(5) (a)	In Process
Eastern Cape	C	DC15	O R Tambo	S136(5) (a)	In Process
Free State	A	MAN	Mangaung	S136(7)	Mandatory
Free State	B	FS181	Masilonyana	S136(1)(b)	Discretionary
Free State	B	FS182	Tokologo	S136(5) (a) s (c)	Mandatory
Free State	B	FS163	Nketoana	S136(1)(b)	Discretionary
Free State	B	FS164	Maluti-a-Phofung	S136(1)(b)	Discretionary
Free State	B	FS165	Phumelela	S136(1)(b)	Discretionary
Free State	B	FS166	Mantsopa	Voluntary	Voluntary
Free State	B	FS205	Mafube	S136(5) (a) s (c)	Mandatory
Gauteng	A	TSH	City of Tshwane	Voluntary	Voluntary
Gauteng	B	GT421	Emfuleni	S136(5)	Mandatory
Gauteng	B	GT484	Merafong City	S136(5) (a)	In Process
Gauteng	C	DC48	West Rand	S136(5) (a)	Mandatory
KwaZulu-Natal	B	KZN225	Msunduzi	S136(1)(b)	Discretionary
Limpopo	B	LIM334	Ba-Phalaborwa	S136(1)(b)	Discretionary

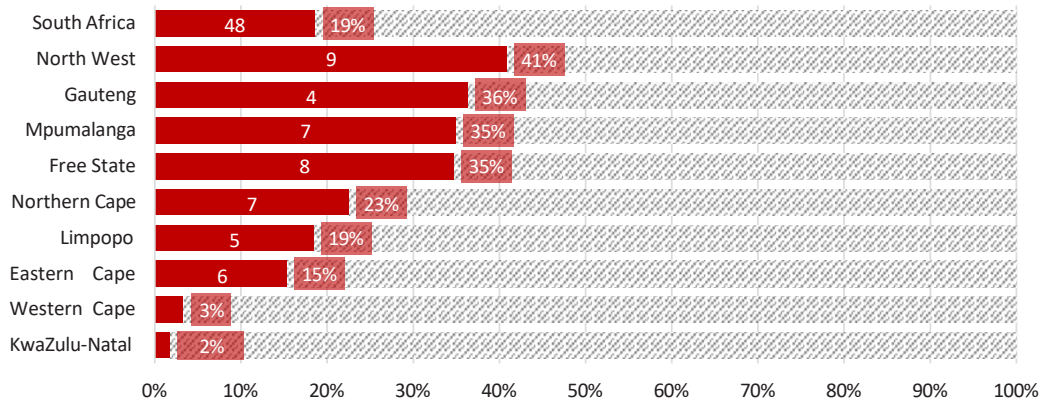
Province	Cat	Code	Name	S13G Intervention	FRP Status
Limpopo	B	LIM341	Musina	Voluntary	Voluntary
Limpopo	B	LIM361	Thabazimbi	S136(1)(b)	Discretionary
Limpopo	B	LIM367	Mogalakwena	S136(1)(b)	Discretionary
Limpopo	B	LIM368	Modimolle-Mookgopong	Voluntary	Voluntary
Mpumalanga	B	MP305	Lekwa	S136(7)	Mandatory
Mpumalanga	B	MP306	Dipaleseng	Voluntary	Voluntary
Mpumalanga	B	MP307	Govan Mbeki	S136(5) (a) s (c)	Mandatory
Mpumalanga	B	MP321	Thaba Chweu	S136(5) (a) s (c)	Mandatory
Mpumalanga	B	MP326	City of Mbombela	Voluntary	Voluntary
Mpumalanga	B	MP302	Msukaligwa	S136(5) (a) s (c)	Mandatory
Mpumalanga	B	MP312	Emalahleni	S136(5) (a) s (c)	Mandatory
Northern Cape	B	NC071	Ubuntu	S136(1)(b)	Discretionary
Northern Cape	B	NC075	Renosterberg	S136(1)(b)	Discretionary
Northern Cape	B	NC082	!Kai! Garib	Voluntary	Voluntary
Northern Cape	B	NC084	!Kheis	Voluntary	Voluntary
Northern Cape	B	NC062	Dikgatlong	S136(1)(b)	Discretionary
Northern Cape	B	NC064	Magareng	S136(1)(b)	Discretionary
Northern Cape	B	NC064	Phokwane	S136(1)(b)	Discretionary
North West	B	NW372	Madibeng	S136(5) (a) s (c)	In Process
North West	B	NW374	Kgetlengrivier	S136(5) (a) s (c)	In Process
North West	B	NW382	Tswaing	S136(5) (a) s (c)	In Process
North West	B	NW383	Mafikeng	S136(5) (a) s (c)	In Process
North West	B	NW384	Ditsobotla	S136(5) (a) s (c)	In Process
North West	B	NW385	Ramotshere Moiloa	S136(5) (a) s (c)	In Process
North West	C	DC38	Ngaka Modiri Molema	Voluntary	Voluntary
North West	B	NW362	Naledi (NW)	S136(5) (a) s (c)	In Process
North West	C	DC36	Dr Ruth Segomotsi Mompati	S136(5) (a) s (c)	In Process
Western Cape	B	WC053	Beaufort West	S136(5) (a)	Mandatory

Source: National Treasury: State of Local Government Finances and Financial Management Report 2022/23

Figure 77 shows that 16% of municipalities nationally are under intervention (48 of 257). North West has both the highest number (6) and share (41%) under intervention. Gauteng (36%), Mpumalanga (35%) and the Free State (35%) also have more than a third of municipalities under intervention, though Gauteng's percentage is amplified by a small base (4 of 11). At the lower end, Western Cape (3%) and KwaZulu-Natal (2%) each have only one municipality under intervention. The Northern Cape (23%),

Limpopo (16%) and Eastern Cape (15%) sit in the mid-range. These patterns point to concentrated distress in a few provinces.

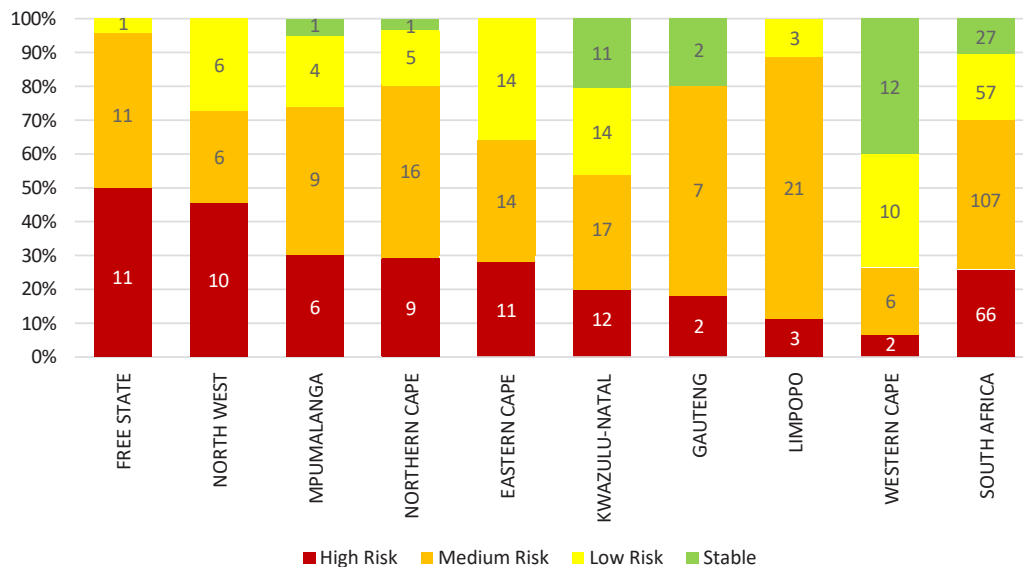
Figure 78: Number and % of municipalities under intervention per province



Source: National Treasury: State of Local Government Finances and Financial Management Report 2022/23

## 7.7 DYSFUNCTIONAL MUNICIPALITIES

Figure 76: Municipalities categorized according to risk/dysfunction



Source: "66 dysfunctional as of March 2023" by Department of Co-operative Governance

The 2022 State of Local Government Report highlights a mixed performance across municipalities. While the number of dysfunctional (high-risk as shown in Figure 78) municipalities increased slightly from 64 in 2021 to 66 in 2022, there has been progress elsewhere: stable municipalities nearly doubled from 16 to 27, medium-risk municipalities declined from 111 to 107, and low-risk municipalities decreased

from 66 to 54. KwaZulu-Natal recorded the highest number of dysfunctional municipalities (12), while the Free State (48%) and North West (46%) had the highest proportions relative to their total municipalities. By contrast, Western Cape (7%), Limpopo (11%) and Gauteng (18%) reported much lower proportions. In response, Cooperative Governance and Traditional Affairs (CoGTA) has introduced a range of reforms, including amendments to the Municipal Structures Act, the rollout of Municipal Staff Regulations, Circular 88 on performance indicators, the establishment of a Results Management Office, and the strengthening of MISA. Planned measures such as the Intergovernmental Monitoring, Support and Interventions (IMSI) Bill and the Coalitions Bill are also expected to provide further support and accountability mechanisms (CoGTA, 2023b; Pillay, 2023).

## 7.8 SUMMARY OF CHALLENGES – GOOD GOVERNANCE AND PUBLIC PARTICIPATION

The following common challenges taken from Section 47 reports of provinces are highlighted

### 7.8.1 Ward Committees

- While establishment levels are high, functionality remains uneven.
- Some provinces (e.g., Gauteng, Eastern Cape) report high levels of functionality, while others (Mpumalanga and Western Cape) record lower performance.
- A critical issue is that 'functionality' is not consistently defined across municipalities, creating variation in reporting and limiting comparability.
- Weak or irregular meetings, poor community engagement, and limited follow-up on decisions reduce the effectiveness of ward committees.

### 7.8.2 Community Development Workers (CDWs)

- CDWs are widely recognized as vital links between municipalities and communities, but their integration into local systems is inconsistent.
- High vacancies and slow filling of posts (notably in Mpumalanga).
- Limited coordination with municipalities and ward committees, leading to duplication or conflict (noted in Gauteng and North West).
- Poor logistical support, lack of office space, and weak complaints-handling systems.
- Uneven collaboration with councillors and municipal leadership, which undermines their role in facilitating participation.

### 7.8.3 Oversight Structures (MPACs, Audit Committees, Section 7G s 80 Committees)

- MPACs: Strong in Western Cape and Gauteng, but generally weak in provinces such as Free State, Northern Cape, and North West. Problems include irregular meetings, poor resourcing, and challenges in implementing recommendations.
- Audit Committees/Internal Audit Units: Functionality differs widely. Western Cape, Eastern Cape, Limpopo and Gauteng perform well, whilst other provinces like Free State do not even have the structures established nor functional.
- Other Committees: Executive and oversight committees are more stable in Western Cape and Gauteng, but weakened by instability, poor attendance, and resource gaps in other provinces.

### 7.8.4 Anti-Corruption and Fraud Prevention

- Most provinces report the existence of fraud and corruption strategies/policies, but implementation is uneven.

- Western Cape demonstrates having a stronger framework in place, whilst North West had notable struggles in implementation.

#### 7.8.5 Intergovernmental Relations (IGR) Forums

- Functionality varies significantly across provinces:
- Stronger in Western Cape and Gauteng, where forums are well-institutionalised, stable, and functional.
- Moderate in Mpumalanga, Eastern Cape, Free State, and Limpopo, where forums exist and show progress but effectiveness is uneven.
- Weak in Northern Cape and North West, where forums are hampered by poor participation, weak coordination, and minimal impact.
- KwaZulu-Natal provides no direct reporting on IGR forums, making functionality unclear.

#### 7.8.6 Section 13G Interventions

- Interventions are necessary where municipalities fail to meet their obligations, but their impact is mixed.
- Many interventions are protracted and do not achieve sustainable improvements. None were resolved in this financial year and one was added.
- Key limitations include political instability, weak administration, and financial distress in affected municipalities.
- Even where interventions resolve immediate crises (e.g., approving a budget), systemic issues often persist

#### 7.8.7 Dysfunctional municipalities

- The number of dysfunctional municipalities increased slightly from 64 in 2021 to 66 in 2022, despite some areas of progress.
- Stable municipalities almost doubled from 16 to 30, while medium-risk municipalities declined to 107 and low-risk municipalities to 54.
- CoGTA introduced several reforms, including amendments to the Municipal Structures Act, Municipal Staff Regulations, Circular 88, a Results Management Office, and strengthening of MISA.

#### 7.8.8 Synthesis

Taken together, the evidence shows that while governance and participation mechanisms are in place across most municipalities, their functionality is uneven and often superficial. Provinces such as Western Cape and Gauteng demonstrate stronger institutionalisation and enforcement, but in many others weak resourcing, political instability, and administrative fragility undermine the effectiveness of structures.

A critical cross-cutting finding is the connection between governance structures and financial management outcomes. Weak oversight committees, poor enforcement of anti-corruption frameworks, and limited community participation often coincide with municipalities experiencing severe financial distress. This reinforces the interdependence between governance, accountability, and financial viability.



## 8 CROSS-CUTTING ISSUES AND PLANNING

### 8.1 INTEGRATED DEVELOPMENT PLAN (IDP)

#### 8.1.1 Introduction

Integrated Development Plans (IDPs) are the cornerstone of municipal planning in South Africa, providing a single, inclusive, and strategic framework to guide development and service delivery. The requirement for municipalities to prepare, adopt, and review IDPs is grounded in national legislation, most notably the Municipal Systems Act (MSA), 2000 (Act 32 of 2000) and the Municipal Finance Management Act (MFMA), 2003 (Act 56 of 2003), which collectively set the parameters for municipal planning, budgeting, and accountability.

