



Province of the
EASTERN CAPE
COOPERATIVE GOVERNANCE
& TRADITIONAL AFFAIRS

CONSOLIDATED
MUNICIPAL PERFORMANCE REPORT
FOR

2023-2024
Financial Year

Compiled in terms of Section 47 of the Local Government:
Municipal Systems Act (Act No. 32 of 2000)



SERVING OUR COMMUNITIES BETTER



Our Vision

Development-oriented municipalities and institutions of traditional leadership that deliver sustainable quality services to communities in an integrated, responsive and accountable manner.

Our Mission

To co-ordinate support through government spheres and partnerships to municipalities and institutions of traditional leadership to fulfill their developmental mandates, for a better quality of life for all communities

Our Values

Innovation, Transformative, Professionalism, Equality, Highest ethical standards, Staff our greatest assets, Responsiveness



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**COMPILED IN TERMS OF SECTION 47 OF THE LOCAL GOVERNMENT: MUNICIPAL
SYSTEMS ACT (ACT NO 32 OF 2000)**

Our Vision

A capable, inclusive, and sustainable cooperative governance system that promotes Developmental Local government and Traditional and Khoi-San Leadership Institutions.

Our Mission

To promote cooperative governance by empowering Municipalities, Traditional and Khoi-San Leadership Institutions through capacity building, collaboration, and sustainable practices, ensuring responsive, inclusive and accountable service delivery that meets the needs of our communities.

Our Values

| VALUES | DEFINITION |
|-----------------------|---|
| We value our staff | We believe our employees are integral to the success of the organisation and we will at all times |
| Inclusivity | Prioritizing participation from diverse communities in governance processes. |
| Collaboration | Fostering partnerships between various levels of government, Traditional and Khoi-San leadership institutions and civil society |
| Transparency | Ensuring that decision-making processes are open and accessible to the public. |
| Accountability | Holding officials responsible for their actions and decisions to build trust with citizens. |
| Empowerment | Strengthening municipalities, Traditional and Khoi-San leadership institutions and communities to make decisions that affect their lives. |
| Sustainability | Promoting policies that ensure long-term environmental, economic, and social well-being. |
| Innovation | Encouraging new approaches to governance that address contemporary challenges. |
| Respect for Diversity | Valuing the unique cultures and traditions of all communities, ensuring their voices are heard in |
| Integrity | Perform our responsibility with honesty, truthful, ethical and moral principles. |
| Diligence | We execute our mandate carefully and thoroughly. |
| Ethical Standards | We shall always maintain ethical conduct, zero tolerance towards fraud and corruption. |
| Equality | We shall give equal access to our services to all, with special emphasis on targeted groups. |

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List Of Acronyms

| | |
|--------------|--|
| AFS | Annual Financial Statements |
| AG | Auditor General |
| CDWs | Community Development Workers |
| CFO | Chief Financial Officer |
| CWP | Community Works Programme |
| DBSA | Development Bank of Southern Africa |
| DDG | Deputy Director General |
| DCOGTA | Department of Cooperative Governance and Traditional Affairs |
| DM | District Municipality |
| DDM | District Development Model |
| EPWP | Extended Public Works Programme |
| ES | Equitable Share |
| FBE | Free Basic Electricity |
| FBS | Free Basic Services |
| FBW | Free Basic Water |
| GM | General Manager |
| HH | Household |
| HoD | Head of Department |
| ICT | Information and Communication Technology |
| IDP | Integrated Development Plan |
| IGR | Inter-Governmental Relations |
| IHH | Indigent Household |
| ISRDP | Integrated Sustainable Rural Development Programme |
| KPA | Key Performance Area |
| KPI | Key Performance Indicator |
| LED | Local Economic Development |
| LM | Local Municipality |
| MEC | Member of Executive Council |
| MFMA | Municipal Financial Management Act |
| METRO | Metropolitan Municipality |
| MIG | Municipal Infrastructure Grant |
| MM | Municipal Manager |
| MPAC | Municipal Public Accounts Committee |
| MSA | Local Government Municipal Systems Act |
| MSIF | Municipal Support & Intervention Framework |
| MSIP | Municipal Support & Intervention Plan |
| NBI | New Business Initiative |
| NMBMM | Nelson Mandela Bay Metropolitan Municipality |
| NSDP | National Spatial Development Perspective |
| OTP | Office of the Premier |
| PGDS | Provincial Growth and Development Strategy |
| PMS | Performance Management System |
| PT | Provincial Treasury |
| PMIM-RAS-FW) | Provincial Municipal Infrastructure Management RAS Framework |
| QS | Quality Assurance |
| RAS | Risk Adjusted Strategy |
| SDBIP | Service Delivery and Budget Implementation Plan |
| SDF | Spatial Development Framework |
| SIU | Special Investigation Unit |
| URP | Urban Renewal Program |
| WSA | Water Service Authority |
| WSP | Workplace Skills Plan |
| 5YLGSA | 5 Year Local Government Strategic Agenda |

Foreword by the MEC

FOR COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS IN THE PROVINCE OF THE EASTERN CAPE, HONOURABLE ZOLILE WILLIAMS

As we approach the end of the Local government term, it is my responsibility as the Member of the Executive Committee (MEC) to reflect on the performance of our municipalities as the Province of Eastern Cape for the 2023/24 financial year. This report has been compiled with the provisions of Section 47 of the Local Government: Municipal Systems Act (Act No 32 of 2000) as amended.

This report has been compiled through the assessment of annual reports submitted by thirty – eight municipalities, all adopted by their respective councils except for Blue Crane Route Local Municipality that has not submitted its annual report. The municipality has cited capacity challenges however had not communicated the non – compliance to the department. I however, also wish to commend municipalities for ensuring that the statutory requirement of compiling their Annual Reports is adhered to.

The assessment conducted in 2022 produced the National State of Local Government Assessment Report wherein seven municipalities from the province were identified as dysfunctional. This has shown that strengthening municipal capacity and performance is critical in improving service delivery. The highlighted challenges were primarily related to good governance, financial management, and service delivery. Those municipalities are being supported through the development and implementation of Municipal Support and Intervention Plans (MSIPs) to address the identified challenges.

I am proud to present a Consolidated Annual Performance Report prepared from the assessment of individual municipal annual Reports submitted by municipalities in the Province of the Eastern Cape in terms of s.46 of the Local Government: Municipal Systems Act for the 2023/24 Financial Year.

Although the report indicates areas of definite improvement by municipalities but there are also a number of areas where performance has regressed, and these areas require collaborative support by all relevant stakeholders.

The results of the analysis of these reports will, to a larger extent, determine how municipalities have fared in delivering services to the communities during 2023/24 Financial year. Municipalities have again submitted annual reports with limited critical information which has a negative impact towards the ability of my department



HONOURABLE Z.A. WILLIAMS

to appropriately support municipalities in carrying out their constitutional mandate, build and strengthen their capacity. I also wish to remind municipalities that the compilation and submission of s.46 reports is a statutory requirement.

In my continued focus in improving the state of municipalities the department has developed a Municipal Non-negotiable Handbook with standard operating procedures (SOPs) for quality service delivery by municipalities, which will start in this 2025/30 five-year period.

The *Risk Adjusted Strategy (RAS)* introduced in 2023/24 financial year which focuses on expediting expenditure on grants has improved spending in allocated grants and notable progress in municipal performance. Moving forward, the Department will continue to implement and expand the RAS framework, integrating it into the Provincial Municipal Infrastructure Management RAS Framework (PMIM-RAS-FW).

Finally, I would like to encourage all municipalities to continue submitting their s.46 reports for all areas of underperformance to be identified and areas of improvement are acknowledged for the betterment of service delivery.

A handwritten signature in black ink, appearing to read 'Z.A. Williams', written over a horizontal line.

HONOURABLE Z.A. WILLIAMS
MEMBER OF THE EXECUTIVE COUNCIL
DEPARTMENT OF COOPERATIVE GOVERNANCE
AND TRADITIONAL AFFAIRS
DATE: 16 July 2025

Message from the Acting Head of Department (HOD)

OF COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS, MR V. MLOKOTHI



MR. V. MLOKOTHI

The department continues to carry out its mandate, which is to support and strengthen municipalities' capacity to manage their affairs, exercise legislative powers, and function effectively and efficiently.

This report is presented in compliance with Section 47 of the Local Government: Municipal Systems Act no. 32 of 2000 as amended. Thirty – eight reports were received from municipalities, all adopted by their respective councils with the exception of Blue Crane Route Local Municipality that has not submitted its annual report. The municipality has cited capacity challenges however had not communicated the non – compliance to the department.

Municipal Infrastructure Grant (MIG) that is funding service delivery projects has shown significant progress with the 98% expenditure of the revised budget of R3 405 381 billion prioritized for service delivery projects.

The department continues to support and implement the Risk Adjusted Strategy as pronounced by the MEC which has yielded positive results and the expenditure on grants improved representing one of the initiatives to support municipalities towards delivering services to communities.

In an effort to improve audit outcomes before the commencement of the next audit cycle in August 2025, the Honourable MEC has initiated engagements with Municipalities that have obtained consecutive negative audit outcomes.

The escalating debts owed by municipalities to Eskom and Water Boards remain a matter of great concern. Through the support from Provincial and National

Treasuries, National CoGTA, SALGA & Office of the Premier, the department will continue address this matter.

We continue to support municipalities to enhance their capacity through seconding senior officials to ensure smooth running of the municipality and facilitate appointments of Municipal Managers.

The Department will continue to professionalise local government, focusing on ethics, organisational culture and systematic municipal operations. Over 90% of municipal senior managers have adequate academic qualifications and competencies and 97% of municipal staff establishments are compliant with Municipal Staff Regulation of 2021, in developing and reviewing staff establishments.

The department in collaboration with Provincial and National Treasuries, National CoGTA, SALGA & Office of the Premier is supporting municipalities i.e. **Nelson Mandela Metro, Buffalo City Metro, Makana and Enoch Mgijima** in turning around the situation to improve service delivery.

A handwritten signature in dark ink, appearing to be 'V. Mlokothi', written over a horizontal line.

MR. V. MLOKOTHI
ACTING HEAD OF DEPARTMENT
DEPARTMENT OF COOPERATIVE GOVERNANCE &
TRADITIONAL AFFAIRS
DATE: 16 July 2025

Overview Of Performance

The overview of the performance of municipalities is presented per key performance area as reflected below:

KPA 1: Municipal Transformation and Organisational Development

Thirty-eight (38) municipalities that have submitted their annual reports and were assessed. The process led to the development of a consolidated municipal performance report for the 2023/24 financial year. It has been noted that an overall performance per district has declined from **72% to 66%** in this KPA. **Joe Gqabi** is the best performing district at **66%** from **37%**; followed by **Amathole** at **56%** decreased from **60%**, **Sarah Baartman** from **57% to 56%**, followed by **Alfred Nzo** which decreased from **69% to 54%**, **O. R. Tambo** which decreased from **49% to 42%**, followed by **Chris Hani** from **42% to 35%**. Both Metros have decreased their overall performance, **Nelson Mandela Metro** has decreased from **46% to 35%** and **Buffalo City Metro** has decreased from **48% to 42%**.

KPA 2: Basic Service Delivery

The assessment in this Key Performance Area has declined with the exception of **Nelson Mandela Bay Metro and Chris Hani District Municipality**, which have significantly improved in the year under review. Most municipalities did not use the guiding template for the provision of information that resulted to under reporting. It should be noted that municipal annual reports are submitted for compliance purposes and rather with not credible information. In some cases, the provided information does not meet the required standard, or planned targets are not set.

KPA 3: Local Economic Development.

The assessment has generally shown a slight decline in the filling of posts in LED units across municipalities in the current financial year. Municipalities are also not providing adequate information about their LED units which include approved posts, budget and vacancy rate. Numerous municipalities have vacancies in their LED units which could hinder their capability to provide adequate services. In some municipalities the positions of manager or director are vacant, and in some instances, there is only one individual who is responsible for the entire unit. There is an insignificant improvement in the development and adoption of LED strategy in municipalities, however in some of the municipalities there is a non-existence of information concerning the implementation.

Regarding EPWP and CWP, there is a small decrease in the number of municipalities that provided evidence on the number of job opportunities created during 2023/24 financial year. The highest performing metro is the **Buffalo City Metro**, with an overall performance of **50%** compared to **Nelson Mandela Metro** with overall performance of **46%** in the current financial year. In 2023/24 financial year, the highest performing district is **Chris Hani District 64%** followed by **Amathole District** at **63%**. The lowest performing district is **Sarah Baartman District** at **36%**.