The MSA establishes the legal obligation for municipalities to adopt IDPs. Section 25(1) specifies that each municipal council must adopt a "single, inclusive and strategic plan" for the development of the municipality. Such a plan must:

- Link, integrate, and coordinate sectoral plans and development proposals.
- Align the municipality's resources and capacity with implementation priorities.
- Form the policy framework and general basis for annual budgets.

Comply with national legislative requirements and remain compatible with provincial and national development frameworks.

Furthermore, Section 34 of the MSA requires municipalities to review their IDPs annually, ensuring that priorities and programmes remain relevant, performance is assessed, and adjustments are made in line with changing circumstances or resource availability. This annual cycle anchors the IDP as a living, iterative plan rather than a static compliance document. Section 32 of the MSA also requires municipalities to submit their adopted IDPs annually to the MEC for Local Government for assessment of legal compliance and alignment with broader government strategies.

The MFMA reinforces the centrality of the IDP by explicitly linking it to the municipal budget process. Section 21(1)(a) obliges the mayor to coordinate the preparation of the annual budget and the review of the IDP, ensuring that these processes are mutually consistent and credible. Section 21(2)(a) further requires that, in preparing the annual budget, the mayor must take the IDP into account. In practice, this ensures that municipal budgets are firmly rooted in the strategic priorities of the IDP and that IDPs are realistically costed within the Medium-Term Revenue and Expenditure Framework (MTREF).

To strengthen this system, the National Department of Cooperative Governance and Traditional Affairs (CoGTA) developed an IDP credibility framework and facilitates intergovernmental IDP engagement processes. These mechanisms enable provinces to assess and support municipalities, ensuring that IDPs are not only legislatively compliant but also credible, implementable, and aligned with the priorities of all three spheres of government.

#### 8.1.2 Provincial Reporting

Eastern Cape's reporting on IDPs was limited. While most municipalities have HR Plans, these are often not aligned with their IDPs, suggesting that municipalities are not adequately considering the staffing needs required to implement their strategic plans.

The Free State conducted provincial IDP assessment sessions in July 2023, which revealed recurring issues. Many municipalities failed to meet legislated timeframes, relied on outdated sector plans, and struggled to demonstrate alignment with higher-level priorities. Several municipalities did not include complete SDBIPs with baselines and targets, and the overall user-friendliness of some IDPs was questioned.

In Gauteng, the province determined that all IDPS were legislatively compliant, credible, and implementable. However, gaps were noted in their alignment with provincial and national priorities. Intergovernmental coordination was highlighted as a concern because sector department participation in IDP processes remains voluntary and inconsistent.

KwaZulu-Natal reported on their credibility assessment of provincial IDPS. There was an improvement in the provincial average score from 73.86% in 2021/22, to 80.04% in 2022/23. Thirty municipalities scored 80% or above, a substantial increase from only 11 in 2021/22. 46 of the 54 municipalities improved the credibility of their IDPs year on year.

Similarly, Limpopo, reported on the IDP credibility ratings it assigned municipalities, in line with the IDP Framework. The rating scale is High, Medium and Low. IDPs maintained High credibility ratings in 2020/21 and 2021/22, but in 2022/23 one municipality dropped to Medium. Further the province reported on the alignment of SDBIP with the IDP Budget. While 22 municipalities successfully aligned their IDPs with their SDBIPs, 3 municipalities did not, and 2 achieved only partial alignment, highlighting uneven implementation across the province.

Mpumalanga also reported on the credibility and legal compliance of municipal IDPs. It noted an improvement in the average provincial score from 82% in 2021/22 to 86% in 2022/23. The province also reported on IDP responsiveness to community priorities, falling from 81% in 2021/22 to 76% in 2022/23. The province also noted protests, poor attendance, and community resistance undermined consultation in several wards in 5 local municipalities. Additionally, the province notes there is consistent failure in sector plans, due to the plans being outdated or a lack of funds to review them.

In the Northern Cape, weak intergovernmental integration was reported as a challenge, due mainly to limited participation from sector departments in municipal planning. Municipal planning capacity was also described as low, with many municipalities lacking dedicated planning departments and IDPs often being driven by junior officials rather than leadership. These shortcomings undermine the credibility and effectiveness of IDPs in the province.

The North West province reported that many municipalities are not adhering to legislated time-frames, leading to perpetual noncompliance. Further, many did not cover all nine core components of Section 26 of the Municipal Systems Act, sector plans were often missing or outdated and there is poor participation of sector departments in IDP processes. Public participation was poorly documented, indicating a failure to address community need and priorities. IDPs were also criticised for relying on outdated policy imperatives and for failing to incorporate MFMA Circular 88 indicators and targets, adopt GBVF plans and budgets and integrated DDM One Plan projects and approved sector projects, despite these being emphasized in new policy directives to municipalities.

Furthermore, the province notes that there is limited time between IDP adoptions, submissions to the Department and sectors, and assessment of the IDP documents. This limits the time that the department has to provide written comments to municipalities before feedback sessions, thus reducing the effectiveness of these sessions. This is worsened by the HR constraints in municipalities, particularly in the IDP coordinating sub directorate.

Across the provinces, Section 47 reports highlight a set of recurring issues:

- Timeframes: Many municipalities across provinces miss legislative deadlines for IDP adoption.
- Sector Plans: Outdated or incomplete sector plans remain a widespread challenge.
- Alignment: Weak linkage between IDPs, SDBIPs, and national/provincial priorities.
- Community Participation: Inconsistent quality of participation, sometimes undermined by protests or poor structures.
- Capacity: Both municipal and provincial capacity constraints limit IDP quality and oversight.
- Integration: Sector departments often fail to participate actively, weakening the "integrated" nature of IDPs.

## 8.2 SPATIAL DEVELOPMENT FRAMEWORKS (SDF)

### 8.2.1 Introduction

As set out in the MSA, the IDPs of municipalities must include Spatial Development Frameworks (SDFs). The Spatial Planning and Land Use Management Act (SPLUMA) provides a framework for all spatial planning and land use management legislation in South Africa and was implemented in July 2015.

The mechanisms provided by SPLUMA provide a good starting point for aligning spatial plans and development. The municipal Spatial Development Frameworks (SDFs) should therefore be recognised as the dominant planning and land use management framework, to which all other public landowners must align their strategies at the local level.

### 8.2.2 Provincial Reporting

In the report, while Gauteng stated that while municipalities have formally complied with SPLUMA through the adoption and implementation of SDFs, significant shortcomings remain. The province highlights weak intergovernmental relations and limited regional integration in the development and execution of these frameworks. Municipalities often fail to articulate their spatial vision in relation to the broader Gauteng City Region, and SDFs are not consistently aligned with updated provincial and national policies, legislation, and planning tools. Although some municipalities note that their SDFs address natural resource scarcity and climate change, there is a need to liaise with the relevant provincial departments to encourage uniformity in their approaches. In the metros, the conceptualisation of Transit-Oriented Development (TOD) also requires alignment with the Gauteng Integrated Transport Master Plan.

In Mpunyalanga, all municipalities have maintained a good record of approving, submitting, and implementing SDFs over the past three years. However, challenges include weak alignment of IDP projects with SDF interventions, non-alignment of Infrastructure Master Plans with the Priority Development Areas identified in the SDFs, and the expansion of informal settlements in strategic development areas hindering spatial transformation.

Northern Cape notes that in the 2022/23 financial year 8 municipalities had given notice of their intention to review or expand their SDFS, 5 had their draft SDF published for public comment, and 6 had their SDFs approved.

that most municipalities have established the necessary SPLUMA structures, including MPTs, Appeals Authorities, and by-laws. Overall, the province shows improving compliance, but capacity challenges remain.

North West reported that in 2023, 3 municipalities had SDFs that were not compliant. These, alongside SDFS in 2 other municipalities, were under review.

In Free State, several municipalities were in the process of reviewing or finalising their SDFs, with many in the awaiting public participation or council adoption. Challenges noted included the failure to fully implement SDF strategies and projects, and the reality that informal settlements were expanding in areas identified for strategic development, therefore preventing spatial transformation.

Across the provinces, Section 47 reports highlight a set of recurring issues:

- Weak alignment and integration: SDFs are often not fully aligned with IDPs, Infrastructure Master Plans, provincial/national priorities, or updated policy and legislative frameworks.
- Limited intergovernmental coordination: Poor participation and weak collaboration between municipalities, provincial departments, and other spheres of government undermine spatial planning integration.
- Capacity constraints: Many municipalities lack sufficient technical and institutional capacity to develop, review, and implement credible SDFs.
- Inadequate spatial vision: Municipalities frequently fail to articulate their spatial role in relation to broader regional frameworks (e.g., Gauteng City Region).
- Implementation gaps: Even where SDFs exist, strategies and projects are poorly implemented or not translated into IDP interventions.
- Informal settlement growth: The expansion of informal settlements in strategic development areas directly undermines spatial transformation objectives.

## 8.3 DISASTER MANAGEMENT

### 8.3.1 Introduction

There are sections in the Constitution of the Republic of South Africa that provide for disaster management. Further provisions are included in the Intergovernmental Relations Framework Act, 2005 (Act No. 13 of 2005), the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000), the Disaster Management Act, 2002 (Act No. 57 of 2002) and the National Disaster Risk Management Policy Framework of 2005.

The aim of the Disaster Management Act, 2002 (Act No. 57 of 2002) is to ensure a uniform approach to disaster risk management in each sphere of Government. The Disaster Management Act provides for disaster prevention and risk reduction, mitigation of severity and consequences of disasters, emergency and preparedness, and a rapid and effective response to disasters leading to restoration of normal conditions.

The Disaster Management Amendment Act, 2015 (Act No. 16 of 2015) commenced on 1 May 2016. The Disaster Management Amendment Act makes provision for the expansion of the contents of disaster management plans to include conducting risk assessments and mapping of risks, allocation of disaster management responsibilities to local municipalities, as well as the strengthening of the representation of stakeholders in Disaster Management Advisory Forums amongst others. The legislation provides for:

- The establishment, implementation and maintenance of an integrated rapid and effective disaster response system, post-disaster recovery and rehabilitation;
- The identification, assessment, classification and prioritisation of hazards and vulnerable elements;
- The development, implementation, monitoring and evaluation of disaster risk reduction (prevention, mitigation and preparedness) programmes, projects and measures; and
- The establishment, implementation and maintenance of systems and structures through and across the three spheres of Government, state-owned enterprises, the private sector, non-governmental organisations, communities and individuals.

Disaster Management policies require that metropolitan and district municipalities:

- Establish a fully functional disaster management centre;
- Appoint a head of the centre;
- Establish disaster management forums; and
- Finalise disaster management plans.

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

Disaster risk reduction (DRR) is already a central focus of the Disaster Management Act and the National Disaster Management Centre, together with those centres established at provincial and municipal level, is assuming the role of coordinating, promoting, and facilitating DRR.

### 8.3.2 Provincial Reporting

In the Free State, disaster management capacity is extremely weak. Nine municipalities have no disaster management plans, while most existing plans are outdated, generic, and poorly implemented. Many municipalities also lack disaster management centres, leaving them without the infrastructure to coordinate emergency response. Staffing levels are inadequate, with too few personnel dedicated to disaster management, and advisory forums are either non-existent or non-functional. Fire brigade services across the province were also found to be insufficient.

The provincial assessment concludes that the disaster management system is at a breaking point, undermined by systemic failures, a lack of accountability, and chronic under-resourcing. Municipalities are not meeting their legal obligations, and the closure of the Free State Provincial Disaster Management Centre (FS PDMC) has further deepened the crisis. Key challenges include weak coordination with municipalities operating in silos, the absence of an effective early warning and reporting system, limited access to training and preparedness exercises for disaster personnel, and severe funding constraints that hinder access to national relief and risk reduction resources. Collectively, the absence of a coherent

provincial coordination structure has led to delays, confusion, and mismanagement, leaving the province dangerously unprepared for large-scale emergencies.

Gauteng, reported on the status of Disaster Management Framework and Plans, stating that all districts and metropolitans were in place except West Rand District Municipality, which has a Disaster Management Plan in place, but not a Disaster Management Framework.

Western Cape notes that all district and metropolitan municipalities have developed Disaster Risk Assessments.

Mpunalanga notes in the report also notes that all district municipalities are performing their function as required by the act and have established the necessary disaster satellite offices. While all districts have disaster management frameworks in line with the provincial and national frameworks, and all municipalities have disaster management plans in place, most disaster management plans were developed in 2017 and need to be reviewed.

Common challenges include: Insufficient human resources for implementing disaster management projects and integrating Disaster Risk Reduction (DRR) into IDPs and the District Development Model (DDM)

North West indicated that disaster management policy frameworks are being implemented, and district advisory forums are functional a core challenge remains, there is a lack of integration into primary planning documents like the IDP. The Provincial Disaster Management Centre assessed the link between municipal IDPs and disaster risk reduction plans and found that all of them failed to integrate the disaster risk reduction plans into IDPS, which is required by s26(g) of the Municipal Systems Act, and no progress has been made in incorporating these plans.

The province has 10 municipal disaster management centres, some operating 24 hours, and functional advisory forums that meet quarterly. Early warning systems are in place through collaboration with the South African Weather Service, but municipal communication systems remain weak and fragmented.

Further challenges include poor reporting systems and a shortage of capacity at municipal disaster centres. The report also highlighted that sector departments and municipalities view disaster management as an "added responsibility" rather than an integral part of their work and planning.

Across the provinces, Section 47 reports highlight a set of recurring issues:

- Outdated or missing disaster management plans: Provinces report several municipalities either have no plans at all, or existing plans are outdated and generic.
- Weak integration into planning: Disaster risk reduction is often not incorporated into IDPs or the DDM despite being a legal requirement.
- Capacity and resource shortages: Municipalities face critical human resource shortages, inadequate training opportunities, and insufficient funding to sustain disaster management centres or services.
- Weak coordination and oversight: Lack of coherent provincial coordination structures, poor intergovernmental collaboration, and siloed municipal operations undermine effective disaster management.