KPA 4: Municipal Financial Management & Viability

The overall performance of municipalities under this KPA is generally satisfactory as it shows a slight improvement in the year under review. The best performing municipality in the province in terms of financial management is **Nelson Mandela Metro** as it maintained the same score of **84%** in current financial year. **Joe Gqabi DM, OR Tambo DM and Amathole DM** have constantly improved their performance with the score of **76%, 74% and 73%** respectively. **Chris Hani DM** has improved with a score of **68%** while **Alfred Nzo DM** has displayed a slight decrease from **69% to 68%**. It is noted with concern that **Sarah Baartman DM** has decreased the performance from **74% to 63%** followed by **Buffalo City Metro** which is at the bottom of the overall performance by scoring **63%** in the year under review compared to **78%** in the previous financial year.

The number of municipalities that obtained unqualified with no emphasis of matter (clean) has slightly improved to six (6) municipalities as compared to four (4) in the previous financial year. All municipalities in the province have submitted their Annual Financial Statements as per the legislated time frame. Twenty-five (25) municipalities have spent more than **70%** of their Capital budget while nine (09) spent less than **70%** and four (4) failed to disclose their Capital expenditure. There is a slight improvement of twenty (20) municipalities that complied with the norm of spending their operational budget on salaries.

There is a huge improvement in the spending of **Municipal Infrastructure Grant (MIG)** which reflects 97% of municipalities achieving 100% expenditure. That means municipalities have adopted Risk Adjustment Strategy to improve implementation of projects.

It is concerning that twenty-six (26) municipalities have reported to be unable to reduce their consumer debtors in the province.

There is a notable improvement in the establishment and functionality of audit committees in municipalities as only one (1) municipality failed to provide information on the establishment and functionality audit committee in the year under review compared to three and five municipalities in the previous two financial years. This is the committee that is established in order to advise the municipal council in all matters relating to the running of the municipality.

KPA 5: Good Governance and Public Participation

The overall performance in this KPA has increased in **Alfred Nzo, O.R Tambo and Amathole District** Municipalities whereas the performance of Joe Gqabi and Sarah Baartman decreased compared to previous financial year. The performance of Chris Hani DM remains unchanged for both financial years. Buffalo City

and Nelson Mandela Metropolitan Municipalities decreased compared to the 2022/23 financial year.

The **Alfred Nzo DM** is the highest performing municipality in this KPA at **78%** in 2023/24 an increase from **59%** in the previous financial year. It is followed by **O.R. Tambo DM** with overall performance of **75%** in 2023/24 which is an increase compared to **72%** from the previous financial year. **Amathole DM** has improved from **60%** in the last financial year to **68%** in the current financial year. **Nelson Mandela Metropolitan Municipality** has decreased from 64% in the previous financial year to 54% in the current financial year. **Sarah Baartman DM** has decrease from **51%** in the last financial year to **46%** in the current financial year. **Joe Gqabi DM** has decreased from **55%** in the last financial year to **48%** in the current financial year. **Chris Hani DM** performance remains unchanged for both 2022/23 and 2023/24 financial years at **46%**. **Buffalo City Metropolitan Municipality** drastically underperformed from 67% in the 2022/23 financial year to 39% in the financial year under review.



Province of the
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CHAPTER 1

INTRODUCTION
AND BACKGROUND



SERVING OUR COMMUNITIES BETTER



Chapter 1

Introduction and background

1.1 The purpose of the report

Chapter 6 of the Local Government: Municipal Systems Act (Act No 32 of 2000) (hereinafter referred to as the Municipal Systems Act) and Chapter 12 of the Local Government Municipal Finance Management Act (Act No.56 of 2003) (hereinafter referred to as the MFMA) mandates the MEC to develop a consolidated performance report of municipalities in the province.

Sec 46 (1) of the Municipal Systems Act requires a municipality to prepare for each financial year a performance report reflecting on the following:

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

Sec. 127 (2) of the MFMA a municipality must compile and table in the municipal council its Annual Report within a period of seven months after the end of the financial year i.e. by no later than the 31st of January of each year. The Annual Performance Report that the municipalities must compile in terms of Sec. 46 of the Municipal Systems Act is one of the eleven (11) elements which comprise the Annual Report as is stipulated in Sec. 121 (3) of the MFMA.

Once the Annual Report has been tabled in the municipal council, the council must adopt an oversight report that contains council's comments on the Annual Report within a period of two months i.e. by no later than the 31st of March of each year but due to delays in the release of the audit outcome reports, municipalities adopted their Annual reports in May 2023. The council's comments must include, *inter alia* a statement as to whether the council has approved the annual report with or without reservations. The accounting officer is obligated in terms of Sec. 127 (5) (b) of the MFMA to submit, *immediately*, the annual report to, amongst others, the provincial department responsible for local government in the province and the provincial legislature.

The accounting officer of a municipality must, in terms of Sec. 129 (3) of the MFMA in accordance with Sec. 21A of the Municipal Systems Act, make public an oversight report referred to above within seven (7) days of its adoption.

- KPA 4 – Municipal Financial Management and Viability

Section 47 of the Municipal Systems Act requires the MEC for local government to annually compile and submit to the relevant provincial legislature and the Minister (responsible for local government) a consolidated report on the performance of municipalities in the province.

The report must:

- a) Identify municipalities that under-performed during the year.
- b) Propose remedial action to be taken; and
- c) Be published in the Provincial Gazette.

The MEC for Local Government must submit a copy of the report to the National Council of Provinces as well.

This report has therefore been compiled in accordance with the requirements of sec. 47 of the Municipal Systems Act. Hence it is herein referred to as a S.47 report.

1.2 Methodology followed in compiling the report

The primary source of data for the compilation of this Sec. 47 report is the individual reports that municipalities have compiled in terms of Sec. 46 of the Municipal Systems Act. In addition, the department has used the following documents to supplement the information supplied by the individual municipalities:

- Annual Financial Statements of municipalities
- The audit reports of individual municipalities for the year under review.
- The annual report of the department for the corresponding year in as far as it relates to support which the department rendered to municipalities.
- Support the various role-players and other strategic partners have rendered to municipalities in addressing specific challenges in the 2022/23 Financial Year.
- Report on the Municipal Infrastructure Grant expenditure for the year under review.
- Municipal budgets for the year under review.

This report has been compiled in accordance with the five (5) Key Performance Areas (KPA's) which are:

- KPA 1 – Municipal Transformation and Organisational Development
- KPA 2 – Basic Service Delivery
- KPA 3 – Local Economic Development
- KPA 5 – Good Governance and Public Participation

Each KPA has a number of Key Performance Indicators (KPIs) which have been prescribed by the Department for Cooperative Governance. The performance of municipalities is measured against these KPIs. All municipalities were furnished with these KPIs.

In each financial year the municipalities submitted their respective Annual reports to the department and a preliminary assessment conducted and feedback given to municipalities to address the gaps identified before adoption of Annual report.

For the year under review, thirty-nine (39) municipalities have submitted their reports, and they are the basis on which the consolidated report on the performance of municipalities in the province has been compiled. It must be noted that due to the fact that all municipalities have submitted their annual reports there will be change in the percentage compared to a lesser number (36) submitted their annual reports in the previous year.

The methodology followed in the development of this report is reflected hereunder as follows:

- Five departmental assessment teams comprising officials with relevant knowledge and insight into the five (5) KPAs of local government were established to assess the s.46 reports using the proposed key performance indicators.
- Each team assessed the performance information uploaded by municipalities per KPAs and KPIs.
- Only the most relevant KPIs were selected and prioritised to serve as the basis for the performance assessment.
- For each KPI the assessment team members who are functionaries of the relevant functional areas identified key elements that were considered to determine the extent to which a municipality fulfils the requirements of the applicable KPI.
- The fulfilment of each KPI has been expressed in terms of Quality Standards through an **Assessment Tool** viz. **Excellent, Very Good,**

Good, Weak and Disclaimer (where no information has been submitted). The expression of these quality standards depended on how many of the identified elements of a KPI have been or not been met.

- **Excellent** is obtained when all five key elements defining a KPI have been met and **disclaimer** is reflected where zero (0) or no information is provided. Each quality standard is weighted in terms of a score with **4** being the highest and **1** being the lowest. **Zero (0)** represents the non-submission of information altogether represented with **Blue** colour whilst **Black** represents non applicability of the KPI to that municipality, **Red** represents target not set by a municipality.
- If all elements are met, a municipality obtains the highest score for that particular KPI. If fewer elements are reflected in an indicator the score drops accordingly.

NB: It should be noted that a disclaimer does not necessarily indicate that 'achievement' in a particular KPA is poor but that 'no information was provided in the document'. It therefore does not reflect actual performance level.

Despite this, returning a 'disclaimer' is rather serious, because it totally precludes insight into what the municipality is doing with regards to that KPI and hence what support it needs thereof if any. As a result, for the purposes of this assessment, a 'disclaimer' will be considered as a 'non-performance'.

All the above information is captured in an Excel Spread Sheet and graphs are automatically generated to reflect the performance of a municipality based on the satisfaction of the elements per indicator. This information in turn, is analysed and interpreted to develop a Consolidated Municipal Annual Performance Report (Sec. 47) per KPA reflected below: -



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CHAPTER 2

MUNICIPAL TRANSFORMATION AND
ORGANISATIONAL DEVELOPMENT (KPA1)



Chapter 2

MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT (KPA 1)

2.1 Introduction

The 2023/24 financial year has come to an end. The expectation of the communities and the population at large is for the municipalities to showcase areas of excellence as well as highlight areas where the planned initiatives were not achieved. Strategies to rectify such areas should be indicated.

Municipalities ought to have dedicated political and administrative leadership with sound administrative and management processes in place to ensure effective and efficient service delivery. A performance of municipalities in meeting their IDP milestones and becoming sustainable institutions depends on their capacity to transform themselves and appropriately use the available resources. Each year, the report on KPA 1 aims at reflecting on how the organisational structures and the employment patterns of municipalities are contributing to municipal transformation and institutional development. While progress is slow in many municipalities, there are some that are striving towards meeting the expected standards.

As part of the Section 46 Municipal Report, KPA 1 is assessed to give clear indication on municipal performance and challenges encountered in respect of organisational development and transformation.

The assessment is undertaken on all twelve (12) Key Performance Indicators (KPIs) however as guided by the section forty-seven (47) report, this report is developed and limited to the following KPIs:

- Vacancy rate for all approved posts
- Percentage of appointment in strategic positions (Section 54 & 56 Managers)
- Employment Equity
- Performance Management Systems

As guided by the above indicators, KPA 1 report reflects on how municipalities performed in respect of the vacancy rate on the approved posts, filling of section 54 & 56 manager's positions, meeting of employment equity targets and implementation of performance management systems.

2.2. Measurement of selected KPIs

The performance of municipalities on this KPA was assessed using twelve (12) KPIs. It should be noted that, the report will only reflect four (4) KPI's on municipalities' performance as required by the Department of Cooperative Governance and Traditional Affairs (CoGTA).

They are as follows:

- Vacancy rate in respect of all approved posts
- Filling of Section 54A/56 positions
- Employment Equity
- Performance Management Systems

2.2.1 Vacancy rate in respect of approved posts

In accordance with the provisions of Section 66 of the Municipal Systems Act, (Act No. 32 of 2000) which provides clear guidelines on the staff establishment of a municipality, the institutions must reflect on the vacancy rate of the approved posts. After approval of the staff establishment by the council, the Municipal Manager is expected to ensure that all approved posts are filled. The filling of the posts will give an indication that the municipalities will be able to deliver in the objectives and fulfil the mandate of their institutions. The inability of municipalities to have adequate human resources will have an adverse impact in their endeavours to deliver effective and sustainable services.

The reduction of the high vacancy rate continues to be a challenge for most municipalities, and some have opted to request assistance from the department through secondment of officials which is also a huge challenge for both the department and the municipalities.

It is worth mentioning that disregarding the inadequate financial resources that our municipalities may have; the geographic rural nature of our province is a hindrance for the municipalities to attract and/ or retain skilled and competent personnel. It is on this basis that our department has determined that a **15%** vacancy rate is acceptable.

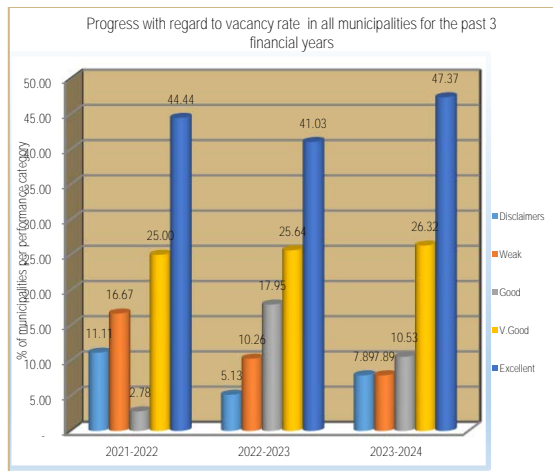
It is encouraging to observe that the number of municipalities who are able to reduce their respective vacancy rate in particular where posts are budgeted for has continued to increase.