- Poor or absent reporting and early warning systems: Weak monitoring, reporting, and communication systems compromise preparedness and response.
- Perception and prioritisation: Disaster management is often viewed as an “added responsibility” rather than a core municipal function, limiting its integration and prioritisation in practice.

## 8.4 CLIMATE RESILIENCE

Climate change is one of the greatest long-term risks to sustainable development in South Africa, with municipalities at the frontline of its impacts. Rising temperatures, prolonged droughts, floods, storms, wildfires, and resource scarcity increasingly disrupt service delivery, damage infrastructure, and threaten livelihoods. Municipalities therefore play a critical role in building resilience by integrating adaptation and mitigation measures into spatial planning, disaster management, infrastructure investment, and service delivery systems.

The Constitution of the Republic of South Africa enshrines the right to an environment that is not harmful to health and well-being and obliges the state to protect the broader environment. This mandate is reinforced by legislation and policy that guide adaptation and mitigation efforts in the municipal sphere. The National Climate Change Response Policy (2011) called for the mainstreaming of climate change considerations into IDPs, SDFs, and sector plans, including vulnerability assessments and adaptation planning. The National Adaptation Strategy (2017) further set out the framework for embedding climate resilience into municipal planning.

To support practical implementation, the Department of Forestry, Fisheries and the Environment developed the Let’s Respond Toolkit (2012), which provides municipalities with guidance on establishing climate change forums or task teams, conducting vulnerability assessments, and integrating adaptation into IDPs.

The most significant development has been the National Climate Change Act, 2024 (Act No. 22 of 2024), which provides for a coordinated, just, and effective response to climate change through integrated planning, monitoring, evaluation, and reporting systems. The Act places clear obligations on municipalities to:

- Prepare and implement municipal climate change response plans aligned with national and provincial strategies.
- Integrate climate risk assessments, vulnerability mapping, and greenhouse gas mitigation targets into core planning instruments (IDPs, SDFs, and SDBIPs).
- Develop, monitor, and report on adaptation and mitigation programmes across key sectors such as infrastructure, human settlements, water, and energy.
- Establish systems for performance monitoring and evaluation with defined institutional responsibilities.

Despite these frameworks, Section 47 reports show limited provincial reporting on municipal climate action. With the Climate Change Act now signed into law, municipalities will be required to strengthen planning and reporting in this area, making climate resilience a growing focus for future monitoring.

#### 8.4.1 Provincial reporting

As noted above, in Gauteng, some municipalities indicated that the revision of the SDF will, amongst other things, address the natural resource scarcity and the multi-dimensional impacts of climate change. They have been urged to liaise with the Gauteng Department of Agriculture and Rural Development to develop a single Gauteng Environmental Management Framework to advance a uniform approach to environmental management, climate change, resource scarcity and waste output reduction.

The Western Cape explicitly acknowledges the reality and impact of climate change. The province has faced significant challenges attributed to climate change, including severe drought, heavy rains, gale-force winds, and sea surges, which have led to extensive flooding and infrastructure damage. Whilst there is no indication of mitigation efforts, the province does note some efforts to manage climate-related hazards. The Provincial Disaster Management Centre has developed a standard operating procedure for disseminating impact-based severe weather warnings, in collaboration with the South African Weather Service (SAWS), following a workshop help with the district municipalities to understand their current approach to early warning dissemination.

The Free State identifies several climate-related hazards as part of its risk profile. Hazards such as drought, floods, wildfires (veldfires), severe weather, cold fronts, and heatwaves are rated as having an 'Extremely High' or 'High' risk priority for the province. This indicates an awareness of significant climate-related vulnerabilities that require disaster management planning. However, as noted earlier, the department flagged that most of the Disaster Management Plans are outdated and generic, but they also fail to address these municipality-specific risks and thus municipalities are not ready to mitigate against climate related disasters.

North West through its Provincial Disaster Management Centre has supported all 22 municipalities in strengthening their disaster management plans, explicitly requiring that these plans address current realities within their respective areas, including the impacts of climate change. This demonstrates an effort to mainstream climate considerations into municipal planning.

### 8.5 SUMMARY OF CHALLENGES - CROSS-CUTTING ISSUES AND PLANNING

A number of cross-cutting challenges emerge across the Key Performance Areas.

- Persistent misalignment and outdated planning instruments: IDPs, SDFs, sector plans, and disaster management frameworks are frequently outdated, incomplete, or poorly aligned with each other and with national/provincial priorities. This undermines the credibility of municipal planning and weakens the basis for budgeting and service delivery.
- Capacity and resource constraints: Both municipal and provincial structures struggle with insufficient staffing, technical expertise, and funding. These constraints affect the ability to maintain disaster management centres, update plans, integrate climate resilience, and implement spatial transformation objectives.
- Weak intergovernmental coordination and integration: Sector departments often fail to participate meaningfully in IDP and SDF processes, while municipalities frequently operate in



silos. This erodes the “integrated” character of planning and limits alignment across spheres of government.

- Implementation and monitoring gaps: Even where frameworks and plans are in place, they are often not translated into practical interventions. Weak monitoring systems, poor reporting, and the absence of reliable indicators (especially in disaster and climate resilience) further constrain accountability and progress tracking.
- Growing external pressures: The expansion of informal settlements, the increasing impact of climate change, and service delivery protests place additional stress on already fragile planning, resilience, and governance systems.

In summary, municipal planning and cross-cutting functions remain uneven and fragmented. While IDPs, SDFs, disaster management frameworks, and climate resilience strategies exist on paper, they are frequently outdated, poorly aligned, or weakly implemented. Capacity shortages, fragile intergovernmental coordination, and inadequate monitoring systems further erode their effectiveness. The result is a planning environment that is highly compliance-driven but insufficiently strategic, leaving municipalities reactive rather than proactive in addressing risks, adapting to climate change, and driving long-term developmental transformation.

## 9 CONCLUSION

In accordance with the provisions of Section 47(2)(a) of the Municipal Systems Act (MSA), the Member of the Executive Council (MEC) is required to identify municipalities that have demonstrated underperformance. Furthermore, in terms of Section 47(2)(b), the MEC must propose appropriate remedial actions to address such deficiencies. It was observed that while some municipalities were specifically identified as underperforming in the Section 47 provincial reports, in other instances only broad areas of poor performance were highlighted without reference to individual municipalities. Similarly, in certain cases, specific remedial measures were outlined; however, in many cases, only generic or non-specific solutions were provided.

Therefore, the following presents an overview of the key findings per province, per KPA, drawn from Section 47 reports. It distils a summary of the challenges cited by municipalities, the support provided in response, as well as lists the poor performing municipalities identified by provincial CoGTA departments. The section concludes with a synthesized summary of the key findings on consolidated local government performance for the 2022/23 FY.

### 9.1 EASTERN CAPE

#### G.1.1 KPA 1: Municipal Transformation and Organisational Development

Challenges Cited	Support Provided
<ul style="list-style-type: none"> <li>• Delays in filling critical positions, including strategic posts.</li> <li>• Delays in submitting organograms for MEC approval in line with Staff Regulations (2021).</li> <li>• Workplace Skills Plans adopted but only partially implemented (due to delays in LGSETA grants, inadequate budgets, financial constraints).</li> <li>• Many municipalities lack HR Plans, or plans are outdated or not aligned with IDPs and Staff Regulations.</li> <li>• Difficulty in cascading PMS to lower levels.</li> <li>• Delays in finalising labour-related cases, leading to litigation.</li> <li>• Weak implementation of Employment Equity Plans.</li> </ul>	<ul style="list-style-type: none"> <li>• Establishment of Eastern Cape Corporate Services Forum to capacitate and engage Corporate Services Directors, focusing on cascading PMS, GAPSKILL application, legal compliance, and HR/organogram alignment.</li> <li>• Workshops for officials and councillors on reviewing and implementing staff establishments/organograms.</li> <li>• Assistance in filling critical senior posts (advertisements, shortlisting, interviews, compliance monitoring).</li> <li>• Monitoring and analysis of recruitment submissions; reports to MEC/Minister with recommendations.</li> <li>• Assistance with resolving labour disputes and conducting section 106 investigations on maladministration.</li> <li>• Ongoing ad hoc support to municipalities to strengthen capacity.</li> </ul>
Poor Performing Municipalities	
<p>Overall KPA performance</p> <p>Worst performers scored under 50% average performance per Metro/DM area (5/8):</p> <ul style="list-style-type: none"> <li>• Joe Gqabi DM – 38%</li> <li>• Chris Hani DM – 42%</li> <li>• Nelson Mandela Bay Metro – 46%</li> </ul>	

- Buffalo City Metro - 48%
- OR Tambo DM - 46%

## G.1.2 KPA 2: Basic Service Delivery

Challenges Cited	Support Provided
<ul style="list-style-type: none"> <li>• Inadequate funding to address infrastructure backlogs.</li> <li>• Poor utilisation of capital grants.</li> <li>• Limited technical capacity in municipalities.</li> <li>• Poor performance by service providers causing project delays.</li> <li>• Credibility concerns in annual reports; some municipalities did not submit reports.</li> <li>• Inconsistent targets and achievements.</li> <li>• Non-prioritisation of spatial planning and land use management policies.</li> <li>• Insufficient budgets for maintenance leading to dilapidated infrastructure.</li> </ul>	<ul style="list-style-type: none"> <li>• MISA deployed skilled personnel; training and bursaries for municipal technical staff.</li> <li>• War-on-leaks programme introduced to address water losses.</li> <li>• Support for institutionalisation of ISD guidelines.</li> <li>• Allowing use of MIG funds for rural road maintenance.</li> <li>• Cost Reimbursement strategy to support municipalities struggling with infrastructure grant spending.</li> <li>• Capacity and technical support to strengthen spatial planning and land use management.</li> <li>• Department participation in municipal SDF and land use policy reviews as PSC members.</li> <li>• Training for councillors and officials (with SALGA and DALRRD) on SPLUMA, tribunals, and appeal structures to improve land development decision-making.</li> </ul>
Poor Performing Municipalities	
<p>Overall KPA performance Worst performers scored under 50% average performance per Metro/DM area (7/8):</p> <ul style="list-style-type: none"> <li>• Chris Hani DM - 22.45%</li> <li>• Joe Gqabi DM - 26.36%</li> <li>• OR Tambo DM - 37.86%</li> <li>• Sarah Baartman DM - 43%</li> <li>• Amathole DM - 44%</li> <li>• Buffalo City Metro - 44%</li> <li>• Nelson Mandela Bay Metro - 47%</li> </ul>	

## G.1.3 KPA 3: Local Economic Development

Challenges Cited	Support Provided
<ul style="list-style-type: none"> <li>• Poor quality of reports and lack of credible information.</li> <li>• Non-adoption of LED strategies and plans.</li> <li>• Non-functionality of LED IGR forums, leading to uncoordinated initiatives.</li> </ul>	<ul style="list-style-type: none"> <li>• Guidance to municipalities in implementing LED strategies through coordination of funding institutions.</li> <li>• Strengthened collaboration with Stats SA, ECSECC, SALGA, and universities to assist municipalities in reviewing strategies.</li> </ul>

<ul style="list-style-type: none"> <li>Insufficient funding for LED units, hindering capital project implementation.</li> </ul>	<ul style="list-style-type: none"> <li>Collaboration with National DCoG on developing meaningful work opportunities through CWP site business plan development and smart partnerships.</li> <li>Development of Urban and Small-Town Development Framework to guide implementation through Master Plans and Precinct Plans.</li> </ul>
Poor Performing Municipalities	
<p>Overall performance</p> <p>Worst performing local municipalities:</p> <ul style="list-style-type: none"> <li>Elundini LM - 46%</li> <li>Dr AB Xuma LM - 46%</li> <li>Makana LM - 36%</li> <li>Intsika Yethu LM - 36%</li> <li>Sakhisizwe LM - 18%</li> </ul> <p>Worst average by Metro/DM area:</p> <ul style="list-style-type: none"> <li>Chris Hani DM - 47%</li> </ul>	

## G.1.4 KPA 4: Municipal Financial Viability and Management

Challenges Cited	Support Provided
<ul style="list-style-type: none"> <li>Weak municipal leadership in driving good governance.</li> <li>Non-compliance with reporting formats.</li> <li>Missing or incomplete information in reports (e.g., AFS, annexures).</li> </ul>	<ul style="list-style-type: none"> <li>Chief Audit Executive and Risk Management Forum used to support municipal internal audit and risk units; sharing best practices.</li> <li>Capacitation of MPACs on UIFWE and development of UIFWE reduction strategies.</li> <li>Joint monitoring with Provincial Treasury and SALGA of municipalities with disclaimer/adverse audit opinions or under s136(5) interventions.</li> <li>Support for use of NT's web-based tool for monitoring Audit Action Plans.</li> <li>Encouragement for municipalities to adopt SOPs and Auditor-General's preventative control guidelines covering financial statements, procurement, asset management, and infrastructure delivery.</li> </ul>
Poor Performing Municipalities	
<p>Audit outcomes (KPI)</p> <p>Disclaimer audit opinions:</p> <ul style="list-style-type: none"> <li>Makana LM</li> <li>Sunday's River Valley LM</li> <li>Amathole DM</li> </ul> <p>Adverse audit opinion:</p> <ul style="list-style-type: none"> <li>Walter Sisulu LM</li> </ul>	<p>Submission of AFS (KPI)</p> <p>Weak (late submissions &gt; 1 month):</p> <ul style="list-style-type: none"> <li>Sunday's River Valley LM</li> <li>Koukamma LM</li> </ul>

Overall performance  
Worst average by Metro/DM area:

- Amathole DM – 62%

G.1.5 KPA 5: Good Governance and Public Participation

Challenges Cited	Support Provided
<ul style="list-style-type: none"> <li>• Some municipalities do not fully support the CDW Programme, viewing it only as a departmental function.</li> <li>• Continuous underreporting in annual reports, including lack of IGR strategies, weak communication strategies, limited corruption-prevention mechanisms, and confusion between Mayoral Imbizos and IDP roadshows.</li> </ul>	<ul style="list-style-type: none"> <li>• Implementation of the CDWP Improvement Plan in all municipalities.</li> <li>• Encouragement of monthly CDW Local Roundtables to monitor performance.</li> <li>• Encouragement of CDWs to submit monthly reports to municipalities to ensure service delivery gaps are addressed.</li> </ul>
Poor Performing Municipalities	
<p>Monitoring of CDWs (KPI)</p> <p>Weak (No effective monitoring of CDWs):</p> <ul style="list-style-type: none"> <li>• Nelson Mandela Bay Metro</li> <li>• Blue Crane Route LM</li> <li>• Ndlambe LM</li> <li>• Elundini LM</li> <li>• Dr Beyers Naudé LM</li> </ul> <p>Disclaimer (Did not provide in S46 report):</p> <ul style="list-style-type: none"> <li>• Buffalo City Metro</li> <li>• Matatiele LM</li> <li>• Raymond Mhlaba LM</li> <li>• Koukamma LM</li> <li>• Sunday's River Valley LM</li> <li>• Dr AB Xuma LM</li> <li>• Intsika Yethu LM</li> <li>• Inxuba Yethemba LM</li> <li>• Sakhisizwe LM</li> <li>• Mhlontlo LM</li> <li>• Inguza Hill LM</li> <li>• Ntabankulu LM</li> <li>• Walter Sisulu LM</li> </ul>	
<p>Overall performance Worst average by Metro/DM area:</p> <ul style="list-style-type: none"> <li>• Chris Hani DM – 46%</li> </ul>	

## 9.2 FREE STATE

### G.2.1 KPA 1: Municipal Transformation and Organisational Development

Challenges Cited	Support Provided
<ul style="list-style-type: none"> <li>• Low representation of women in senior management (30% in 2022/23, up from 28% in 2021/22).</li> <li>• Non-compliance with Section 16 disciplinary regulations: municipalities failed to submit quarterly reports on senior manager cases.</li> <li>• Inconsistent performance assessments of senior managers and poor reporting to MEC.</li> <li>• Skills gaps and understaffing in performance management and HR units.</li> </ul>	<ul style="list-style-type: none"> <li>• MEC letters to mayors to expedite filling of senior manager vacancies and submit compliance plans.</li> <li>• Ongoing support and monitoring of senior manager recruitment processes.</li> <li>• Assistance with framework for categorisation of senior manager remuneration packages.</li> <li>• Support on waivers for remuneration packages on compliant appointments.</li> </ul>
Poor Performing Municipalities	
<i>Note: Unless otherwise accounted for above, the challenges cited were experienced across municipalities in the province as reflected in the Province's Section 47 report.</i>	

### G.2.2 KPA 2: Basic Service Delivery

Challenges Cited	Support Provided
<ul style="list-style-type: none"> <li>• Electricity and water losses across all municipalities, attributed to ageing infrastructure, vandalism, and illegal connections.</li> <li>• Conditional grant spending challenges due to procurement delays and non-responsive bids; SCM processes need closer attention and training.</li> <li>• Poor expenditure on grants deprived communities of services and triggered protests.</li> <li>• Delays in processing licensing of landfill sites in some districts.</li> </ul>	<ul style="list-style-type: none"> <li>• Municipalities encouraged to undertake forward planning for appointment of service providers.</li> <li>• Continuous reminders and support to update indigent registers.</li> <li>• MISA technical support to municipalities.</li> </ul>
Poor Performing Municipalities	
Municipalities where Eskom removed indigent households from the Free Basic Electricity system due to non-payment: <ul style="list-style-type: none"> <li>• Mafube LM - since 2018 (800 households affected)</li> <li>• Mantsopa LM - since 2021 (2,700 households affected)</li> <li>• Tokologo LM - since 2020 (1,123 households affected)</li> <li>• Kopanong LM - since 2016 (874 households affected)</li> <li>• Mangaung: Wepener s Vanstadensrus - since 2018 (1,348 households affected)</li> <li>• Soutpan - since 2018 (436 households affected)</li> </ul>	

## G.2.3 KPA 3: Local Economic Development

Challenges Cited	Support Provided
<ul style="list-style-type: none"> <li>Understaffing of LED units across municipalities.</li> <li>LED initiatives and cooperatives inadequately supported due to budget/financial constraints.</li> </ul>	<ul style="list-style-type: none"> <li>Need to capacitate municipalities to enhance implementation of LED initiatives and programmes.</li> <li>Municipalities urged to create a conducive environment for building and attracting investor confidence.</li> </ul>
Poor Performing Municipalities	
Municipalities without updated LED strategies: <ul style="list-style-type: none"> <li>Mangaung</li> <li>Tswelopele LM</li> <li>Matjhabeng LM</li> <li>Setsoto LM</li> <li>Dihlabeng LM</li> <li>Nketoana LM</li> <li>Phumelela LM</li> <li>Mantsopa LM</li> <li>Kopanong LM</li> <li>Ngwathe LM</li> <li>Metsimaholo LM</li> <li>Lejweleputswa DM</li> <li>Thabo Mofutsanyana DM</li> <li>Xhariep DM</li> </ul>	

## G.2.4 KPA 4: Municipal Financial Viability and Management

Challenges Cited	Support Provided
<ul style="list-style-type: none"> <li>Delay in appointment of service providers leading to poor capital project implementation.</li> <li>Capital budget expenditure below 65% norm in all municipalities.</li> <li>Late registration of MIG projects.</li> <li>Poor enforcement of debt and credit control processes.</li> <li>Slow implementation of audit remedial plans.</li> <li>Non-compliance with SCM and MFMA provisions on UIFsW expenditure.</li> <li>Recurrence of unauthorised, fruitless, and wasteful expenditure.</li> </ul>	<ul style="list-style-type: none"> <li>Provincial Debt Forum and one-on-one engagements improved debt owed by departments and SOEs.</li> <li>CoGTA and Provincial Treasury monitored implementation of audit remedial action plans.</li> <li>Hands-on support to municipalities to achieve unqualified audits without matters of emphasis.</li> <li>Provincial MsE Forum monitoring UIFsW expenditure and compliance.</li> <li>Back-to-Basics approach implemented through quarterly engagement sessions across KPAs.</li> </ul>
Poor Performing Municipalities	
Municipalities with disclaimer audit outcomes: <ul style="list-style-type: none"> <li>Mohokare LM</li> <li>Masilonyana LM</li> <li>Maluti-a-Phofung LM</li> <li>Nketoana LM</li> </ul>	

## G.2.5 KPA 5: Good Governance and Public Participation

Challenges Cited	Support Provided
<ul style="list-style-type: none"> <li>• Lack of records to confirm functionality of Troika structures.</li> <li>• No indication in annual reports on council sittings and Troika meetings.</li> <li>• Provincial COGTA lacks a unit to monitor functionality of municipal government structures.</li> <li>• Oversight committees (e.g., MPACs) face poor administrative support and insufficient tools of trade (secretariat, researchers).</li> <li>• Internal audit units understaffed.</li> <li>• Failure by municipalities to implement audit action plans and committee resolutions.</li> <li>• District municipalities struggle to convene District Coordinating Forum meetings and secure mayoral participation.</li> <li>• Non-attendance of meetings by municipal managers undermining sector department participation.</li> <li>• Expiring contracts of municipal managers negatively affecting convening of meetings.</li> </ul>	<ul style="list-style-type: none"> <li>• Support not clearly detailed for this KPA, though monitoring and capacity support implied under Back-to-Basics and MsE forums.</li> </ul>
Poor Performing Municipalities	
Municipalities with non-functional MPACs: <ul style="list-style-type: none"> <li>• Maluti-a-Phofung LM</li> <li>• Mafube LM</li> <li>• Letsemeng LM</li> <li>• Masilonyana LM</li> <li>• Tokologo LM</li> <li>• Nala LM</li> </ul>	Municipalities without anti-corruption strategies: <ul style="list-style-type: none"> <li>• Kopanong LM</li> <li>• Mohokare LM</li> </ul>

## 9.3 GAUTENG

## G.3.1 KPA 1: Municipal Transformation and Organisational Development

Challenges Cited	Support Provided
<ul style="list-style-type: none"> <li>• Most vacancies exist within technical units (water, electricity, waste management).</li> <li>• Ongoing challenges in filling critical senior management positions; City of Tshwane recorded a 60% vacancy rate; overall vacancy rate stable at 34% across three years.</li> <li>• Employment equity transformation remains slow; appointment of women at section 54 and 56 level below 50%; municipalities not</li> </ul>	<ul style="list-style-type: none"> <li>• Gauteng CoGTA supported Merafong City LM with organisational structure and institutional review.</li> <li>• Four experts placed in regional teams (two Organisational Development and Design Experts, one Labour Expert, one Legal Expert) to support municipalities on service delivery challenges.</li> <li>• Support to all municipalities to comply with MSA Regulations on appointment of senior</li> </ul>



reporting on youth and people with disabilities in senior management.	managers (Section 54A s 56) and critical technical positions. <ul style="list-style-type: none"> <li>Support to institutionalise the Performance Management System.</li> </ul>
<b>Poor Performing Municipalities</b>	
Municipalities with highest vacancy rates: <ul style="list-style-type: none"> <li>Emfuleni LM (67%)</li> <li>Rand West City LM (58%)</li> <li>Merafong City LM (53%)</li> <li>West Rand DM (52%)</li> <li>Mogale City LM (45%)</li> </ul>	Municipalities with highest senior vacancy rate: <ul style="list-style-type: none"> <li>Tshwane (60%)</li> <li>Emfuleni LM (62%)</li> <li>Merafong City LM (57%)</li> <li>Sedibeng DM (50%)</li> <li>Midvaal LM(43%)</li> </ul>
Lowest % women in senior management: <ul style="list-style-type: none"> <li>Tshwane (0%)</li> <li>Midvaal LM (0%)</li> <li>Merafong City LM (0%)</li> <li>Rand West City LM (0%)</li> </ul>	High vacancy of critical senior posts: <ul style="list-style-type: none"> <li>City of Tshwane</li> <li>Emfuleni LM</li> <li>Merafong City LM</li> <li>Rand West City LM</li> <li>Sedibeng DM</li> <li>Lesedi LM</li> <li>Mogale City LM</li> <li>Midvaal LM</li> <li>City of Joburg</li> </ul>

## G.3.2 KPA 2: Basic Service Delivery

Challenges Cited	Support Provided
<ul style="list-style-type: none"> <li>Rand Water implemented Stage 2 (30%) restrictions in Joburg, Tshwane, and Ekurhuleni due to infrastructure maintenance backlogs, theft, and vandalism.</li> <li>Power blackouts persisted, linked to poor/ongoing maintenance and cable thefts (notably in Ekurhuleni and Emfuleni).</li> <li>Water losses remain above the acceptable 15-30% norm in most municipalities.</li> <li>Only two municipalities achieved their planned electricity loss reduction targets; losses driven by theft, illegal connections, poor billing, poor infrastructure, and theft of generators.</li> <li>Waste management hampered by truck shortages, manpower constraints, inadequate budgets, and illegal dumping in Ekurhuleni, Emfuleni, Midvaal, and Merafong.</li> <li>Weak by-law enforcement and policing of theft, vandalism, and illegal service connections.</li> </ul>	<ul style="list-style-type: none"> <li>Multi-disciplinary team developed Water Conservation Demand Management Plans (Merafong, Lesedi, Rand West City LM), though implementation limited by funding.</li> <li>Demand management projects on the IVRS 1600 initiatives (Rand Water areas) monitored.</li> <li>Terms of reference developed for Electricity Master Plans and Cost of Supply studies for five LMs (except Midvaal).</li> <li>Supply and demand requirements for Human Settlements Developments (HSD) projects concluded for five LMs.</li> <li>Generic Developer Contribution Policy customised for Lesedi LM.</li> <li>Assisted municipalities, including Lesedi, on Notified Maximum Demand (NMD) and AG reporting compliance.</li> </ul>

Poor Performing Municipalities	
<p>Municipalities with water loss &gt;30%:</p> <ul style="list-style-type: none"> <li>• Emfuleni LM (62%),</li> <li>• Merafong City LM (46%),</li> <li>• Midvaal LM (34%),</li> <li>• Joburg (33.4%),</li> <li>• Lesedi LM, (33.12%),</li> <li>• Ekurhuleni (30.64%),</li> <li>• Mogale City LM (30.76%)</li> </ul>	<p>Municipalities with highest electricity losses:</p> <ul style="list-style-type: none"> <li>• Merafong City LM (64%)</li> <li>• City of Joburg (26.66%)</li> </ul>
<p>Illegal dumping and littering disrupted curb side collection:</p> <ul style="list-style-type: none"> <li>• Ekurhuleni,</li> <li>• Emfuleni,</li> <li>• Midvaal,</li> <li>• Merafong</li> </ul>	<p>All municipalities (except Midvaal LM) spent below the 8% norm on Repairs and Maintenance. West Rand DM (0%) and Sedibeng DM (2%) reported the lowest percentage spent on repairs and maintenance.</p>