The performance of municipalities in relation to this KPI was assessed based on the following performance standards:

- **Excellent** : If up to 15% of approved and funded posts are vacant;
- **Very good** : If 16% - 30% approved and funded posts are vacant;

- **Good** : If 31% - 45% approved and funded posts are vacant;
- **Weak** : If 46% and above of approved and funded posts are vacant; and
- **Disclaimer:** If no information is provided in the annual report.

Reflected below is a graphical presentation of the performance assessment results in respect of progress regarding the vacancy rate in all municipalities.



The graph above reflects an increase in the number of municipalities (18) municipalities (47%) that have obtained “**excellent**” as compared to the previous financial year where there were sixteen (16) municipalities (41%). These municipalities have improved their performance in reducing their vacancies since their vacancy rate is less than 15% of the approved and budgeted posts during the year under review as compared to the previous year. These municipalities are as follows:

Buffalo City Metro, Matatiele LM, Umzimvubu LM, Winnie Madikizela LM, Amahlathi LM, Mbhashe LM, Mnquma LM, Kouga LM, Koukamma LM, Makana LM, Ndlambe LM, Sundays River Valley LM, Chris Hani DM, Dr AB Xuma LM, Emalahleni LM, Intsika Yethu LM, Nyandeni LM and Elundini LM,

Of the eighteen (18) municipalities with “**excellent**” performance four (4) fall within Amathole DM, five (5) within the jurisdiction of Sarah Baartman DM, three (3) is under Alfred Nzo DM, four (4) under Chris Hani DM, one (1) under OR Tambo DM, one municipality under Joe Gqabi District.

The number of municipalities that have obtained “**very good**”, performance remain the same at ten (10) municipalities (26%). The number of municipalities that have obtained “**good**” performance have decreased from seven (7) municipalities (18%) to four (4) municipalities (11%) which is a decline.

There is an increase in the number of municipalities that have obtained “**weak**” performance from 10% to 13%. There is no change in the number of municipalities that have obtained “**disclaimers.**” The percentage of municipalities with disclaimers remains at 5%. **Amathole DM and Enoch Mgijima LM** did not submit the required information on this indicator.

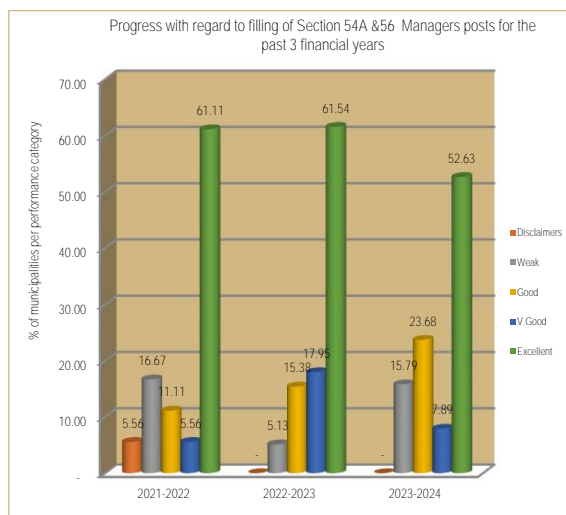
2.2.2 Filling of Section 54 and 56 Managers' posts

The filling of the key strategic positions in municipalities do not only warrant them to comply with Sections 54A and 56 of the Local Government Municipal Systems Amendment Act, (Act No. 7 of 2011) but it is a matter of the strategic location of the position for the effective and efficient running of the municipal administration. In enhancing municipal transformation and organisational development, the Department continues to support municipalities by facilitating the filling of Sec.54A and 56 managers posts that are budgeted for and it has yielded positive results as the graph below shows a remarkable improvement in the number of municipalities that have filled the critical positions. Political and administrative instability are contributing factors to the delays in the recruitment process in various municipalities in the event of employment contracts having expired as well as when there are resignations and or expulsions in the management positions.

All municipalities are encouraged to comply with the Municipal Systems Act as amended by ensuring that qualified, experienced, competent and skilled personnel are appointed as well ensuring that employment contracts are signed before commencement of duties and performance agreements are signed and submitted to the MEC for local government within the legislated timeframes. The assessment of the performance of municipalities in the filling of s.54A & 56 Managers' posts was based on the following performance standards:

- **Excellent** : If the municipality reports 100% appointment of MM and S.56 Managers;
- **Very good** : If the municipality reports 85–99% appointment of MM and S.56 Managers;
- **Good** : If the municipality reports 70–84% appointment of MM and S.56 Managers;
- **Weak** : If the municipality reports 69% and less of non-filling of MM and S.56 Managers;
- **Disclaimer:** If no information is provided in the annual report.

The performance assessment result for the year under review is graphically reflected below:



The graph above reflects that there is a **decrease** in the number of municipalities that have obtained “**excellent**” performance in the filling of Sec 54A and 56 manager posts. Twenty (20) municipalities (53%) have obtained excellent as compared to the previous financial year where there were twenty-four (24) municipalities (62%). These municipalities are as follows:

Umzimvubu LM, Winnie Madikizela Mandela LM, Ntabankulu LM, Amathole DM, Mnquma LM, Great Kei LM, Sarah Baartman DM, Dr Beyers Naudé LM, Ndlambe LM, Sundays River Valley LM, Koukamma LM, Chris Hani DM, Emalahleni LM, Inxuba Yethemba LM, Sakhisizwe LM, O R Tambo DM, King Sabata Dalindyebo LM, Walter Sisulu LM, Senqu LM and Elundini LM.

Of the twenty (20) municipalities with “**excellent**” performance five (5) fall within the jurisdiction of **Sarah Baartman DM**, four (4) are under **Chris Hani DM**, Three (3) under **Joe Gqabi DM**, two (2) under **OR Tambo DM**, three (3) under **Amathole DM** and three (3) under **Alfred Nzo DM**

There is a decrease in the number of municipalities that have obtained “**very good**” performance in the filling of Sec. 54A and 56 manager posts. Three (3) municipalities (8%) i.e. **Alfred Nzo DM, Joe Gqabi DM & Mbashe LM** have obtained “**very good**” performance as opposed to the previous year where seven (7) municipalities (18%).

The number of municipalities that have obtained “**good**” performance in the filling of Sec. 54A and 56 manager posts has increased in the number of municipalities from six (6) municipalities (15%) to nine (9) municipalities (24%). There is a noticeable increase in the number of municipalities that have obtained “**weak**” performance from three (3) municipalities (5%) to six municipalities

(15%). There is no municipality that has obtained a “**disclaimer**”. This shows that all the municipalities have submitted the required information on this indicator except for Blue Crane that has not submitted the annual report.

There was a slight decline in the appointments of Sec. 54A & 56 managers in municipalities as reported in the year under review.

2.2.3 Employment Equity

To monitor the strides that are undertaken by government at all levels to redress the employment imbalances of the past, the government has introduced the Employment Equity Act, (Act No. 55 of 1998) as a monitoring and measuring tool. In terms of this Act municipalities are expected to develop plans with clear targets on how they intend implementing the provisions of the Act in their endeavour to redress the existing situation in their institutions. Their plans must reflect on the planned employment targets of the youth, people with disabilities, gender and race.

The assessment of performance in implementing employment equity plans looked at the following target groups:

- Percentage of female employees.
- Percentage of staff complement with a disability; and
- Percentage of employees that are aged 35 or younger.

The performance assessment in respect of each of the above indicators was based on the following performance standards:

Percentage of female employees;

- **Excellent** : if the municipality reports at least 50% or more of employees are female;
- **Very good**: if the municipality reports at least 40% of employees are female;
- **Good** : if the municipality reports at least 30% of employees are female;
- **Weak** : if the municipality reports 29% and less female employees; and
- **Disclaimer**: If no information provided in the annual report.

Percentage of staff complement with a disability;

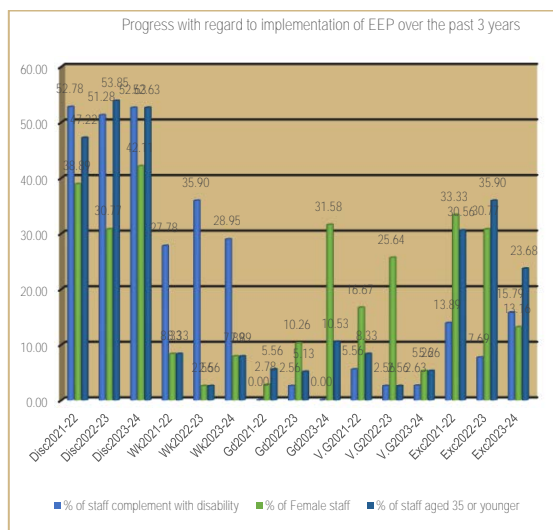
- **Excellent** : if at least 2% of disabled staff members against the total number of staff;
- **Very good** : if at least 1.5% of disabled staff members against the total number of staff;
- **Good** : if at least 1% of disabled staff members against the total number of staff.

- **Weak** : if at least 0.5% of disabled staff members against the total number of staff; and
- **Disclaimer** : if no information is provided in the annual report.

Percentage of employees that are aged 35 or younger.

- **Excellent** : if the municipality reports at least 20% of employees are aged 35 or younger;
- **Very good** : if the municipality reports at least 15% of employees are aged 35 or younger;
- **Good** : if the municipality reports at least 10% of employees are aged 35 or younger;
- **Weak** : if the municipality reports 9% and below of employees are aged 35 or younger; and
- **Disclaimer**: if no information provided in the annual report. :

The performance assessment result of municipalities for the year under review is graphically reflected below: -



There are three (3) indicators used to assess the performance of municipalities with regard to employment equity.

The graph above shows that: -

There is a decrease in the **employment of people with disabilities** which continues to be a concern. The number of municipalities that have obtained “**excellent**” performance has increased from three (3) municipalities (8%) to six (6) municipalities (16%) i.e. **Elundini LM, Ingquza Hill LM, Sundays River Valley LM, Ndlambe LM, Makana LM & Koukamma LM**. This shows that there is a slight increase in the percentage of municipalities on this indicator. This therefore indicates

that the majority of municipalities still do not comply with this indicator as required by legislation. **Twenty (20)** municipalities (**53%**) have not disclosed the required information in their annual reports.

There is drastic decrease in the number of municipalities that have obtained “**excellent**” in the **appointment of females**. There are five (5) municipalities (13%) that have obtained “**excellent**” in the appointment of females. These are **Ngqushwa LM, Elundini LM, Ntabankulu LM, Umzimvubu LM & Sarah Baartman DM** as compared to the previous financial year where there were twelve (12) municipalities (31%) that have obtained excellent in this indicator.

Of the five municipalities two (2) are under Alfred Nzo DM, one (1) under Amathole DM, one (1) under Joe Gqabi DM, one (1) under Sarah Baartman DM and no municipality under O.R. Tambo DM and Chris Hani DMs.

There is an decrease in the **employment of youth** in municipalities. The graph above shows nine (9) municipalities (**24%**) that have obtained “**excellent**” as compared to the previous financial year where there were fourteen (14) municipalities (**36%**). Municipalities are urged to prioritise the appointment of youth in order to reduce youth unemployment rate.

The following are the municipalities that have obtained “**excellent**” in the appointment of youth:

Elundini LM, Matatiele LM, King Sabata Dalindyebo LM, Makana LM, Koukamma LM, Mbhashe LM, Ngqushwa LM, Sundays River Valley LM and Kouga LM

Of the nine (9) municipalities, two (2) municipalities are under Amathole DM, one (1) under Alfred Nzo DM and four (4) under Sarah Baartman DM, one under Joe Gqabi & one under O.R Tambo

Twenty-one (21) municipalities (**55%**) obtained a **disclaimer**. These are the municipalities that did not disclose the required information in their annual reports. **Sarah Baartman DM, Great Kei LM, Amahlathi LM, Winnie Madikizela Mandela LM, Ntabankulu LM, Matatiele LM, Dr AB Xuma LM, Mhlontlo LM, Joe Gqabi DM, Buffalo City Metro, Dr Beyers Naudè LM, Chris Hani DM, Emalahleni LM, Enoch Mgijima LM, Intsika Yethu LM, Inxuba Yethemba LM, Sakhisizwe LM, O.R Tambo DM, Ingquza Hill DM, Nyandeni LM and Port St Johns LM**

This is an area of concern as the municipalities continue not to submit the required information.

The department needs to develop strategies to assist municipalities to report correctly in the submission of information. The non-submission of the statistical information in this regard will hinder government's

agenda of addressing the past imbalances which continue to haunt our governance strategy.