## G.3.3 KPA 3: Local Economic Development

Challenges Cited	Support Provided
<ul style="list-style-type: none"> <li>• Only Ekurhuleni and Mogale City reported on capital expenditure in Economic Services; limited reporting hampers understanding of LED performance.</li> <li>• Districts and local municipalities largely silent on investment attraction; metros (CoJ and Ekurhuleni) recorded higher levels.</li> <li>• Decline in municipal support to SMMEs compared to prior year.</li> <li>• Non-reporting and zero achievements in EPWP, CDW, and LED initiatives, concerning amid high unemployment.</li> </ul>	<ul style="list-style-type: none"> <li>• Gauteng Department of Economic Development supported 200 small enterprises in West Rand and Sedibeng with business development support.</li> <li>• 160 co-operatives supported with grants and business development interventions.</li> <li>• Youth Accelerator Programme (Tshepo 1 Million) created 240 youth job opportunities through GEP.</li> <li>• GEP Pitching Booster Ideation Programme benefited 320 SMMEs with financial, business development, and mentorship support.</li> </ul>
Poor Performing Municipalities	
<p>Municipalities with highest vacancy rates LED Units:</p> <ul style="list-style-type: none"> <li>• Merafong City LM (62%)</li> <li>• Emfuleni LM (42%)</li> </ul>	
<p>Zero Achievements in employment and job creation through performance indicators:</p> <ul style="list-style-type: none"> <li>• Joburg,</li> <li>• Ekurhuleni,</li> <li>• Sedibeng DM,</li> <li>• Emfuleni LM,</li> <li>• Midvaal LM,</li> <li>• West Rand DM</li> </ul>	<p>Non-reporters in employment and job creation through performance indicators:</p> <ul style="list-style-type: none"> <li>• Tshwane,</li> <li>• Merafong LM,</li> <li>• Mogale City LM</li> <li>• Rand West DM</li> </ul>

## G.3.4 KPA 4: Municipal Financial Viability and Management

Challenges Cited	Support Provided
<ul style="list-style-type: none"> <li>Financial problems linked to unfunded budgets; heightened reliance on grants risks municipalities' ability to operate as going concerns.</li> <li>Escalating UIFSW expenditure highlights weak consequence management.</li> <li>Low collection rates and rising consumer debt undermine cash flow and delay creditor payments.</li> <li>Audit action plans not fully implemented, risking regression of audit outcomes.</li> <li>VAB expenditure irregularities due to lack of prescribed remuneration rates beyond sitting fees.</li> </ul>	<ul style="list-style-type: none"> <li>UIFSW support: service provider appointed (2021/22-2023/24) to strengthen identification, detection, and prevention.</li> <li>Debt Management Committee facilitated payments of rates/services in 10 municipalities, focusing on key provincial and national departments.</li> <li>Resolution of Top 100 Residential Debtors to build municipal capacity on revenue collection.</li> <li>Standardised project plan template issued for valuation roll extensions; monitoring of all GVR projects.</li> <li>Ongoing monitoring of VAB performance through attendance and oversight in Johannesburg, Tshwane, and Ekurhuleni.</li> </ul>
Poor Performing Municipalities	
Lowest budget compliance: <ul style="list-style-type: none"> <li>Emfuleni LM – 46%</li> </ul>	Solvency ratios below the 1.5 to 2:1 norm: <ul style="list-style-type: none"> <li>Sedibeng DM</li> <li>West Rand DM</li> </ul>
Municipalities regressed in UIFSW expenditure balances: <ul style="list-style-type: none"> <li>Merafong City LM</li> <li>Mogale City LM</li> <li>Midvaal LM</li> <li>Lesedi LM</li> </ul>	Municipalities with significant overdue creditor balances: <ul style="list-style-type: none"> <li>Emfuleni LM</li> <li>Merafong City LM</li> <li>Rand West City LM</li> </ul>
Municipalities in financial distress: <ul style="list-style-type: none"> <li>Sedibeng DM</li> <li>West Rand DM</li> <li>Emfuleni LM</li> <li>Merafong City LM</li> <li>Rand West City LM</li> </ul>	Municipalities at risk of financial distress: <ul style="list-style-type: none"> <li>City of Tshwane</li> <li>Mogale City LM</li> <li>Lesedi LM</li> </ul>

## G.3.5 KPA 5: Good Governance and Public Participation

Challenges Cited	Support Provided
<ul style="list-style-type: none"> <li>City of Tshwane has not established ward committees for three consecutive financial years.</li> <li>Of 526 activated Ward-Based War Rooms (WBWRs), 174 remain outstanding.</li> <li>Ward committee meetings showed an upward trend, with 2022/23 recording the highest sittings compared to prior years.</li> </ul>	<ul style="list-style-type: none"> <li>Nine municipalities supported to maintain functional ward committees.</li> <li>Support to three municipalities with public participation initiatives.</li> <li>66 Civic Awareness Campaigns supported.</li> <li>47 Voter Education Stakeholder Engagement Sessions implemented across regions.</li> <li>IGR structures reported functional per IGR Framework.</li> </ul>

	<ul style="list-style-type: none"> <li>Traditional leadership campaigns implemented under NSP Pillar 2 (Prevention &amp; Restoration of Social Fabric).</li> </ul>
Poor Performing Municipalities	
The City of Tshwane remains the only municipality that has not established ward committees in three financial years.	

## 9.4 KWAZULU-NATAL

### G.4.1 KPA 1: Municipal Transformation and Organisational Development

Challenges Cited	Support Provided
<ul style="list-style-type: none"> <li>High vacancy rate in Section 54 s 56 positions impacting service delivery.</li> <li>Under-expenditure in terms of Workplace Skills Plan (WSP) budget.</li> </ul>	<ul style="list-style-type: none"> <li>CoGTA support during recruitment of Senior Managers: provision of adverts, assistance with shortlisting and interviews, monitoring of recruitment plans, supporting acting appointments, and assessing appointment documentation.</li> <li>One-on-one engagements with municipalities to resolve recruitment challenges.</li> <li>Quarterly monitoring of WSP and municipal engagements through MSIPs.</li> </ul>
Poor Performing Municipalities	
Municipalities with vacancy rates > 50% (S54 s S56 posts) <ul style="list-style-type: none"> <li>Umkhanyakude DM (80.0%)</li> <li>Umuziwabantu LM (66.7%)</li> <li>Maphumulo LM (66.7%)</li> <li>Ugu DM (60.0%)</li> <li>Umzumbe LM (60.0%)</li> <li>Ilembe DM (60.0%)</li> </ul>	Municipalities with 0% female representation in senior management <ul style="list-style-type: none"> <li>Amajuba DM</li> <li>Ugu DM</li> <li>Umkhanyakude DM</li> <li>uThukela DM</li> <li>eDumbe LM</li> <li>Endumeni LM</li> <li>Impendle LM</li> <li>Jozini LM</li> <li>Nongoma LM</li> </ul>
Municipalities with poor Skills Development Levy recovery (<20%) <ul style="list-style-type: none"> <li>Umkhanyakude LM (0%)</li> <li>Abaqulusi LM (6%)</li> <li>King Cetshwayo DM (10%)</li> <li>Ubuhlebezwe LM (11%)</li> <li>Pongola LM (11%)</li> <li>Amajuba DM (12%)</li> <li>Mpofana LM (16%)</li> <li>Umuziwabantu LM (17%)</li> <li>Ugu DM (18%)</li> </ul>	

## G.4.2 KPA 2: Basic Service Delivery

Challenges Cited	Support Provided
<ul style="list-style-type: none"> <li>High water losses.</li> <li>Quality of water non-compliant with SANS 241 standards.</li> <li>MIG expenditure and project implementation challenges.</li> </ul>	<ul style="list-style-type: none"> <li>Launch of War on Leaks Programme (priority municipalities included eThekweni, uMzinyathi, Zululand, Ugu, Newcastle, Ilembe) valued at R14m.</li> <li>Rudimentary water interventions in Maphumulo LM valued at R2.466m.</li> <li>Further War on Leaks rollout planned (June 2024) in Uthukela, Ugu, Ilembe, Umzinyathi and Umlazi, including household leak repairs, faulty meter replacement, and reporting of illegal connections.</li> <li>Identified municipalities incorporated into MSIPs for sector support on water quality.</li> <li>Implementation of indigent policies for free basic services.</li> <li>Completion of Ariadne Venus Transmission project (Richmond to Nkosi Langelibalele) valued at R1.2 billion.</li> <li>R15m allocated by CoGTA for service delivery in Mandeni, Msunduzi, and Ndwedwe LMs.</li> </ul>
Poor Performing Municipalities	
<p>Municipalities with highest water losses</p> <ul style="list-style-type: none"> <li>eThekweni: 240,706,835 KL (+63.6% from 2021/22)</li> <li>Harry Gwala DM (+705.5%)</li> <li>King Cetshwayo DM (+82.4%)</li> <li>Umlathuze LM (+78.4%)</li> <li>Uthukela DM: Rand losses of R323,534,817</li> </ul>	<p>Municipalities with poorest water quality (SANS 241 compliance)</p> <ul style="list-style-type: none"> <li>Amajuba DM (45%)</li> <li>Ugu DM (73%)</li> <li>King Cetshwayo DM (88%)</li> </ul> <p><b><i>Umkhanyakude DM – no report</i></b></p>
<p>Municipalities with lowest MIG spending (of 15 under spenders)</p> <ul style="list-style-type: none"> <li>Amajuba DM (44.44%)</li> <li>Endumeni LM (50.00%)</li> <li>Umkhanyakude DM (76.11%)</li> <li>Nongoma LM (77.46%)</li> <li>MpofanaLM (76.26%)</li> </ul>	

## G.4.3 KPA 3: Local Economic Development

Challenges Cited	Support Provided
<ul style="list-style-type: none"> <li>Lack of LED strategies at some municipalities.</li> <li>LED strategies often lack funding.</li> </ul>	<ul style="list-style-type: none"> <li>CoGTA LED Business Unit support to update/amend LED strategies.</li> <li>Funding provided for strategic infrastructure projects, e.g.: <ul style="list-style-type: none"> <li>Construction of Ezingoleni, Hibberdene s St Michaels Beach market stalls (R8m).</li> <li>Rehabilitation of Bergville Industrial Park.</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>• Construction of trading stalls for Alfred Duma LM.</li> <li>• R2m sourced from EDTEA for Balele Reserve renovation in Emadlangeni to boost tourism.</li> <li>• ONE STOP Project driven by Enterprise Ilembe with support from CoGTA and Vuthela.</li> </ul>
Poor Performing Municipalities	
Municipalities without valid LED strategies <ul style="list-style-type: none"> <li>• UPhongolo LM (only municipality without valid strategy in 2022/23)</li> </ul>	Municipalities with 0 jobs created (CWP/other jobs) <ul style="list-style-type: none"> <li>• Ugu DM</li> <li>• Umzumbe LM</li> <li>• uMzinyathi DM</li> <li>• Dannhauser LM</li> <li>• King Cetshwayo DM</li> <li>• Ilembe DM</li> <li>• Maphumulo LM</li> </ul>

## G.4.4 KPA 4: Municipal Financial Viability and Management

Challenges Cited	Support Provided
<ul style="list-style-type: none"> <li>• Outstanding consumer debt.</li> <li>• High levels of grant dependency in municipalities.</li> <li>• Unauthorized, Irregular, Fruitless and Wasteful (UIFW) expenditure.</li> <li>• High number of Auditor-General queries.</li> <li>• Poor audit outcomes.</li> </ul>	<ul style="list-style-type: none"> <li>• Engagement with municipalities on citizen participation to address consumer debt.</li> <li>• Revenue enhancement strategy support for targeted municipalities.</li> <li>• UIFW interventions: development of UIFW framework and strategy, MPAC Assessment Tool, training and hands-on MPAC support, review of AFS disclosure notes.</li> <li>• Establishment of municipal audit war rooms, improved coordination of audit processes, robust engagement with AGSA.</li> <li>• Audit outcomes turnaround plan with Provincial Treasury and SALGA, tracked in MSIPs.</li> <li>• Appointment of financial experts to support audit action plans.</li> <li>• MFMA turnaround interventions: audit readiness, AFS preparation and review, revenue enhancement, UIFW reduction, Eskom and Water Board debt facilitation, technical support on financial and performance management.</li> </ul>
Poor Performing Municipalities	
Municipalities most reliant on grant funding (>80%) <ul style="list-style-type: none"> <li>• Zululand DM (65.15%)</li> <li>• Umzumbe LM (61.58%)</li> <li>• Ndwedwe LM (88.44%)</li> </ul>	Municipalities that did not report on consumer debtors (21) <ul style="list-style-type: none"> <li>• Umdoni LM</li> <li>• Umuziwabantu LM</li> <li>• Umngeni LM</li> </ul>

<ul style="list-style-type: none"> <li>• Umzimkhulu LM (87.44%)</li> <li>• King Cetshwayo DM (87.83%)</li> <li>• Harry Gwala DM (87.24%)</li> <li>• Umhlabuyalingana LM (86.26%)</li> <li>• Nongoma LM (86.05%)</li> <li>• Impendle LM (86.24%)</li> <li>• Umzinyathi DM (85.67%)</li> <li>• uMfolozi LM (84.18%)</li> <li>• Msinga LM (84.42%)</li> <li>• Jozini LM (83.64%)</li> <li>• Umkhanyakude DM (82.05%)</li> <li>• Amajuba DM (82.50%)</li> <li>• Big Five False Bay LM (80.14%)</li> </ul>	<ul style="list-style-type: none"> <li>• Impendle LM</li> <li>• Mkhambathini LM</li> <li>• Alfred Duma LM</li> <li>• Nkosi Langelibalele LM</li> <li>• uMzinyathi DM</li> <li>• Umvoti LM</li> <li>• Emadlangeni LM</li> <li>• Dannhauser LM</li> <li>• uPhongolo LM</li> <li>• Abaqulusi LM</li> <li>• Nongoma LM</li> <li>• Ulundi LM</li> <li>• KwaDukuza LM</li> <li>• Ndwedwe LM</li> <li>• Greater Kokstad LM</li> <li>• Ubuhlebezwe LM</li> <li>• uMzimkhulu LM</li> <li>• eThekwini</li> </ul>
Municipalities with qualified audit opinions <ul style="list-style-type: none"> <li>• Umkhanyakude DM</li> <li>• Mpofana LM</li> <li>• uThukela DM</li> <li>• Inkosi Langelibalele LM</li> <li>• Mtubatuba LM</li> <li>• Amajuba DM</li> <li>• Msunduzi LM</li> <li>• Endumeni LM</li> <li>• Jozini LM</li> <li>• Umzumbe LM</li> </ul>	Municipalities with adverse audit opinions <ul style="list-style-type: none"> <li>• uMzinyathi DM</li> </ul>
	Districts/Metros with UIFsW expenditure increases above provincial average (24%) <ul style="list-style-type: none"> <li>• Umgungundlovu (207%)</li> <li>• Zululand (183%)</li> <li>• uMzinyathi (84%)</li> <li>• uThukela (66%)</li> <li>• eThekwini (61%)</li> <li>• Ilembe (46%)</li> </ul>