The number of municipalities not submitting information continues to increase even after the efforts made by the department to inform and remind them to submit. This is a serious concern as this is critical compliance information that seeks to acknowledge the strides taken by municipalities to address and recognise recruitment of female employees.

The non-submission of information by municipalities on the implementation of employment equity targets is a major concern. It is the majority of municipalities that did not disclose information in all the three elements. This situation poses a serious challenge and renders it impossible to portray a true picture of the situation in municipalities in all the areas of employment equity.

2.2.4 Performance Management System (PMS)

The Constitution of the Republic of SA, the White Paper on Local Government and with specific reference to Section 38 of the Municipal Systems Act mandate all municipalities to:

- Promote a culture of performance management among its political structures, political office bearers, councilors and in its administration; and
- Administer their affairs in an economical, effective, efficient and accountable manner.

Sec.40 of the same Act - states that a municipality must establish mechanisms to monitor and review its performance management system.

A municipality must develop a PMS commensurate with its resources, best suited to its circumstances and in line with its IDP. In terms of Sec.54A and 56 of the Systems Act a person appointed to the position of Municipal Manager and a person reporting directly to the Municipal Manager may only be appointed to that position in terms of an employment contract and subject to a separate Performance Agreement being concluded annually.

Additional to the above, municipalities have a responsibility to cascade the PMS to all levels of their staff members.

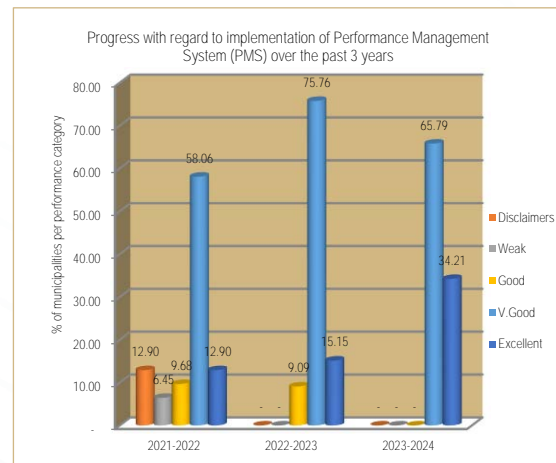
The performance assessment of municipalities in implementing a PMS was this year based on the following performance standards:

- **Excellent** : if the municipality reports that the PMS has been developed, adopted by the council and is fully implemented (institutional and individual PMS);
- **Very good** : if the municipality reports that the PMS has been developed,

adopted by the council but is partially implemented (institutional and individual PMS);

- **Good** : if the municipality reports that the PMS has been developed, adopted by the council but is not yet being implemented (neither institutional nor individual PMS);
- **Weak** : if the municipality reports that the PMS has been developed, tabled but not yet adopted by the council; and
- **Disclaimer** : if no information is provided in the annual report.

The results of the performance assessment for the 2023/24 financial year are reflected in the graph below.



The graph above shows an increase in the number of municipalities that have obtained “**excellent**” on PMS implementation from five (5) local municipalities (15%) to thirteen (13) municipalities (34%). These are – **Buffalo City Metro, Alfred Nzo DM, Winnie Madikizela Mandela LM, Ntabankulu LM, Matatiele LM, Umzimvubu LM, Amathole DM, Mnquma LM, Sarah Baartman DM, Kouga LM, OR Tambo DM, King Sabata Dalindyebo LM & Joe Gqabi DM**

The number of municipalities that have obtained “**very good**” on PMS implementation has slightly decreased from twenty-eight (28) municipalities (72%) to twenty-five (25) municipalities (66%)

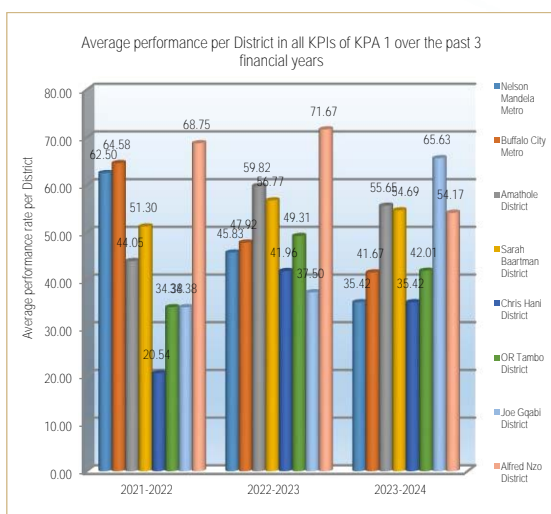
The implementation of the Performance Management & Development System will enable municipalities and the national and provincial spheres of government to make meaningful interventions on the challenges that are affecting and/or hindering municipal accepted levels of performance.

It is commendable that there are no municipalities that have reported performance below the “**very good**”

performance. **No municipality has not disclosed information in their annual reports.** This therefore means municipalities do ensure that there is performance management system Performance Management & Development Systems are underpinned by a plethora of legislative frameworks which all municipalities must comply with and the Municipal Staff Regulations issued in 2021 which assist municipalities to monitor, review and evaluate individual performance. It is the responsibility of the political leadership of all municipalities to ensure that their institutions do comply with the legislation. It remains to be seen if municipalities will be able to manage individual performance.

2.3 Overall performance achievement

The Department is using twelve (12) Key Performance Indicators (KPIs) to measure the performance of municipalities in Municipal Transformation and Organisational Development. In this report the Department has only focused on those indicators which CoGTA has identified. However, it is important for the department to obtain a complete picture of the performance of municipalities in all twelve (12) indicators to be able to design effective support programmes. The assessment results showing the average performance per DM area regarding all twelve (12) KPIs used is represented in the graph below:



The graph above reflects a decline in overall performance in this KPA. **It has decreased from 72% to 66%.** **Joe Gqabi** is the best performing district at **66%** from **37%**; followed by **Amathole** at **56%** decreased from **60%**, **Sarah Baartman** from **57%** to **56%**, followed by **Alfred Nzo** which decreased from **69%** to **54%**. **O. R. Tambo** which decreased from **49%** to **42%**, followed by **Chris Hani** from **42%** to **35%**. Both Metros have decreased their overall performance, **Nelson Mandela Metro** has decreased from **46%** to **35%** and **Buffalo City Metro** has decreased from **48%** to **42%**.

2.4 Observations

The overall performance has declined from **72% to 66%** with Joe Gqabi Amathole and Sarah Baartman performed above 50%. There is inconsistency in the performance of other districts. Two metros have decreased their performance across all Key Performance Indicators (KPIs). All the district municipalities have decreased their level of performance.

The municipalities continue with non-compliance on the submission of the statistical information like consideration of youth, female and disability people. This will hinder government's agenda of addressing the past imbalances which continue to haunt our governance strategy.

The department will continue to engage municipalities and convince them to use the prescribed local government indicators through reminders and workshops so that they can submit the required information.

2.5 Challenges

- There is a slight improvement in the submission of the Organograms to the MEC for Local Government to ensure whether they have been developed in compliance with the Local Government Staff Regulations of 2021;
- Most municipalities do not conduct skills audit instead they just develop a plan not informed by the needs;
- Municipalities have challenges in the implementation of HR Plans
- In most municipalities it seems difficult to cascade PMS implementation to the lowest levels;
- Delays in finalizing labour related cases or matters in certain municipalities lead to litigations;
- Poor implementation of Employment Equity Plans is still a challenge.

2.6 Support Interventions

- The department has a constitutional and legislative mandate to support and strengthen the capacity of municipalities and attends to ad hoc requests from municipalities from time to time.
- The department continues to hold quarterly Corporate Services Forum as a platform to capacitate and engage Corporate Services Directors in the Province and also ensure that Local Government Regulations of 2021 are implemented in an efficient and effective manner. The forum allows directors to voice their opinions, exchange ideas and provide the department with relevant feedback.

- The department is already conducting workshops for municipal officials and Councillors to capacitate them on the processes in the reviewing and implementation of staff establishment / organogram in line with LG: Regulations.
- The department is responsible for assisting in the filling of critical vacant posts of Senior Managers to ensure compliance with the **Municipal Systems Act, Act 32 of 2000 as well as the Local Government Regulations promulgated in 2014** by assisting in the crafting of compliant advertisements and participating in the shortlisting and interview processes. The department monitors and analyses recruitment submissions and submits reports to the MEC and Minister on the compliance with regard to the appointment of Senior Managers. Findings and recommendations are forwarded to the Municipalities.
- The Department also assisted municipalities to resolve their labour disputes and conducted section 106 investigations as per the Municipal Systems Act, Act 32 of 2000 as amended in respect of suspected maladministration referred to the MEC.



Province of the
EASTERN CAPE
COOPERATIVE GOVERNANCE
& TRADITIONAL AFFAIRS

CHAPTER 3

BASIC SERVICE DELIVERY (KPA2)



SERVING OUR COMMUNITIES BETTER



Chapter 3

BASIC SERVICE DELIVERY (KPA 2)

3.1 Introduction

Municipalities are legal entities established by the Constitution for the purpose of delivering sustainable services, among other responsibilities. The national and provincial levels of government are also required by the same supreme law to provide support and strengthen the capacity of municipalities, enabling them to effectively fulfil their mandates within their respective communities.

The effective and efficient delivery of services plays a pivotal role in enhancing the relationship between municipalities and the public, fostering trust, confidence, and the improvement of livelihoods, while also instilling confidence in investors. It is increasingly recognized by communities that the period for policy discussion has concluded, and the time for action concerning service delivery has arrived. Consequently, it is imperative for both national and provincial administrations to provide the necessary support.

It is widely recognized that many municipalities in South Africa have become dysfunctional as a result of financial constraints and a lack of sufficient human resources. Nevertheless, there are several municipalities that, with the support of provincial administrations, effectively leverage their limited resources to provide sustainable services to their communities.

It is imperative for municipalities to ensure the provision of sustainable services. The development of infrastructure is critical for delivering essential services and is central to the functional responsibilities of municipal governance. Therefore, effective service delivery necessitates that the public remains adequately informed about the services that municipalities are mandated to provide, as stipulated by relevant legislation.

Due to limited technical capacity in municipalities, the National Department of Cooperative Governance in collaboration with the Provincial department responsible for local government, Municipal Infrastructure Services Agency (MISA) was established as a vehicle to provide the most needed capacity through deployment of highly skilled personnel in municipalities.

This report provides an overview of how municipalities performed during the 2023/24 financial year in relation to their core mandate. This mandate includes the provision of essential services such as water, electricity, sanitation, roads, and refuse removal. Additionally, it

covers Spatial Development Frameworks, Land Use Management, and the provision of Free Basic Services.

6.2 Measurement of selected KPIs

In analysing the performance of municipalities concerning this Key Performance Area (KPA), the Department of Cooperative Governance and Traditional Affairs (CoGTA) has identified eighteen (18) Key Performance Indicators (KPIs) that are crucial for addressing service delivery challenges within municipalities. Of the eighteen KPIs assessed, the report highlights progress and performance related to eight (8) key KPIs as follows: Access to Potable Water

- Access to Free Basic Water
- Access to Sanitation
- Access to Free Basic Sanitation
- Access to Electricity
- Access to Free Basic Electricity
- Access to Roads
- Indigent Policy Implementation

The performance of municipalities for each KPI reflected above was assessed according to the following performance standards:

- **Excellent performance** : If the municipality reports at least 90% achievement of their yearly target.
- **Very good performance**: If the municipality reports between 70% - 89% achievement of their yearly target.
- **Good performance** : If the municipality reports between 50% - 69% achievement of their yearly target.
- **Weak performance** : If the municipality reports less than 50% achievement of their yearly target; and
- **Disclaimer** : If there is no information provided in the report on a particular indicator.

3.2.1 Access to Potable Water

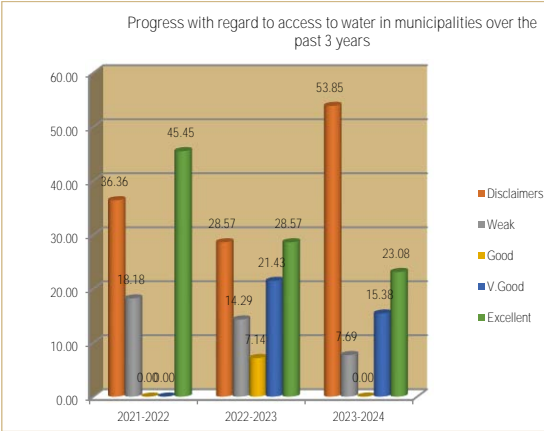
Performance on water provision is assessed on the number of households receiving above minimum level of services i.e. piped water inside dwellings, outside yard, public taps within 200m and those receiving water below

minimum level service that is taps more than 200m and no water supply in both formal and informal settlements.