## G.4.5 KPA 5: Good Governance and Public Participation

Challenges Cited	Support Provided
<ul style="list-style-type: none"> <li>• Functionality of MPAC structures.</li> <li>• Poor participation of Traditional Leaders in Council meetings.</li> <li>• Functionality of ward committees.</li> <li>• Finalisation delays of suspensions longer than three months.</li> </ul>	<ul style="list-style-type: none"> <li>• MPAC and Traditional Leader participation challenges addressed through MSIPs.</li> <li>• Ward Committees established and oriented in all municipalities; quarterly monitoring of functionality.</li> <li>• Technical Intervention Steering Committee meetings held quarterly to finalise suspensions.</li> </ul>
Poor Performing Municipalities	
Municipality without functional MPAC	
<ul style="list-style-type: none"> <li>• Dannhauser LM</li> </ul>	
Municipalities with no participation of traditional leaders in council meetings <ul style="list-style-type: none"> <li>• Umhlabuyalingana LM</li> <li>• King Cetshwayo DM</li> </ul>	Municipalities with highest number of long suspensions (>3 months) <ul style="list-style-type: none"> <li>• Msunduzi LM (26)</li> <li>• Pongola LM (16)</li> </ul>

<ul style="list-style-type: none"> <li>• Umlalazi LM</li> <li>• Nkandla LM</li> </ul> <p><i>No info reported: Dr Nkosazana Dlamini Zuma LM, Greater Kokstad LM</i></p>	<ul style="list-style-type: none"> <li>• uMzinyathi DM (14)</li> <li>• Umhlathuze LM (12)</li> <li>• Mtubatuba LM (6)</li> <li>• Inkosi Langalibalele LM (6)</li> </ul>
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## 9.5 LIMPOPO

### G.5.1 KPA 1: Municipal Transformation and Organisational Development

Challenges Cited	Support Provided
<ul style="list-style-type: none"> <li>• Low representation of women in senior management (30% in 2022/23, up from 28% in 2021/22).</li> <li>• Non-compliance with Section 16 disciplinary regulations: municipalities failed to submit quarterly reports on senior manager cases.</li> <li>• Inconsistent performance assessments of senior managers and poor submission of reports to MEC.</li> <li>• Skills gaps and understaffing in performance management and HR units.</li> </ul>	<ul style="list-style-type: none"> <li>• MEC letters to mayors to expedite filling of senior manager vacancies and submit compliance plans.</li> <li>• Ongoing support and monitoring of senior manager recruitment processes.</li> <li>• Assistance with framework for categorisation of senior manager remuneration packages.</li> <li>• Support on waivers for total remuneration packages on compliant appointments.</li> </ul>
Poor Performing Municipalities	
District municipalities with highest vacancy of staff positions below Section 57: <ul style="list-style-type: none"> <li>• Mopani DM - 36%</li> <li>• Vhembe DM - 36%</li> </ul>	Districts where women appointments regressed: <ul style="list-style-type: none"> <li>• Sekhukhune DM</li> <li>• Waterberg DM</li> </ul>

### G.5.2 KPA 2: Basic Service Delivery

Challenges Cited	Support Provided
<ul style="list-style-type: none"> <li>• Lack of water master plans in municipalities.</li> <li>• Aged and collapsing infrastructure systems.</li> <li>• Inconsistent water supply due to limited bulk infrastructure and leakages.</li> <li>• Vandalism of existing infrastructure.</li> <li>• Inadequate budgets for maintenance and repairs.</li> <li>• Indigent households not updating their status, leading to inaccurate registers.</li> <li>• Complex processes for registering indigent households and child-headed households.</li> <li>• Indigent policies misaligned with national guidelines.</li> <li>• Free Basic Services not extended to households on private land, backyard households, or certain rural areas (e.g., QwaQwa, Thaba Nchu).</li> </ul>	<ul style="list-style-type: none"> <li>• All 23 municipalities supported on MIG spending for infrastructure, including project registration, PIPs, and cash flow submissions.</li> <li>• Approval of funding for PMUs to improve project management capacity.</li> <li>• Interventions with struggling municipalities to unblock challenges.</li> <li>• Back-to-Basics diagnostic support, encouraging forward planning and timely procurement.</li> <li>• Continuous reminders and support to update indigent registers.</li> <li>• Technical support from MISA.</li> </ul>



<ul style="list-style-type: none"> <li>• Lack of funds for access roads, municipalities dependent on MIG funding.</li> <li>• Conditional grant spending challenges due to procurement delays and non-responsive bids.</li> <li>• Widespread electricity and water losses from ageing infrastructure, vandalism, and illegal connections.</li> <li>• Poor expenditure on grants, leading to community protests.</li> <li>• Delays in licensing landfill sites in some districts.</li> </ul>	
Poor Performing Municipalities	
Municipalities with lowest access to safe drinking water: <ul style="list-style-type: none"> <li>• Ephraim Mogale LM – 33%</li> <li>• Capricorn DM – 38%</li> </ul>	District municipality with lowest MIG expenditure: <ul style="list-style-type: none"> <li>• Sekhukhune DM – 66.5%</li> </ul>

## G.5.3 KPA 3: Local Economic Development

Challenges Cited	Support Provided
<ul style="list-style-type: none"> <li>• Capacity constraints in LED units (skills, budget, understanding of LED).</li> <li>• Outdated and non-credible LED strategies.</li> <li>• Poor coordination between stakeholders and fragmented LED implementation.</li> <li>• Weak follow-through on IDP assessment inputs related to LED.</li> <li>• Lack of by-laws for LED-related activities.</li> <li>• Weak management of foreign traders in informal economy.</li> <li>• Community Work Programme (CWP): low youth/disabled participation, weak reference committees, budget cuts, slow procurement of tools and materials.</li> </ul>	<ul style="list-style-type: none"> <li>• Facilitation of meetings and platforms for sharing best practices.</li> <li>• Engagement during quarterly IDP assessments.</li> <li>• Establishment of a Provincial Task Team to review LED strategies.</li> <li>• Identification of stakeholders for Business Forums.</li> <li>• Hosting of biannual Provincial LED meetings.</li> <li>• Alignment with reviewed National LED Framework.</li> <li>• Collaboration with DESTEA and SALGA on LED implementation.</li> <li>• Engagement with municipalities on CWP, including inductions at all sites.</li> </ul>
Poor Performing Municipalities	
<p><b>Note:</b> Unless otherwise accounted for above, the challenges cited were experienced across municipalities in the province as reflected in the Province's Section 47 report.</p>	

## G.5.4 KPA 4: Municipal Financial Viability and Management

Challenges Cited	Support Provided
<ul style="list-style-type: none"> <li>• Slow implementation of audit remedial plans.</li> <li>• Non-compliance with laws/regulations, particularly SCM and UIFsW expenditure.</li> </ul>	<ul style="list-style-type: none"> <li>• CoGHSTA and Provincial Treasury monitored implementation of audit remedial action plans.</li> <li>• Provincial Debt Forum and one-on-one engagements improved recovery of debt owed by departments and SOEs.</li> </ul>

<ul style="list-style-type: none"> <li>• Delays in appointing service providers leading to poor capital project implementation.</li> <li>• Late registration of MIG projects.</li> <li>• Recurrence of unauthorised, irregular, fruitless, and wasteful expenditure.</li> </ul>	<ul style="list-style-type: none"> <li>• Provincial MsE Forum monitoring compliance and UIFsW expenditure.</li> <li>• Hands-on support to municipalities to achieve unqualified audits without matters of emphasis.</li> <li>• Back-to-Basics quarterly engagements used to monitor municipal performance across KPAs.</li> </ul>
Poor Performing Municipalities	
District municipalities that regressed on MIG expenditure: <ul style="list-style-type: none"> <li>• Sekhukhune DM</li> <li>• Vhembe DM</li> </ul>	Municipalities with adverse audit opinions: <ul style="list-style-type: none"> <li>• Mookgophong-Mookgophong LM</li> </ul>

## G.5.5 KPA 5: Good Governance and Public Participation

Challenges Cited	Support Provided
<ul style="list-style-type: none"> <li>• Ward committees face inadequate resources.</li> <li>• Lack of appropriate skills and contextual understanding among ward committee members.</li> <li>• MPACs failing to timeously investigate MFMA Section 32 expenditures.</li> </ul>	<ul style="list-style-type: none"> <li>• Capacity building sessions conducted for all ward committee members.</li> <li>• Engagement sessions with municipalities emphasising discipline and consequence management.</li> <li>• Training for MPACs conducted with SALGA, Provincial Treasury, AGSA, and Legislature.</li> <li>• Quarterly MPAC forums convened for all 27 municipalities.</li> </ul>
Poor Performing Municipalities	
<b>Note: Unless otherwise accounted for above, the challenges cited were experienced across municipalities in the province as reflected in the Province's Section 47 report.</b>	

## 9.6 MPUMALANGA

## G.6.1 KPA 1: Municipal Transformation and Organisational Development

Challenges Cited	Support Provided
<ul style="list-style-type: none"> <li>• Municipalities delaying the filling of senior management positions.</li> <li>• Municipalities not prioritising Employment Equity Plans when filling senior positions.</li> <li>• 12 municipalities not cascading PMS to all lower levels.</li> <li>• Limited resources (human and financial) to perform PMS functions.</li> <li>• Resistance by staff members to new Municipal Staff Regulations.</li> <li>• PMS Units lacking capacity to perform both PMS and IPMS functions.</li> </ul>	<ul style="list-style-type: none"> <li>• COGTA capacity-building programme on Regulations for Appointment and Conditions of Service of Senior Managers.</li> <li>• National and Provincial COGTA supporting municipalities to comply with the Employment Equity Act.</li> <li>• Hands-on support from COGTA on implementing Municipal Staff Regulations of the MSA.</li> </ul>
Poor Performing Municipalities	

District with highest vacancy rate in senior nanagement: <ul style="list-style-type: none"> <li>Enhlanzeni DM - 31% (↑ from 15% previous year; only district to increase)</li> </ul>	Municipalities with 0 wonen in S54 s S56 posts: <ul style="list-style-type: none"> <li>Thaba Chweu LM</li> <li>Emalaheni LM</li> </ul>
Municipalities with 0 employment of people with disabilities: <ul style="list-style-type: none"> <li>Gert Sibande DM</li> </ul>	Municipalities with lowest proportion of posts filled by people ≤ 35 years: <ul style="list-style-type: none"> <li>Steve Tshwete LM - 7%</li> <li>Govan Mbeki LM - 6%</li> <li>Thembisile Hani LM - 10%</li> <li>Bushbuckridge LM - 11%</li> <li>City of Mbombela LM - 11%</li> </ul>
Municipalities not cascading PMS to all lower levels: <ul style="list-style-type: none"> <li>Dipaleseng LM</li> <li>Govan Mbeki LM</li> <li>Lekwa LM</li> <li>Mkhondo LM</li> <li>Msukaligwa LM</li> <li>Dr Pixley Ka Isaka Seme LM</li> <li>Victor Khanye LM</li> <li>Dr JS Moroka LM</li> <li>Thembisile Hani LM</li> <li>City of Mbombela</li> <li>Nkomazi LM</li> <li>Thaba Chweu LM</li> </ul>	

## G.6.2 KPA 2: Basic Service Delivery

Challenges Cited	Support Provided
<ul style="list-style-type: none"> <li>Load-shedding impact due to lack of backup generators.</li> <li>Vandalism and theft of infrastructure.</li> <li>Ageing infrastructure causing frequent failures.</li> <li>Illegal connections leading to excessive water losses.</li> <li>Intermittent supply due to bulk infrastructure and pipe leakages.</li> <li>Limited budget allocation for OsM and asset restoration.</li> <li>Lack of water master plans.</li> <li>High vacancies in technical departments and inadequate process controllers.</li> <li>Sewer spillages with prolonged turnaround times.</li> <li>High Eskom debts and demand above notified maximum demand.</li> <li>Obsolete electricity infrastructure and poor maintenance.</li> </ul>	<ul style="list-style-type: none"> <li>Support to all 23 municipalities on MIG spending for infrastructure development.</li> <li>National grants (MIG, IUDG, RBIG, WSIG) for water and sanitation projects.</li> <li>COGTA support for project preparation, master planning, asset care, and revenue enhancement.</li> <li>Provincial Intervention Task Teams established to address challenges with time-bound action plans.</li> <li>Regular monitoring of action plan implementation by COGTA.</li> <li>Integration of basic services into township establishment projects with DHS.</li> <li>COGTA, DBSA, and PPMU support for master planning and sanitation infrastructure.</li> <li>DWS developing provincial bulk water and sanitation master plan.</li> </ul>