It should also be noted that not all municipalities are water service authority and provider. All municipalities in the Sarah Baartman District Municipality perform water and sanitation services except for the district. In other districts, only district municipalities that are water service authority and provider therefore fourteen (14) municipalities were assessed for this indicator.

One of the mandates of the government is to ensure that every citizen of the country has access to potable water. From the analysis of the municipal performance reports of 2023/2024 regarding access to potable water it is noted the province has slightly improved as compared to the previous year.

Results of the performance regarding access to Potable Water are reflected in the graph below:



The graph above shows a decline with the number of municipalities that have obtained “excellent”. Three municipalities (23%) viz. **Nelson Mandela Bay Metro, Buffalo City Metro, and Chris Hani District Municipality** obtained excellent compared to the previous year, where there were four (4) municipalities (29%).

There is a decline in the municipalities that have obtained “very good” category. Currently there are two municipalities that are on this category as compared to the previous year where there were three municipalities viz: **Alfred Nzo DM and Joe Gqabi DM**.

There are no municipalities under the “good” category in the year under review.

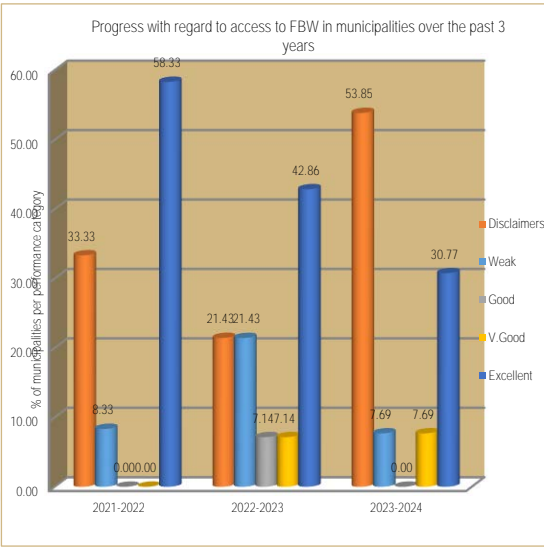
The **O.R Tambo DM** is in the “weak” category in the current financial year

Six (6) municipalities viz: **Dr Beyers Naude LM, Kouga LM, Koukamma LM, Makana LM, Ndlambe LM and Sundays River LM**. have obtained “disclaimer” as they have not provided information.

3.2.2 Access to Free Basic Water

Only indigent households qualify for Free Basic Water. Municipalities must determine whether households meet the criteria to qualify for free basic water. FBW consists of a minimum of 6KLs of free basic water per month per household.

The Reconstruction and Development Programme (RDP) of 1994 states that all households must be provided with a minimum standard of 200m to the standpipe.



The graph above shows a slight increase in the number of municipalities that have obtained “excellent” from (23,08%) in 2022/23 to (28,57%) in the current financial year, viz: **Nelson Mandela Bay Metro, Alfred Nzo DM, Buffalo City Metro and Joe Gqabi DM**.

O.R Tambo DM has obtained a “very good” category.

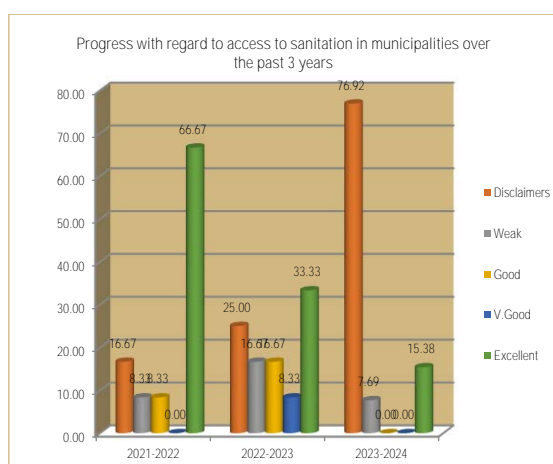
Only one municipality has obtained “weak category” in the year under review is **Chris Hani DM**.

The disclaimer category has also increased, from three (3) municipalities in the last financial year to seven (7) municipalities in the current financial year, viz: **Koukamma LM, Makana LM, Kouga LM, Amathole DM, Sundays River LM, Ndlambe LM and Dr Beyers Naude LM**.

3.2.3 Access to Sanitation

In their effort to provide access to sanitation, municipalities are faced with the reality of having to establish both provision of bulk infrastructure and reduction of sanitation backlogs that will address provision of services.

The Municipal Infrastructure Grant (MIG), the Regional Bulk Infrastructure Grant (RBIG) and the Water Service Infrastructure Grant (WSIG) are the grants that are utilised for the purpose of implementing water services. The performance of municipalities is assessed on the number of households with access to sanitation above and below minimum level of services in both formal and informal settlements.



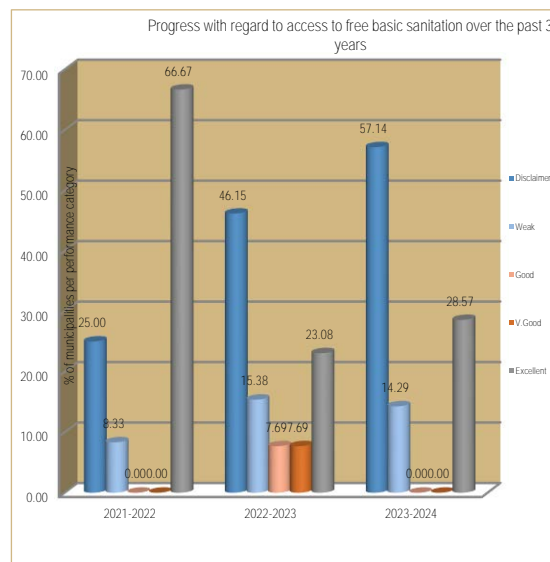
The graph reflects alarming decrease in the “excellent” category from four (4) municipalities (33%) in the previous financial year to two (2) municipalities (15%) in the current financial year; viz: - **Buffalo City Metropolitan and Joe Gqabi DM**

O.R Tambo has obtained “very good” in access to sanitation.

There are no municipalities that obtained “good”. **Chris Hani DM** obtained “weak” and **Amathole DM, Dr Beyers Naude LM, Kouga LM, Koukamma LM, Makana LM, Ndlambe LM, and Sundays River LM** obtained a “disclaimer” as they didn’t disclose information.

3.2.4 Access to Free Basic Sanitation

The provision of free-basic sanitation is subsidized 100% to indigent across all municipalities. An analysis of the municipal performance reports reflects a drastic decline by municipalities in ensuring access to free basic sanitation by citizens, this is evident in the graph reflected below.



The “**excellent**” category has a slight increase from (23%) in the previous financial year to (28%) in the year under review , viz:- **Kouga LM, Makana LM, Ndlambe LM and Joe Gqabi DM**.

There are no municipalities under the “**good and very good**” categories.

Chris Hani DM and **Alfred Nzo DM** obtained a “**weak**” performance in the year under review on free basic sanitation.

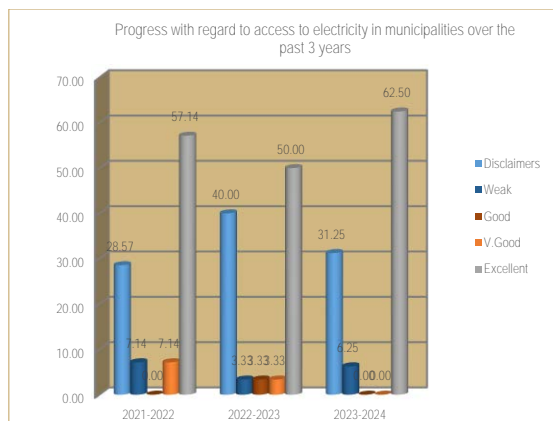
The “**disclaimer**” category has increased from 46% in the last financial year to 57% in the current year with **Buffalo City Metropolitan, Koukamma LM, Nelson Mandela Metro, Dr Beyers Naude LM, Amathole DM, Sundays River LM and O.R Tambo DM** being the municipalities that didn’t provide the information in the year under review.

3.2.5 Access to Electricity

Access to electricity is essential for improvement in people’s lives and a driving factor for economic growth. Local government plays a central role in electricity provision. In terms of the Electricity Regulation Amendment Act (2007), a municipality must:

- Comply with all technical and operational requirements for electricity networks determined by the regulator.
- Progressively ensure access to at least basic reticulation services through appropriate investments in electricity infrastructure.
- Provide basic reticulation services free of charge or at minimum cost to certain classes of end-users within its available resources.
- Ensure sustainable reticulation services through effective and efficient management and adherence to national norms and standards.
- Execute its reticulation functions in accordance with national energy policies.

Integrated National Electricity Program Grant (INEP) is allocated to the municipalities and National Electricity Program Grant (NEP) is allocated to ESKOM that is utilised for the purpose of implementing electricity projects.



The graph reflects an increase in the number of municipalities that obtained an “excellent” category from municipalities (50%) in the previous year to municipalities (62%) in the year under review, viz:

Nelson Mandela Bay Metropolitan, Buffalo City Metropolitan, Matatiele LM, Ntabankulu LM, Umzimvubu LM, Winnie Madikizela-Mandela LM, Amahlathi LM, Raymond Mhlaba LM, Kouga LM, Ndlambe LM, Emalahleni LM, Dr AB Xuma LM, Inxuba Yethemba LM, Sakhisizwe LM, Ingquza Hill LM, King Sabata Dalindyebo LM, Nyandeni LM, Elundini LM, Walter Sisulu LM and Senqu LM.

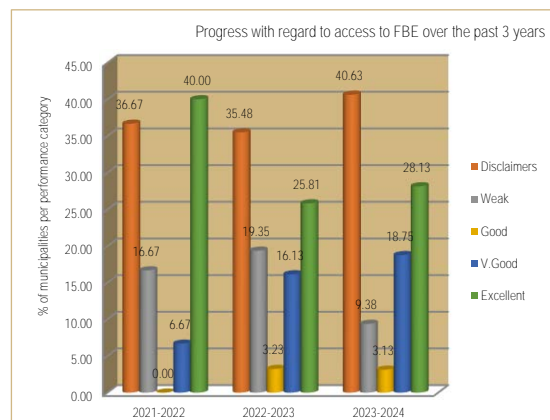
Enoch Mgijima LM and Intsika Yethu LM obtained “weak” in in providing access to electricity.

“Disclaimer” category has decreased from twelve (12) municipalities (40%) to ten (10) municipalities (31%) in the current year, viz:

Great Kei LM, Mbashe LM, Mnquma LM, Ngqushwa LM, Dr Beyers Naudé LM, Koukamma LM, Makana LM, Sunday’s River Valley LM, Kumkani Mhlontlo LM and Port St Johns LM

3.2.6 Access to Free Basic Electricity

Access to free basic electricity is essential to improve the lives of indigent people in the communities. Local government, again with the use of its equitable share, plays a central role in electricity provision. In view of the problems experienced with the generating of electricity, municipalities across the country have been encouraged to focus on developing efforts to reduce demand and save on energy.



There is a slight increase in the number of municipalities that are in “excellent” category from (25%) in the past year to eight municipalities (28%), in the current year; these are: -

Winnie Madikizela-Mandela LM, Mnquma LM, Raymond Mhlaba LM, Kouga LM

Ndlambe LM, Emalahleni LM, King Sabata Dalindyebo LM, Nyandeni LM and Elundini LM.

Nelson Mandela Bay Metropolitan, Matatiele LM, Umzimvubu LM, Amahlathi LM, Dr AB Xuma LM and Ingquza Hill LM obtained a “very good” which is a slight increase from 16% to 18% in the financial year under review.

Walter Sisulu LM is the only municipality that obtained “good” in providing access to free electricity in the year under review.

Ntabankulu LM, Kumkani Mhlontlo LM and Senqu LM obtained weak, there is a drastic decrease from previous year from 19% to 9% in providing access to Free Basic electricity

Thirteen (13) municipalities below have obtained a “disclaimer” standard, viz:

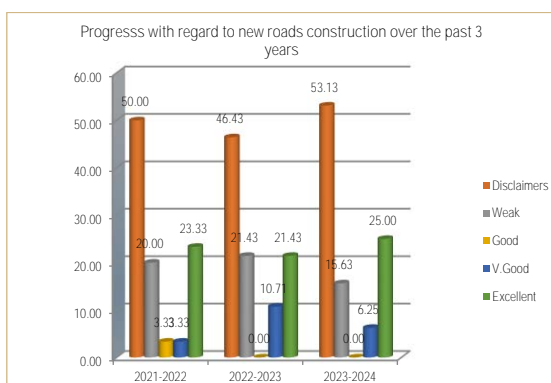
Buffalo City Metropolitan, Great Kei LM, Mbashe LM, Ngqushwa LM, Dr Beyers Naudé LM, Koukamma LM, Makana LM, Sunday’s River Valley LM, Enoch Mgijima LM, Intsika Yethu LM, Inxuba Yethemba LM, Sakhisizwe LM and Port St Johns LM which is an increase from 11 municipalities in the previous financial year to 13 municipalities in the year under review.