<ul style="list-style-type: none"> <li>• Lack of prioritisation of solid waste management, illegal dumping, poor compliance with licence conditions.</li> <li>• Road infrastructure deterioration, inadequate planning, shortage of plant and machinery, storm damage.</li> </ul>	<ul style="list-style-type: none"> <li>• Partnership with Dutch Water Authority (Blue Deal Programme).</li> <li>• Support from Eskom, COGTA, and Provincial Treasury on Eskom debt reduction.</li> <li>• Electricity project planning and monitoring through the Energy Forum.</li> <li>• Support for registration/approval of Solid Waste projects and Youth Waste Management/CWP.</li> <li>• Support for road resealing, resurfacing and paving through MIG, yellow fleet procurement, and sectoral programmes.</li> </ul>
Poor Performing Municipalities	
Municipalities with high Eskom debts: <ul style="list-style-type: none"> <li>• Govan Mbeki LM</li> <li>• Lekwa LM</li> <li>• Mkhondo LM</li> <li>• Msukaligwa LM</li> <li>• Dipaleseng LM</li> <li>• Emakhazeni LM</li> <li>• Emalahleni LM</li> <li>• Victor Khanye LM</li> <li>• Thaba Chweu LM</li> <li>• City of Mbombela</li> </ul>	

## G.6.3 KPA 3: Local Economic Development

Challenges Cited	Support Provided
<ul style="list-style-type: none"> <li>• LED governance problems.</li> <li>• Project disruption by construction mafias and local business forums.</li> <li>• LED units not allocated sufficient resources.</li> <li>• Minimal private sector participation in LED forums and strategies.</li> <li>• Mining Social Labour Plans not aligned with community socio-economic needs.</li> </ul>	<ul style="list-style-type: none"> <li>• Relaunch of Lekwa LED Forum with COGTA intervention.</li> <li>• Inclusive consultations for Msukaligwa LEDF relaunch with departmental support.</li> <li>• LED Master Class rolled out to officials (with SALGA).</li> <li>• Nkangala District LED Agency launched and supported to lobby for funding and implement projects.</li> </ul>
Poor Performing Municipalities	
<p><b>Note: Unless otherwise accounted for above, the challenges cited were experienced across municipalities in the province as reflected in the Province's Section 47 report.</b></p>	

## G.6.4 KPA 4: Municipal Financial Viability and Management

Challenges Cited	Support Provided
<ul style="list-style-type: none"> <li>• 58% of AGSA audit findings linked to misstatements of AFS.</li> <li>• SCM non-compliance accounting for 23% of findings.</li> </ul>	<ul style="list-style-type: none"> <li>• Municipalities to develop and update audit action plans via web-based system.</li> <li>• PT review of audit action plans to ensure AG findings addressed.</li> </ul>

<ul style="list-style-type: none"> <li>• Internal control deficiencies (11% of findings).</li> <li>• Misstatements of Annual Reports (8%).</li> <li>• Changes in departmental responsibilities affecting debt management.</li> <li>• Late submission of debt schedules and insufficient departmental budgets.</li> </ul>	<ul style="list-style-type: none"> <li>• Closer monitoring role by HODs of COGTA and PT.</li> <li>• COGTA monitoring consequence management.</li> <li>• Training for MPACs and disciplinary boards by COGTA, PT, and SALGA.</li> <li>• MFIP advisors appointed by NT in asset management, SCM, audit/AFS, revenue/budget, and mSCOA.</li> <li>• Additional MFIP advisors deployed to specific municipalities.</li> <li>• PT submitted debt status reports and verified property rates disputes with departments and SANPARKS.</li> </ul>
Poor Performing Municipalities	
Municipalities with highest number of audit findings: <ul style="list-style-type: none"> <li>• Dipaleseng LM - 220 (17% of total findings)</li> <li>• Bushbuckridge LM - 115 (6%)</li> <li>• Msukaligwa LM - 102 (8%)</li> <li>• Chief Albert Luthuli LM - 100 (8%)</li> <li>• Govan Mbeki LM - 66 (7%)</li> <li>• Nkomazi LM - 60 (7%)</li> <li>• Thaba Chweu LM - 84 (6%)</li> <li>• Dr JS Moroka LM - 81 (6%)</li> <li>• Pixely Ka Isaka Seme LM - 65 (5%)</li> <li>• City of Mbombela - 51 (4%)</li> </ul>	

## G.6.5 KPA 5: Good Governance and Public Participation

Challenges Cited	Support Provided
<ul style="list-style-type: none"> <li>• Municipalities refusing to provide minutes, hindering assessment.</li> <li>• Decline in ward committee effectiveness and commitment.</li> <li>• Poor engagement between councillors and communities.</li> <li>• Inconsistent ward committee meetings.</li> <li>• Ward improvement plans not implemented.</li> <li>• Resident concerns not addressed; weak enforcement of Code of Conduct.</li> <li>• Weak oversight by Speakers on councillors' attendance.</li> <li>• Limited resources for ward operations.</li> <li>• Outdated Public Participation Strategies (no social media/e-systems).</li> </ul>	<ul style="list-style-type: none"> <li>• Targeted Support Plans for ward committee functionality gaps.</li> <li>• Detailed municipal feedback on ward committee performance.</li> <li>• Refresher training for councillors and ward committee members.</li> </ul>
Poor Performing Municipalities	
Municipalities with <50% ward committee functionality: <ul style="list-style-type: none"> <li>• City of Mbombela</li> <li>• Emakhazeni LM</li> </ul>	

- Victor Khanye LM
- Mkhondo LM

## 9.7 NORTHERN CAPE

### G.7.1 KPA 1: Municipal Transformation and Organisational Development

Challenges Cited	Support Provided
<ul style="list-style-type: none"> <li>• Municipalities are still struggling to achieve the 50:50 ratio on the appointment of women to senior management positions.</li> <li>• Whilst most municipalities have approved Performance Management Systems (PMS) Policies, there is ineffective implementation due to weak controls and lack of management oversight.</li> </ul>	<ul style="list-style-type: none"> <li>• Support through broader MSIP and secondment interventions to strengthen municipal HR and performance management systems.</li> </ul>
Poor Performing Municipalities	
Municipalities with no women in senior management: <ul style="list-style-type: none"> <li>• Nama Khoi LM</li> <li>• Kamiesberg LM</li> <li>• Hantam LM</li> <li>• Karoo Hoogland LM</li> <li>• Khâi-Ma -Ma LM</li> <li>• Namakwa DM</li> <li>• Umsobomvu LM</li> <li>• Kareeberg LM</li> <li>• Renosterberg LM</li> <li>• Thembelihle LM</li> <li>• Siyathemba LM</li> <li>• !Kheis LM</li> <li>• Tsantsabane LM</li> <li>• Kgatelopele LM</li> </ul>	Municipalities with high vacancy rates in senior management: <ul style="list-style-type: none"> <li>• Renosterberg LM - 100%</li> <li>• Frances Baard DM - 80%</li> <li>• Dikgatlong LM - 80%</li> <li>• Karoo Hoogland LM - 67%</li> <li>• Nama Khoi LM - 67%</li> <li>• Thembelihle LM - 67%</li> </ul>

### G.7.2 KPA 2: Basic Service Delivery

Challenges Cited	Support Provided
<ul style="list-style-type: none"> <li>• Water: Backlogs, growth of informal settlements, water scarcity in some areas, ageing infrastructure and poor O&amp;M exacerbating water losses.</li> <li>• Sanitation: Backlogs and some WWTWs in critical risk state (per Green Drop Report).</li> <li>• Electricity: Backlogs in electrification.</li> <li>• Free Basic Services: Indigent registers not credible; reported figures not reflective of actual service provision.</li> </ul>	<ul style="list-style-type: none"> <li>• Support through WSIG and RBIG for water and sanitation.</li> <li>• INEP support for electrification projects.</li> <li>• Ongoing monitoring and corrective support on indigent registers and free basic services provision.</li> </ul>
Poor Performing Municipalities	
Municipalities with lowest MIG expenditure (<60%):	

- Hantam LM - 44.38%
- Kamiesberg LM - 54.63%
- Nama Khoi LM - 57.40%
- Kgatelopele LM - 56.86%

## G.7.3 KPA 3: Local Economic Development

Challenges Cited	Support Provided
<i>Not detailed explicitly in the provincial assessment.</i>	<i>Not specified in provincial report.</i>
Poor Performing Municipalities	
<b>Note: The Section 47 report received from the Northern Cape omitted a list of poor performing municipalities for KPA 3.</b>	

## G.7.4 KPA 4: Municipal Financial Viability and Management

Challenges Cited	Support Provided
<ul style="list-style-type: none"> <li>• Most municipalities incur losses in provision of trading services, particularly electricity and water losses.</li> <li>• Financial sustainability threatened by high technical and non-technical losses.</li> <li>• While most municipalities had valid valuation rolls, some failed to fully comply or publish resolutions levying rates.</li> </ul>	<ul style="list-style-type: none"> <li>• Department reminded municipalities of deadlines for GVR compliance.</li> <li>• Specimen resolutions on levying property rates shared to assist compliance.</li> <li>• Multiple reminders issued to municipalities on compliance requirements.</li> </ul>
Poor Performing Municipalities	
Municipalities with disclaimer audit outcomes: <ul style="list-style-type: none"> <li>• Joe Morolong LM</li> <li>• !Kheis LM</li> </ul>	Municipalities that submitted AFS late: <ul style="list-style-type: none"> <li>• Magareng LM - 1 September 2023</li> <li>• Khâi-Ma LM - 1 September 2023</li> <li>• Tsantsabane LM - 1 September 2023</li> <li>• Phokwane LM - 30 September 2023</li> <li>• Kai !Garib LM - 15 December 2023</li> </ul>

## G.7.5 KPA 5: Good Governance and Public Participation

Challenges Cited	Support Provided
<ul style="list-style-type: none"> <li>• Auditor-General highlighted oversight failures.</li> <li>• MPACs ineffective, undermining accountability and consequence management.</li> <li>• Ward committees established across municipalities, but many members lack understanding of roles, leading to conflicts with councillors.</li> <li>• Provincial IGR integration weak due to minimal sector department participation and low municipal planning capacity.</li> </ul>	<ul style="list-style-type: none"> <li>• Establishment of Provincial and District Public Participation Forums to monitor and support municipalities.</li> <li>• Support to municipalities for developing/adopting public participation and ward committee policies, operational plans, and complaints systems.</li> </ul>
Poor Performing Municipalities	

Ward committee dissolved due to non-performance:

- Khâi-Ma LM (Ward 4, Aggeneys)

## 9.8 NORTH WEST

### G.8.1 KPA 1: Municipal Transformation and Organisational Development

Challenges Cited	Support Provided
<ul style="list-style-type: none"> <li>• Municipalities continue failing to fill senior manager positions.</li> <li>• Municipalities fail to implement Chapter 4 of the Municipal Staff Regulations and ignore remedial actions on appointments.</li> </ul>	<ul style="list-style-type: none"> <li>• 22 municipalities supported to comply with MSA regulations on senior manager appointments and conditions of employment.</li> <li>• Circulars/guidelines issued to municipalities detailing steps for filling senior manager positions.</li> <li>• Reports developed on municipal compliance with appointment regulations.</li> <li>• Workshops on MSA Amendments conducted for all councillors.</li> <li>• Interventions where municipalities did not comply, with support provided.</li> <li>• Evaluation of appointment reports with advice to MEC on remedies.</li> </ul>
Poor Performing Municipalities	
<p>Municipalities with high vacancy rates (&gt;50%) in senior management posts:</p> <ul style="list-style-type: none"> <li>• Ditsobotla LM</li> <li>• Maquassi Hills LM</li> <li>• Madibeng LM</li> <li>• Ratlou LM</li> <li>• Tswaing LM</li> <li>• Mamusa LM</li> </ul>	

### G.8.2 KPA 2: Basic Service Delivery

Challenges Cited	Support Provided
<ul style="list-style-type: none"> <li>• Water: Ageing infrastructure, bulk supply shortages, high water losses, financial constraints, weak planning/coordination.</li> <li>• Sanitation: Ageing sewer infrastructure, non-functioning treatment plants, inadequate rural services, poor O&amp;M, environmental and health risks.</li> <li>• Electricity: Ageing/overloaded infrastructure, theft and illegal connections, frequent outages, reliance on Eskom, slow adoption of renewables.</li> <li>• Waste: Inadequate collection in rural/informal areas, illegal dumping, non-</li> </ul>	<ul style="list-style-type: none"> <li>• Monthly district progress meetings for planning and coordination across programmes.</li> <li>• Project site visits to monitor implementation.</li> <li>• Quarterly project appraisals and registration with technical support.</li> <li>• Pre-approval inspections of projects to ensure compliance with cross-cutting conditions.</li> <li>• Monitoring and approval of PMU business plans (20 approved in 2022/23).</li> </ul>



<p>compliant landfill sites, ageing fleet, lack of recycling programmes.</p> <ul style="list-style-type: none"> <li>• MIG: Late appointment of providers, dysfunctional BID Committees, political/admin instability, unrest, lowest-cost tenders, delayed payments, reprioritisation, preferential procurement issues.</li> </ul>	<ul style="list-style-type: none"> <li>• One-on-one engagements with municipal MMs, CFOs, Technical Units, and PMUs to address blockages.</li> <li>• Focused engagement with slow-spending municipalities to unblock bottlenecks.</li> <li>• Interventions with accounting officers on under-expenditure to prevent withholding of MIG funds.</li> <li>• Municipalities below 40% expenditure issued with letters of intention to stop funds; interrogated during DCoG engagements.</li> </ul>
Poor Performing Municipalities	
<b>Note:</b> Unless otherwise accounted for above, the challenges cited were experienced across municipalities in the province as reflected in the Province's Section 47 report.	