3.2.7 Access to Roads

Among the services that municipalities are expected to deliver, access roads are part of the core functional areas of local municipalities. The Transport Act requires that municipalities develop an Integrated Transport Plan (ITP). Department of Transport has, through the Rural Roads Asset Management System (RRAMS) assisted municipalities in quantifying their roads which helps the municipalities in determining their backlogs.

Several roads and transport infrastructure projects were implemented in municipalities during the year under review and these projects varied in size. Some of these projects were linked to the creation of job opportunities for local communities and provided some boost to the local economies.

The picture below reflects thirty-two (32) municipalities that were assessed with regards to new road construction.



The graph above reflects that there is a slight increase in the number of municipalities that have performed “**excellent**” standard compared to the previous year; (21%) in 2022/23 and (25%) in the period under review.

These are municipalities obtained “**excellent**” category **Ntabankulu LM, Umzimvubu LM, Mnquma LM, Ngqushwa LM, Raymond Mhlaba LM, Kouga LM, King Sabata Dalindyebo LM and Elundini LM**

Two municipalities obtained “**very good**” viz: **Winnie Madikizela Mandela LM and Nyandeni LM**.

There is no municipality that obtained “**good**” category.

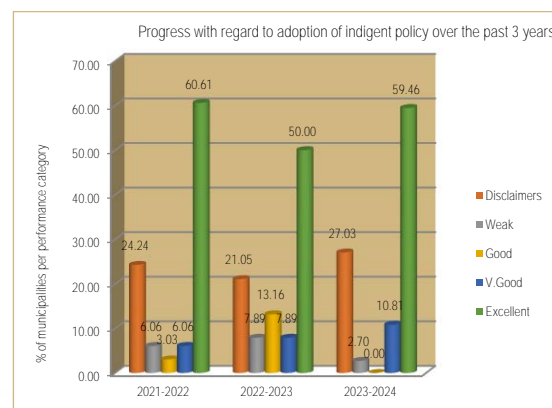
Matatiele LM, Amahlathi LM, Mbhashe LM, Dr AB Xuma LM and Sakhisizwe LM obtained “**weak**” category.

From the information captured it can be highlighted that there is an increase in the number of municipalities that obtained a “**disclaimer**” from 46% in 2022/23 to 53% in the year under review due to lack information. These municipalities are: -

Nelson Mandela Bay Metropolitan, Buffalo City Metropolitan, Great Kei LM, Dr Beyers Naudé LM, Koukamma LM, Makana LM, Ndlambe LM, Sunday’s River Valley LM, Emalahleni LM, Enoch Mgijima LM, Intsika Yethu LM, Inxuba Yethemba LM, Kumkani Mhlontlo LM, Ingquza Hill LM, Port ST Johns LM, Walter Sisulu LM and Senqu LM.

3.2.8 Indigent Policy Implementation

The Eastern Cape Province has high unemployment rate with limited resources and other external factors which influence the commitment to achieve access to basic services. The departmental data reveals that all municipalities were assisted in developing their indigent policies to be in line with the National Guidelines and as result it shows that the support by the department is yielding some results.



The graph above shows an increase in the number of municipalities that have obtained “**excellent**” from 50% in the previous financial year 2022/23 to 59% during the year under review.

Below are the **twenty-two (22)** municipalities that have best performed with regard to adoption **Nelson Mandela Bay Metropolitan, Buffalo City Metropolitan, Matatiele LM, Umzimvubu LM, Amahlathi LM, Mbhashe LM, Ngqushwa LM, Raymond Mhlaba LM, Kouga LM, Emalahleni LM, Dr AB Xuma LM, Enoch Mgijima LM, Intsika Yethu LM, Inxuba Yethemba LM, Sakhisizwe LM, OR TAMBO DM, Ingquza Hill LM, King Sabata Dalindyebo LM, Nyandeni LM, Port St Johns LM, Elundini LM and Walter Sisulu LM**

Four municipalities achieved “**very good**” viz: **Ntabankulu LM, Winnie Madikezela LM, Makana LM and Mnquma LM**.

There are no municipalities under “**good**” category.

Alfred Nzo DM have obtained “**Weak**” category.

There is also an increase in the number of municipalities that have obtained “**Disclaimer**” category from 21% in the last financial year 2022/23 to 27% in the current financial year. The list below shows the number of municipalities that have a non-provision of information and non-achievement of set targets:

Amathole DM, Great Kei LM, Dr Beyers Naudé LM, Koukamma LM, Ndlambe LM, Sunday's River Valley LM, Chris Hani DM, Kumkani Mhlontlo LM, Joe Gqabi DM and Senqu LM

3.3 Overall Performance Achievement

The Provincial Department is using eighteen (18) Key Performance Indicators to monitor the performance of municipalities with regards to Basic Service Delivery, for reporting purposes we only use 8 (eight) indicators.

The assessment results showing the average performance per DM area with regard to all eight (8) KPIs used is presented in the graph below:



The above graph represents overall municipal performance in basic service delivery for 2023/24 financial year as compared to 2022/23 financial year.

The results of the 2023/24 assessment as presented in the above graph reflect a decline on the provision of basic service by municipalities however there is notable improvement by **Nelson Mandela Bay Metropolitan and Chris Hani District Municipality**. Most municipalities did not use the guiding template for the provision of information that resulted to under reporting. It should be noted that municipal annual reports are submitted for compliance purposes and rather with not credible information. In some cases, the provided information does not meet the required standard, or planned targets are not set.

| Municipalities | Performance 2022/23 | Performance 2023/24 |
|--------------------------|---------------------|---------------------|
| Nelson Mandela Bay Metro | 47,22% | 66,67% |
| Buffalo City Metro | 44,44% | 33,33% |
| Alfred Nzo DM | 62,50% | 57,86% |
| Amathole DM | 44,20% | 35,95% |
| O.R Tambo DM | 37,86 | 36,74% |
| Sarah Baartman DM | 44,20% | 19,10 |
| Joe Gqabi DM | 26,39% | 27,38% |
| Chris Hani DM | 22,45% | 45,77% |

3.4 Observations

- Generally, municipal performance with regards to Basic Services has declined with the exception of **Nelson Mandela Bay Metro and Chris Hani District Municipality**, which has been significantly improved for the under review.
- **Koukamma LM, Kumkani Mhlontlo LM, Great Kei LM, Sundays River LM, Amathole DM and Dr Beyers Naudé LM** have been on Disclaimer category in most of the indicators.
- It is great concern that information provided by municipalities is not credible and has contradictory information.
- The decline in the provision of information in the reports has become a matter of significant concern.
- Most of the municipalities did not use the Local Government Standard Indicator Tool for guidance.
- Most municipalities in the province have compliant Spatial Development Frameworks, Land Use Schemes and functional systems in place to execute spatial planning and land use management activities. The overall performance of the municipalities regarding the implementation of SPLUMA is fully effective as reporting on the key strategic documents is evident.

3.5 Challenges

The following challenges were encountered in the year under review. Poor provision of services is attributed to:

- Inadequate funding to meet infrastructure backlogs.
- Poor utilization of capital grants by municipalities
- Lack of technical capacity and high staff turnover by municipalities
- Poor performance by appointed service providers delays project delivery.
- Delays in the procurement processes
- Information provided by municipalities in their annual reports is not credible.
- Non submission of annual report by Blue Crane Route LM.
- Contradiction in the setting and reflecting of targets and achievements.
- There is a limited budget for maintenance of infrastructure which result to dilapidating infrastructure and therefore poor service delivery.

3.6 Support Interventions

- The province has introduced the Risk Adjusted Strategy (RAS) which was endorsed by the Premier to support struggling municipalities in ensuring that the province does not lose any infrastructure grants and improve the performance of municipalities. Municipal Infrastructure Grant (MIG) spending has shown significant progress in funding service delivery projects with the 98% expenditure on the

revised budget of R3 405 381 billion prioritized for water and sanitation projects

- The Municipal Infrastructure Services Agency (MISA) intervention provided capacity through the deployment of highly skilled personnel in municipalities. Capacity within the existing technical personnel was insured in the form of training and bursary offers. A war-on-leaks programme has been introduced to fight leaks and spillages that cause water shortages in most WSAs. The department has provided support in the institutionalisation of ISD guidelines.
- Municipalities are allowed to use part of MIG for Maintenance of rural roads, 10% on the municipalities present their performance and the necessary support plans are then developed to ensure that municipalities are given the relevant support by the PMIT3.
- In order to enhance the effectiveness of spatial planning and land use management policies, the Spatial Planning and Land Use Administration units will persist in strengthening their capacity and providing technical support. This commitment aims to improve the overall performance of municipalities.
- The provision of support necessitates a sustained commitment to ensure that the department engages actively in the municipal processes for reviewing their Spatial Development Frameworks (SDFs) and land use policy projects as members of the Project Steering Committee (PSC). This engagement is critical for providing informed guidance and ensuring the development of a credible and reliable document.
- The Spatial Planning Unit has undertaken the initiative to conduct training sessions and workshops on the Spatial Development Framework (SDF) for municipalities and other pertinent stakeholders. The objective of these training sessions is to enhance the

refurbishment and maintenance of water and sanitation infrastructure by WSAs, 5% for the development of Infrastructure Asset Management Plans according to the Revised DoRA Framework.

- The Provincial Municipal Infrastructure Technical Task Team (PMIT3) which comprises of several stakeholders and being coordinated by ECCOGTA workshops municipalities on the DORA every financial year to ensure that municipalities implement projects according to the law (ensuring compliance).
- District Wide Infrastructure Forums are held quarterly with all the municipalities where

comprehension of spatial planning by providing officials with a robust understanding of the principles, processes, and legal frameworks that govern development at the national, regional, and municipal levels.

- The department continues to undertake significant training initiatives in collaboration with SALGA and the Department of DALRRD to enhance the capabilities of councillors and planning officials regarding various aspects of SPLUMA. These training sessions will address critical topics, including the structures of the municipal planning tribunal and the appeal authority, which are responsible for adjudicating land development applications. By equipping councillors, who serve as custodians of municipal land, with the necessary knowledge and skills, these sessions will facilitate their ability to effectively endorse planning projects. Furthermore, they will empower councillors to play a pivotal role in securing funding for proposed development initiatives and investments, thereby ensuring successful implementation and transformation within their jurisdictions.



Province of the
EASTERN CAPE
COOPERATIVE GOVERNANCE
& TRADITIONAL AFFAIRS

CHAPTER 4

LOCAL ECONOMIC DEVELOPMENT (KPA3)



SERVING OUR COMMUNITIES BETTER



Chapter 4

LOCAL ECONOMIC DEVELOPMENT (KPA 3)

4.1 Introduction

Local Economic Development (LED) is a mandated function of municipalities in terms of legislation including the Constitution (1996) and the White Paper on Local Government (1998). The development of a Consolidated Annual Municipal Performance Report is a legislative requirement in terms of Section 47 of the Local Government: Municipal Systems Act (Act 32 of 2000).

Its institutionalisation into their core functions is evidenced in various ways including the establishment of dedicated LED Units, development of credible LED Strategies, Development of urban and Small-Town Development programme, creation of job opportunities through Public Private Partnerships as well as Public Employment Programmes namely Expanded Public Works Programme (EPWP) and Community Work Programme (CWP). Consequently, the Eastern Cape Province has always considered it as one of the most important functions of its municipalities. As a result, economic development is a development priority for all our municipalities in line with both provincial and national goals.

The inference of the above is that economic development at local government level in the province is geared towards tackling the province's (and the nation's) triple problems of poverty, unemployment and inequality. LED is delivered in the province through various mechanisms including promotion of LED structures and partnerships, capacity building among both practitioners and communities, building diversified and inclusive economies, facilitate the implementation public employment programmes, procurement of local goods and services, etc.

However, as in previous years, the national government stipulates that the scope of this Report be limited to three areas namely:

- a) The establishment of a functional LED Unit in municipalities.
- b) The existence of credible municipal LED Strategies/Plans; and
- c) The number of job opportunities created through Community Work Programmes (CWP) and the Expanded Public Works Programme (EPWP).

The importance of each of these is outlined in the relevant sections below.

4.2 Measurement of selected KPIs

he assessment tool for LED has the following seven (7) Key Performance Indicators (KPIs).

- Capacity for planning and implementing LED functions in municipalities through an effective LED Unit
- Percentage of LED allocated budget spent on LED related activities
- Existence and implementation of credible LED strategies and plans
- Functionality of LED stakeholder forums
- Plans to stimulate the second economy
- Percentage of SMMEs supported through municipal initiatives
- Number of employment opportunities created through Extended Public Works Programmes (EPWP) and Community Works Programmes (CWP).

However, even though 2.3.2 above shows seven indicators assessed, this report covers only three of them in accordance with the directives of the National Department of Cooperative Governance and Traditional Affairs. These are as follow:

- i. Capacity for planning and implementing LED functions in municipalities through an effective LED Unit
- ii. Existence of credible LED strategies and plans
- iii. Number of employment opportunities created through Extended Public Works Programmes (EPWP) and Community Works Programme (CWP).

It is important to note that, as indicated in the reports of previous years, this assessment is based solely on information provided in Section 46 reports of the various municipalities.

This implies that the report does not reflect any information that might have been withheld or omitted by a municipality even if available from other sources.

The reason for adopting this approach is to avoid subjectivity and produce a Report that is supported by evidence (based entirely on the various Section 46 Reports)

4.2.1 Capacity for implementing LED in municipalities through an effective LED Unit.

Although it is important for a municipality to have an established and dedicated LED Unit/Department, that alone is not sufficient. The Unit must also have the necessary capacity to plan and implement LED functions and activities that are critical in achieving success in this sector. Such capacity is not limited to human resources only but also refers to financial and physical resources such as dedicated budget, office space and equipment. Municipalities are building this capacity in a variety of ways including establishing dedicated LED offices and appointing competent LED practitioners and managers. Some municipalities in the province have gone further than this by establishing Local Economic Development Agencies (LEDAs). Examples in this regard are the Nelson Mandela Bay Development Agency, Buffalo City Metropolitan Development Agency, Sarah Baartman Development Agency, Chris Hani Development Agency, Alfred Nzo Development Agency, Ntinga Development Agency in the OR Tambo District Municipality, Joe Gqabi Development Agency, Aspire Development Agency (Amathole District Municipality), and Kouga Development Agency.

All these Special Purpose Vehicles, which are municipal entities, are meant to augment and strengthen the LED planning and implementing capacity of the respective municipalities.

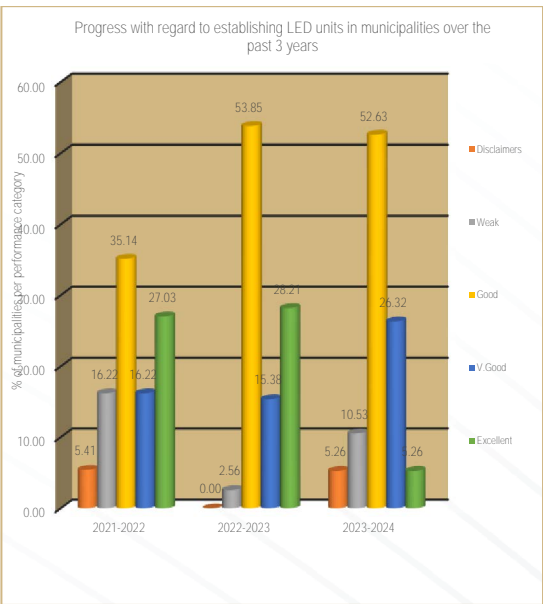
In terms of this KPI, the assessment was conducted in accordance with the following quality standards:

- **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.
- **Very Good performance:** An LED unit is in place; approved posts have been budgeted for

and filled but without provision of adequate resources.

- **Good performance:** The municipality has a dedicated LED unit in place; LED approved posts have been budgeted for; but not all posts have been filled and no adequate resources allocated.
- **Weak performance:** Either the municipality has an LED unit in place, but approved posts have not been budgeted for and filled or there is no dedicated Unit.
- **Disclaimer:** No information provided in the annual report with regards to LED Units.

The graph below illustrates the performance of municipalities with regards to the establishment of LED units for over the past three years.



The pattern of movement along the performance scale (improvement or decline) by specific municipalities for this KPI compared with the previous year (2022/23) is shown in the table below.

Table 1: Effective LED unit in municipalities in the Eastern Cape, 2023/24

| District/ Metro Municipality | Performance Assessment | | | | |
|------------------------------|------------------------------|--|---|-----------------------------------|-------------------------|
| | Excellent | Very Good | Good | Weak | Disclaimer |
| Alfred Nzo DM | Winnie Madikizela Mandela LM | Ntabankulu LM | Matatiele LM Umzimvubu LM | | Alfred Nzo DM |
| Amathole DM | Ngqushwa LM | Mnquma LM Mbhashe LM Raymond Mhlaba LM | Amathole DM Greak Kei LM | Amahlathi LM | |
| Sarah Baartman DM | | Ndlambe LM Sarah Baartman DM | Makana LM Kouga LM | Koukamma LM Dr Beyers Naude LM | Sundays River Valley LM |
| Chris Hani DM | | | Chris Hani DM Emalahleni LM AB Xuma LM Sakhisizwe LM Inxuba Yethemba LM Intsika Yethu LM | Enoch Mgijima LM | |
| Joe Gqabi DM | | Senqu LM Elundini LM | Joe Gqabi DM Walter Sisulu LM | | |
| O. R. Tambo DM | | OR Tambo DM | Kumkani Mhlontlo LM Ingquza Hill LM Nyandeni LM Por St Johns LM King Sabatha Dalindyebo LM | | |
| Buffalo City Metro | | Buffalo City Metro | | | |
| Nelson Mandela Bay Metro | | | Nelson Mandela Bay Metro | | |

he following categorisation of performance ratings per municipalities for this KPI is observed from the table above:

- i. **Excellent** – 2 municipalities
- ii. **Very Good** – 10 municipalities
- iii. **Good** – 20 municipalities
- iv. **Weak** – 4 municipalities
- v. **Disclaimer** – 2 municipalities

In 2023/234 financial year, **two (2)** municipalities (**Winnie Madikizela Mandela LM and Ngqushwa LM**) scored under “**excellent**” category as compared to **eleven (11)** municipalities in the previous financial year. There are **ten (10)** municipalities (**Ntabankulu LM, Mnquma LM, Mbhashe LM, Raymond Mhlaba LM, Ndlambe LM, Sahar Baartman DM, Senqu LM, Elundini LM, OR Tambo Dmand Buffalo City Metro**) scored in “**very good**” category in the current financial year, compared to **six (6)** as the previous financial year. There are twenty (20) municipalities : (**Matatiele LM, Umzimvubu LM, Kumkani Mhlontlo LM Ingquza Hill LM, Nyandeni LM, Por St Johns LM, King Sabatha Dalindyebo LM, Chris Hani DM, Emalahleni LM, AB Xuma LM, Sakhisizwe LM, Inxuba Yethemba LM, Intsika Yethu LM, Joe Gqabi DM, Walter Sisulu LM, Makana LM, Kouga LM, Amathole DM, Greak Kei LM and Nelson Mandela Bay Metro**) in “**good**” category in the current financial year.

Enoch Mgijima LM, Amahlathi LM, Koukamma LM, Dr Beyers Naude LM obtained “**weak**” in the current financial year as compared to the **one (1)** municipality in the previous financial year. **Alfred Nzo DM and**

Sundays River LM scored in “**disclaimer**” in the establishment of LED unit in the current financial year.

Generally, there is a decline in filling posts in LED units across municipalities in the current financial year. Some of the municipalities have regressed due to not providing sufficient information about the filling of posts in LED units. ***Not all municipalities have standalone LED Units. In some of the municipalities the LED Unit is placed under the Municipal Managers Office or combined with Development Planning Unit. Joe Gqabi District Municipality is the only municipality that delegates its LED functions to its Development Agency.***

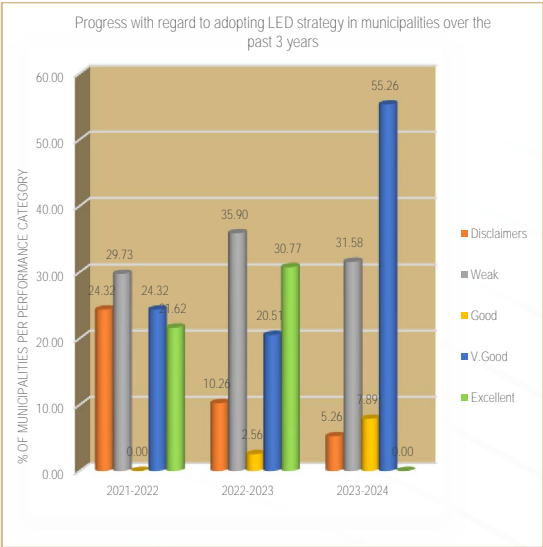
4.2.2 Existence of credible LED Strategies/plans in municipalities

For municipalities to achieve a coordinated and integrated LED planning, they need to develop and implement ‘credible’ LED Strategies or Plans. A Strategy is deemed ‘credible’ if its implementable, it has clearly defined development priorities with relevant objectives, development strategies, implementation plans and adequate resources (both financial/non-financial) to implement it. The process of developing LED strategy must be participatory and inclusive of all relevant stakeholders. Finally, the strategy or plan must have been adopted by the Municipal Council to ensure its legitimacy.

The assessment of this KPI was based on the following five (5) performance quality standards:

- **Excellent Performance:** The Municipality indicates that the LED strategy has been developed, adopted by municipal council and fully implemented.
- **Very Good performance:** The Municipality indicates that the LED strategy has been developed, adopted by the council but is, however, not being implemented fully.
- **Good performance:** The Municipality indicates that the LED strategy has been developed but there is no evidence of its implementation.
- **Weak performance:** The Municipality indicates that the LED strategy has been developed but has not been adopted by council.
- **Disclaimer:** No information provided in the annual report with regards to the LED strategy / Plan.

The graph below depicts progress regarding the existence of credible LED Strategies over the past 3 financial years.



The graph above shows the number of municipalities with credible LED strategies in 2023/24 financial year. The “**excellent**” category has decreased from **30%** in 2022/23 financial year to **0%** in 2023/24 financial year. This is a drastic decline.

The “**very good**” category has increased from **25%** in 2022/23 financial year to **55%** in the 2023/24 financial year. The “**good**” category has increased from **3%** in the 2022/23 financial year to **8%** in the 2023/24 financial year.

There is a decrease in the number of municipalities in “**weak**” category from **36%** in 2022/23 financial year to **32%** in 2023/24 financial year.

The number of municipalities in “**disclaimer**” category has decreased from **10%** in 2022/23 financial year to **5%** in 2023/24 financial year.

This current financial year depicts a decrease in the number of municipalities in the “**disclaimer**” category as compared to the previous financial year. Even though there is a drastic decline in municipalities in the “**excellent**” category.

The overall performance of this KPI, shows that there is an improvement in municipalities adoption of LED strategies and plans.

palities adoption of LED strategies.

The table below shows the ratings of performance in this KPI by specific districts and local municipalities.

Table 2: Number of municipalities with credible LED Strategies/Plans

| District/ Metro Municipality | Performance Assessment | | | | |
|------------------------------|------------------------|--|--------------|---|---------------|
| | Excellent | Very Good | Good | Weak | Disclaimer |
| Alfred Nzo DM | | Alfred Nzo DM Umzimvubu LM Matatiele LM Winnie Madikizela Mandela LM | | | Ntabankulu LM |
| Amathole DM | | Amathole DM Mbhashe LM Raymond Mhlaba LM Ngqushwa LM | Great Kei LM | Mquma LM Amahlathi LM | |
| Sarah Baartman DM | | | | Sarah Baartman Dr. Beyers Naude' LM Kouga LM Koukamma LM | |

| District/ Metro Municipality | Performance Assessment | | | | |
|------------------------------|------------------------|---|--------------------|---|--------------|
| | Excellent | Very Good | Good | Weak | Disclaimer |
| | | | | Makana LM Ndlambe LM Sundays River LM | |
| Chris Hani DM | | Chris Hani DM Emalahleni LM Inxuba Yethemba LM Enoch Mgijima LM Intsika Yethu LM Sakhisizwe LM | | Dr AB Xuma LM | |
| Joe Gqabi DM | | Walter Sisulu LM Senqu LM | Elundini LM | | Joe Gqabi DM |
| O. R. Tambo DM | | Mhlontlo LM Ingquza Hill LM King Sabatha Dalindyebo LM Nyandeni LM Port St Johns LM | | O. R. Tambo DM | |
| Buffalo City Metro | | | Buffalo City Metro | | |
| Nelson Mandela Bay Metro | | | | Nelson Mandela Bay Metro | |

A According to the table, the number of municipalities per performance rating is shown below:

- i. **Excellent** – 0 municipalities
- ii. **Very Good** – 21 municipalities
- iii. **Good** – 3 municipality
- iv. **Weak** – 12 municipalities
- v. **Disclaimer** – 2 municipalities

No municipalities were rated in the “**excellent**” category. This is a decline as compared to the twelve (12) municipalities in the previous financial year.