## G.8.3 KPA 3: Local Economic Development

Challenges Cited	Support Provided
<ul style="list-style-type: none"> <li>• Weak commitment to address LED human and financial capacity challenges.</li> <li>• Lack of reporting on projects through Lekwa-Teemane Development Agency.</li> <li>• Poor coordination limiting integration with SDFs and weakening investment attraction and SMME development.</li> <li>• Weak use of 5% MIG allocation for LED in secondary cities and smaller municipalities.</li> <li>• Procurement delays affecting LED projects.</li> <li>• District municipalities lack support from stakeholders in developing regional programmes.</li> <li>• CWP implemented but weak coordination with national clean cities initiatives.</li> <li>• Poor coordination in DDM district economic work streams.</li> </ul>	<ul style="list-style-type: none"> <li>• LED plans assessed for alignment with National LED Framework; feedback given via IDP processes.</li> <li>• Municipalities encouraged to align programmes with LED Framework, identify catalytic projects, and coordinate stakeholders through DDM.</li> <li>• Emphasis on utilisation of 5% MIG allocation for LED projects, integrated into IDPs.</li> </ul>
Poor Performing Municipalities	
<b>Note:</b> Unless otherwise accounted for above, the challenges cited were experienced across municipalities in the province as reflected in the Province's Section 47 report.	

## G.8.4 KPA 4: Municipal Financial Viability and Management

Challenges Cited	Support Provided
<ul style="list-style-type: none"> <li>• Non-submission of Section 71 MFMA reports.</li> <li>• Late/non-submission of invoices to government departments.</li> <li>• Failure by Ditsobotla LM to publish rates resolutions due to financial and system constraints.</li> </ul>	<ul style="list-style-type: none"> <li>• Review of municipal credit control and debt collection policies for compliance with legislation.</li> <li>• Assistance to municipalities in facilitating government debt payments.</li> <li>• Monitoring of credit control implementation, including disconnections and restrictions.</li> </ul>

<ul style="list-style-type: none"> <li>• UIFsW expenditure not investigated per MFMA Sec 32, no consequence management, slow audit action plans, weak MPAC processes.</li> </ul>	<ul style="list-style-type: none"> <li>• Development of reporting templates to guide policy implementation.</li> <li>• Assisted all 18 municipalities with reviewing and adopting property rates policies and by-laws.</li> <li>• Provided inputs and guidance on promulgating rates resolutions in line with legislation.</li> <li>• Monitored 18 municipalities on 2022/23 rates tariff promulgation.</li> <li>• Ensured adoption and publication of reviewed rates policies and by-laws.</li> <li>• Oversight and support for municipalities with disclaimer/adverse audit outcomes and high UIFsW expenditure balances.</li> </ul>
Poor Performing Municipalities	
Municipalities with Disclaimer Audit Outcomes: <ul style="list-style-type: none"> <li>• Ratlou LM</li> <li>• Lekwa-Teemane LM</li> <li>• Mamusa LM</li> <li>• Maquassi Hills LM</li> </ul>	Municipalities with Adverse Audit Outcomes: <ul style="list-style-type: none"> <li>• Madibeng LM</li> <li>• Naledi LM</li> </ul>
Municipalities with highest UIFsW expenditure balances: <ul style="list-style-type: none"> <li>• Ngaka Modiri Molema DM – R14.8 billion</li> <li>• City of Matlosana LM – R7.6 billion</li> <li>• Madibeng LM – R7.3 billion</li> <li>• Rustenburg LM – R6.5 billion</li> <li>• JB Marks LM – R4.5 billion</li> <li>• Dr Ruth Segomotsi Mompati DM – R2.64 billion</li> </ul>	Municipality that did not submit AFS: <ul style="list-style-type: none"> <li>• Ditsobotla LM</li> </ul>

## G.8.5 KPA 5: Good Governance and Public Participation

Challenges Cited	Support Provided
<ul style="list-style-type: none"> <li>• Limited funding for ward committee training, competing with service delivery needs.</li> <li>• Vacancies in the provincial Public Participation Unit limiting departmental support.</li> <li>• Allocation of anti-corruption functions to inappropriate offices.</li> <li>• Weak political and administrative commitment to anti-corruption measures.</li> <li>• Slow responses from municipalities in providing anti-corruption information.</li> </ul>	<ul style="list-style-type: none"> <li>• Ward committee training funded and provided post-establishment.</li> <li>• Technical support for ward committees on roles and functions.</li> <li>• Ongoing engagements to improve municipal responsiveness to anti-corruption strategies.</li> </ul>
Poor Performing Municipalities	

Municipalities with worst implementation of anti-corruption strategies (cases reported and solved): <ul style="list-style-type: none"> <li>• Ditsobotla LM</li> <li>• Mahikeng LM</li> <li>• JB Marks LM</li> <li>• Kgetlengrivier LM</li> <li>• Tswaing LM</li> <li>• Mamusa LM</li> </ul>	Municipalities where ward committees were not fully inducted: <ul style="list-style-type: none"> <li>• Kagisano Molopo LM (Ward 12 unestablished)</li> <li>• Moses Kotane LM (Ward 18 unestablished)</li> <li>• Mamusa LM</li> <li>• City of Matlosana LM</li> <li>• Mahikeng LM</li> <li>• Madibeng LM</li> </ul>
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## 9.9 WESTERN CAPE

### G.G.1 KPA 1: Municipal Transformation and Organisational Development

Challenges Cited	Support Provided
<ul style="list-style-type: none"> <li>• Not all Municipal Managers and managers directly accountable to them have signed and submitted performance agreements to the MEC for Local Government.</li> <li>• Senior management vacancies persist (MMs, Technical Directors, CFOs).</li> </ul>	<ul style="list-style-type: none"> <li>• Addressed through transversal support interventions (TIME and JDMA).</li> </ul>
Poor Performing Municipalities	
Non-compliance with Workplace Skills Plans: <ul style="list-style-type: none"> <li>• Kannaland LM</li> </ul>	

### G.G.2 KPA 2: Basic Service Delivery

Challenges Cited	Support Provided
<ul style="list-style-type: none"> <li>• High demand for basic and free basic services due to in-migration and rapid population growth.</li> <li>• Land invasions, urbanisation, vandalism, illicit electricity connections, and immigration increase service delivery pressures.</li> <li>• Service delivery instability and backlogs caused by: insufficient OsM budgets, vandalism and theft of infrastructure, slow capital budget spending.</li> <li>• Service delivery affected by wider socio-economic and global factors.</li> </ul>	<ul style="list-style-type: none"> <li>• Addressed through transversal support interventions (TIME and JDMA).</li> </ul>
Poor Performing Municipalities	
Lowest access to water: <ul style="list-style-type: none"> <li>• Cederberg LM (86%)</li> <li>• Stellenbosch LM (86%)</li> </ul>	Lowest access to sanitation: <ul style="list-style-type: none"> <li>• Cederberg LM (76%)</li> </ul>
Lowest access to electricity: <ul style="list-style-type: none"> <li>• Bitou LM (60%)</li> </ul>	Lowest access to refuse removal: <ul style="list-style-type: none"> <li>• Kannaland LM (82%)</li> </ul>

	<ul style="list-style-type: none"> <li>• Swartland LM (83%)</li> </ul>
Lowest performers in access to free basic services: <ul style="list-style-type: none"> <li>• Overstrand LM</li> <li>• Matzikama LM</li> <li>• Bergrivier LM</li> <li>• George LM</li> </ul>	

## G.G.3 KPA 3: Local Economic Development

Challenges Cited	Support Provided
<i>Not specifically detailed in provincial assessment.</i>	Addressed through transversal support interventions (TIME and JDMA).
Poor Performing Municipalities	
<i>Note: The Section 47 report received from the Western Cape omitted a list of poor performing municipalities for KPA 3.</i>	

## G.G.4 KPA 4: Municipal Financial Viability and Management

Challenges Cited	Support Provided
<ul style="list-style-type: none"> <li>• Revenue underperformance in 27 municipalities.</li> <li>• Underperformance in service charges, particularly electricity revenue, due to load-shedding.</li> <li>• Culture of non-payment by debtors.</li> <li>• Fewer municipalities achieving clean audits.</li> <li>• Higher operational costs due to energy crisis.</li> <li>• Revenue losses from reduced electricity sales as customers shift to alternatives.</li> <li>• Decline in electricity surpluses, reducing subsidies for other services.</li> <li>• Negative economic impacts on businesses and investor confidence.</li> <li>• Procurement challenges: misalignment of budgets and procurement plans, unclear procurement methods, poor data quality, lack of standardisation, weak linkage of suppliers to commodities, load-shedding impacts on systems.</li> <li>• Asset management challenges: policies limited to financial prescripts, asset data in Excel, ERP systems not integrated, lack of CMMS, weak monitoring of backlogs, emergency repairs and deviations common.</li> </ul>	<ul style="list-style-type: none"> <li>• Addressed through transversal support interventions (TIME and JDMA).</li> </ul>
Poor Performing Municipalities	
Municipalities with deficit budgets: <ul style="list-style-type: none"> <li>• Theewaterskloof LM</li> <li>• Kannaland LM</li> <li>• Knysna LM</li> </ul>	Municipalities with highest debtors >90 days (>80%): <ul style="list-style-type: none"> <li>• Garden Route DM</li> <li>• Kannaland LM</li> </ul>

<ul style="list-style-type: none"> <li>• Garden Route DM</li> <li>• Laingsburg LM</li> </ul>	<ul style="list-style-type: none"> <li>• Beaufort West LM</li> </ul>
Municipalities with current ratio below 1 (financial risk): <ul style="list-style-type: none"> <li>• Matzikama LM</li> <li>• Cederberg LM</li> <li>• Theewaterskloof LM</li> <li>• Kannaland LM</li> <li>• Knysna LM</li> <li>• Laingsburg LM</li> <li>• Beaufort West LM</li> </ul>	Municipalities with poor audit outcomes: <ul style="list-style-type: none"> <li>• Adverse opinion: Laingsburg</li> <li>• Regressed outcomes: Knysna, Prince Albert, Swellendam, Theewaterskloof</li> </ul>

## G.G.5 KPA 5: Good Governance and Public Participation

Challenges Cited	Support Provided
<ul style="list-style-type: none"> <li>• All 405 wards have ward committees, but only 236 are fully functional.</li> <li>• ICT governance structures exist in most municipalities, but effectiveness varies.</li> <li>• Over 80% of municipalities have risk management strategies, but financial/capacity challenges limit effectiveness.</li> <li>• Major discrepancies in effectiveness of Business Continuity Plans due to leadership and financial resource gaps.</li> </ul>	<ul style="list-style-type: none"> <li>• Implementation of the Municipal Corporate Governance of ICT Policy Framework (2015) to guide oversight and accountability.</li> </ul>
Poor Performing Municipalities	
Municipalities with poor ICT governance compliance: <ul style="list-style-type: none"> <li>• Prince Albert LM</li> <li>• Kannaland LM</li> <li>• Laingsburg LM</li> <li>• Central Karoo DM</li> <li>• Cederberg LM</li> </ul>	Municipalities that have not customised/adopted the 2015 MCGICTPF: <ul style="list-style-type: none"> <li>• Prince Albert LM</li> <li>• Kannaland LM</li> </ul>
Municipality with annual report approved with reservations: <ul style="list-style-type: none"> <li>• Matzikama LM</li> </ul>	Municipalities with no information on tabling/adoption of annual reports: <ul style="list-style-type: none"> <li>• Beaufort West LM</li> <li>• Prince Albert LM</li> <li>• Central Karoo DM</li> <li>• Knysna LM</li> <li>• Bitou LM</li> </ul>

## G.G.6 Transversal Support Interventions (All KPAs)

Support Provided
<b>Technical Integrated Municipal Engagement (TIME):</b> <ul style="list-style-type: none"> <li>• Joint review of municipal performance and challenges with WCG, PT, DLG, DEAsDP</li> <li>• Integrated Municipal Governance Assessment, mid-year budget/performance review, MTREF budget readiness, audit outcomes</li> </ul>

<ul style="list-style-type: none"> <li>• Platform for collective responses to risks/challenges</li> </ul>
<b>Joint District and Metro Approach (JDMA):</b> <ul style="list-style-type: none"> <li>• Institutionalised collaboration across provincial, district, local, and national departments</li> <li>• Co-planning and co-budgeting via district JDMA Teams</li> <li>• Strengthened intergovernmental structures (vertical s horizontal alignment)</li> <li>• Provincial participation in municipal structures and vice versa</li> <li>• Identification and delivery of catalytic projects for community development</li> </ul>

## 9.10 SUMMARY

The 2022/23 Section 48 Report demonstrates that while South Africa's local government sector continues to play a vital role in extending basic services, fostering local development, and strengthening governance systems, performance remains uneven and fragile. Progress is evident in municipalities that sustain higher levels of access to water, sanitation, electricity, and refuse removal, or where stronger financial management and oversight structures have been institutionalised. Isolated examples of innovation, such as awareness campaigns to expand indigent registers or proactive infrastructure audits to improve compliance with sector standards, further underscore that improvement is possible when leadership, resources, and accountability align. These instances highlight the potential for a more developmental and responsive local government system.

At the same time, the report underscores systemic weaknesses that undermine the sector's sustainability. Persistent financial distress, high vacancy rates in senior management, weak performance management systems, deteriorating infrastructure, and poor audit outcomes remain widespread across municipalities. Service delivery challenges are compounded by high water and electricity losses, unreliable refuse removal, and uneven provision of free basic services to indigent households. Cross-cutting systems such as disaster management remain largely reactive, with little evidence of forward planning or readiness. These challenges highlight the urgent need for standardised provincial reporting, stronger oversight mechanisms, and targeted capacity support to municipalities most at risk. Importantly, the unevenness and inconsistency of reporting in provincial Section 47 reports – largely due to the absence of a uniform reporting framework – remains a critical constraint. This not only compromises the accuracy of the national consolidated picture but also limits the usefulness of the Section 48 process as a monitoring and accountability tool. Without decisive reforms to standardise reporting, professionalise administration, strengthen oversight, and ensure sustainable financial management, the developmental mandate of local government will remain compromised, with the poorest households bearing the greatest cost.

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