Twenty-one (21) municipalities (*Alfred Nzo DM, Umzimvubu LM, Matatiele LM, Winnie Madikizela Mandela LM, Ngqushwa LM, Amathole DM, Mbhashe LM, Raymond Mhlaba LM, Chris Hani DM, Emalahleni LM, Inxuba Yethemba LM, Enoch Mgijima LM, Intsika Yethu LM, Sakhisizwe LM, Walter Sisulu LM, Senqu LM, Mhlontlo LM, Ingquza Hill LM, King Sabatha Dalindyebo LM, Nyandeni LM and Port St Johns LM*) obtained “**very good**” category. This is an improvement compared to the eight (8) municipalities in the 2022/23 financial year.

Buffalo City Metro, Greak Kei LM and Elundini LM are the municipalities that obtained a “**good**” category for the current financial year.

Twelve (12) municipalities (*Mnquma LM, Amahlathi LM, Sarah Baartman, Dr. Beyers Naudè LM, Kouga LM, Koukamma LM, Makana LM, Ndlambe LM, Sundays River LM, O. R. Tambo DM, Dr AB Xuma LM & Nelson Mandela Bay Metro*) obtained “**weak**” category as compared to fourteen (14) municipalities in 2022/23 financial year.

Two (2) municipalities (*Joe Gqabi DM, and Ntabankulu LM*) obtained “**disclaimer**” category for credible LED strategy. *Joe Gqabi DM* remain in the “**disclaimer**” category from the previous years; there is no improvement.

There is a slight improvement in the development and adoption of LED strategies in municipalities. However, there are no municipalities who obtained an **excellent** score which is a decline compared to the 2022/23 financial year.

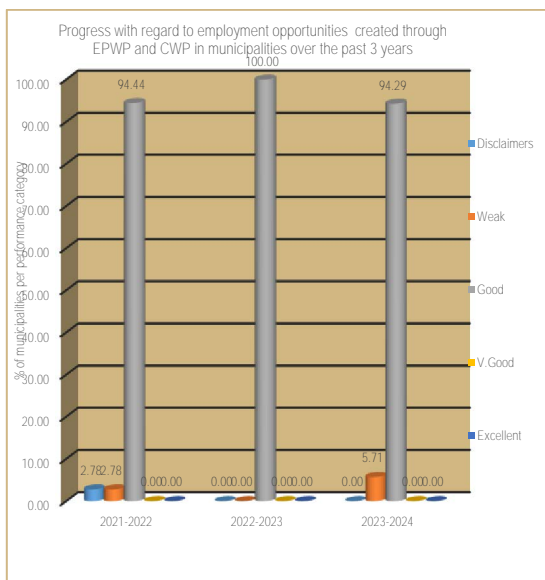
4.2.3 Number of employment opportunities created through EPWP and CWP

This indicator measures the implementation of government’s public employment programmes through the Expanded Public Works (EPWP) and the Community Works (CWP) Programmes. This is in accordance with government’s strategy of reducing unemployment through public employment initiatives to alleviate poverty.

However, only three quality standards that were used to assess the municipalities unlike in the other KPIs. These are:

- **Good Performance:** The municipality indicates the number of jobs created through EPWP and CWP during the year under review.
- **Weak Performance:** The municipality indicates the existence of EPWP and CWP without mentioning the number of jobs created.
- **Disclaimer:** No information provided in the annual report.

The graph below shows the performance of municipalities with regard to employment opportunities created through EPWP and CWP in municipalities over the past 3 financial years.



The graph above shows the number of municipalities with employment opportunities created through EPWP and CWP in the year under review. **95%** of municipalities have scored “**good**” category in the 2023/24 financial year. The number of municipalities in “**disclaimer**” category remains at **0%** in the 2023/24 financial. This means all municipalities are reporting on employment opportunities created through EPWP and CWP.

The overall performance of this KPI deducing from the above analysis, shows municipalities are provided information on the number of job opportunities created through EPWP and CWP in 2023/24 financial year. However, **two (2) municipalities (Koukamma LM and Walter Sisulu LM)** failed to report on the exact no of jobs created

Table 3: Number of job opportunities created through EPWP and CWP

| District/ Metro Municipality | Performance Assessment | | |
|------------------------------|---|------------------|------------|
| | Good | Weak | Disclaimer |
| Alfred Nzo DM | Matatiele LM Winnie Madikizela Mandela LM Ntabankulu LM Umzimvubu LM Alfred Nzo DM | | |
| Amathole DM | Amahlathi LM Great Kei LM Mbhashe LM Mquma LM Ngqushwa LM Raymond Mhlaba LM Amathole DM | | |
| Sarah Baartman DM | Sarah Baartman DM Kouga LM Makana LM Ndlambe LM Sunday's River Valley LM Dr. Beyers Naude' LM | Koukamma LM | |
| Chris Hani DM | Chris Hani DM Sakhisizwe LM Dr. A.B. Xuma LM Intsika Yethu LM Emalahleni LM Enoch Mgijima LM Inxuba Yethemba LM | | |
| Joe Gqabi DM | Elundini LM Joe Gqabi DM Senqu LM | Walter Sisulu LM | |
| O. R. Tambo DM | Mhlontlo LM King Sabata Dalindyebo LM Port St Johns LM Nyandeni LM OR Tambo DM Ingquza Hill LM | | |
| Buffalo City Metro | Buffalo City Metropolitan | | |
| Nelson Mandela Bay Metro | Nelson Mandela Bay Metropolitan | | |

The following categorisation of performance can be discerned from the table.

- i. Good – 36 municipalities
- ii. **Disclaimer – 0 municipality**
- iii. **Weak – 2 municipality**

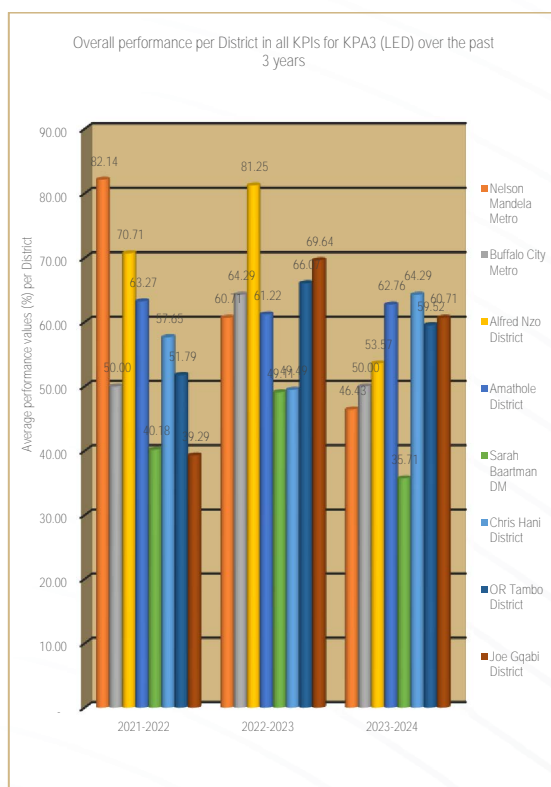
Table above shows that 36 municipalities scored in the “good” category as compared to the 39 municipalities in the previous year on the information on the number of jobs created through the public employment programmes. **Walter Sisulu LM and Koukamma LM** have regressed to the ‘weak’ category due to not providing information on the number of jobs created.

4.3 Overall Performance achievement in Local Economic Development

The top five performing local municipalities in the province were **Winnie Madikizela Mandela LM (86%)**, **AB Xuma LM (86%)**, **Ngqushwa LM (82%)**, **Mbhashe LM (82%)** and **Ndlambe LM (79%)**.

The six worst performing local municipalities in the Eastern Cape were **Sundays River LM (11%)**, **Koukamma LM (21%)**, **Ntabankulu LM (28%)**, **Dr Beyers Naudè LM (35%)**, and **Makana LM (39%)** and **Amathole DM (39%)**

The graph below gives an overall performance in all the KPIs in LED for Metro and District municipality for 2023/24 financial year.



An overall performance within each district and metro municipality for the 2023/24 financial year.

The highest performing metro is the **Buffalo City Metro**, with an overall performance of **50%** compared to **Nelson Mandela Bay Metro** with overall performance of **46%** in the current financial year.

In 2023/24 financial year, the highest performing district is **Chris Hani District** at **64%** followed by **Amathole District** at **63%**. The lowest performing district is **Sahara Baartman District** at **36%**.

4.4 Observations

- LED Budget is also not clear and no clear allocation per activity or programme. The summary of the LED budget should be provided, which would tally with the municipal budget. Some municipalities do not report on the budget at all.
- The report on the LED Strategy is required to be adopted. Some reports do not specify if the LED strategy is adopted and where it is adopted, they do not indicate when it was adopted. Some strategies have not been adopted in the past five years and above as per the report. The municipalities have not considered reviewing them in the light of the negative effects of Covid 19.
- In most municipalities there is an existence of an effective LED Unit, however in some municipalities the funded positions in the organogram are not filled.
- The information reported on the narrative should correspond with the information provided in the tool.
- Several municipalities are under reporting in the annual report in relation to LED activities.
- All municipalities are reporting on job opportunities created through EPWP and CWP
- Most municipalities have improved in supporting SMMEs, cooperatives and second economy.

4.5 Challenges

These are some of the challenges encountered whilst assessing this KPA

- Poor quality of reports, lack of credible information.
- Non-adoption of LED strategies and implementation plans.
- Non functionality of LED IGR Forums results to uncoordinated LED initiatives.
- Lack of funding for LED units. This leads to no implementation of capital projects as identified in LED strategies.

4.6 Support Interventions

- The department provides support to municipalities in guiding the process of implementation of the LED strategies through the coordination of funding institutions.
- In support of credible LED Strategies in the Province, the department strengthens collaboration with stakeholders such as, Statistics South Africa (Stats SA), Eastern Cape Socio-Economic Consultative Council (ECSECC), South African Local Government Association (SALGA) and
- institutions of higher learning to assist municipalities in reviewing strategies in-house.
- The department in collaboration with National DCOG have embarked on a process of developing meaningful useful work for participants through site business plan development and remodeling of CWP through smart partnerships.
- The department has developed the Urban and Small-Town Development Framework to guide the implementation of the program through the implementation of Master Plans and Precinct Plans.



Province of the
EASTERN CAPE
COOPERATIVE GOVERNANCE
& TRADITIONAL AFFAIRS

CHAPTER 5

MUNICIPAL FINANCIAL VIABILITY
AND MANAGEMENT (KPA4)



SERVING OUR COMMUNITIES BETTER



Chapter 5

MUNICIPAL FINANCIAL MANAGEMENT AND VIABILITY: (KPA) 4

5.1 Introduction

As required by the Constitution the Municipal Finance Management Act (Act No.56 of 2003) (MFMA) was enacted to secure sound and sustainable management of the financial affairs of municipalities and other institutions in the local sphere of government and to establish norms and standards for the local sphere of government.

The MFMA provides municipalities with guidance for implementing effective financial systems in order for them to maximise their revenue potential and to effectively and transparently manage their financial obligations. It is aimed at ensuring that municipalities are more accountable, more financially viable and thus better capable of delivering services to all their residents, customers, users and can entice investors to invest in this province. It is further aimed at making managers more accountable by introducing regular and consistent reporting requirements.

Financial Viability entails:

- the ability of a municipality to maintain and sustain itself financially by collecting revenue due to it for services rendered and from property rates for which the communities are billed.
- the ability of a municipality to provide improved living conditions to ensure a happy, healthy and secure community and environment.
- the extent to which citizens can enjoy a high-quality standard of living to fulfil their dreams for the future generations to come.
- the ability of a municipality to implement debt and credit control policies which will enhance the revenue base

In order for the performance of municipalities to be measured in this regard, municipalities submit annual reports and annual financial statements aimed at providing evidence that reflects on their ability to reach the set goals and promote transparency and accountability in, utilizing the revenue entrusted to the municipal councils and officials as per predetermined strategic objectives. The evidence is measured against the set Key Performance Indicators (KPIs) shown and discussed below.

5.2 Measurement of selected KPIs

The Department has utilised a set of indicators to measure the performance of municipalities with regards to their financial management and viability, over the past 3 years. These KPIs are as follows:

- Status of the audit outcome.
- Submission of Annual Financial Statements.
- Percentage of capital budget expenditure.
- Actual salaries versus operational budget.
- Total amount of actual trade creditors as a percentage of total own revenue.
- Total municipal own revenue as a percentage of the total budget.
- The rate of municipal debtors' reduction.
- Percentage of Municipal Infrastructure Grant (MIG) budget appropriately spent and;
- Functionality of Audit Committee.

The indicators are measured as shown below: -

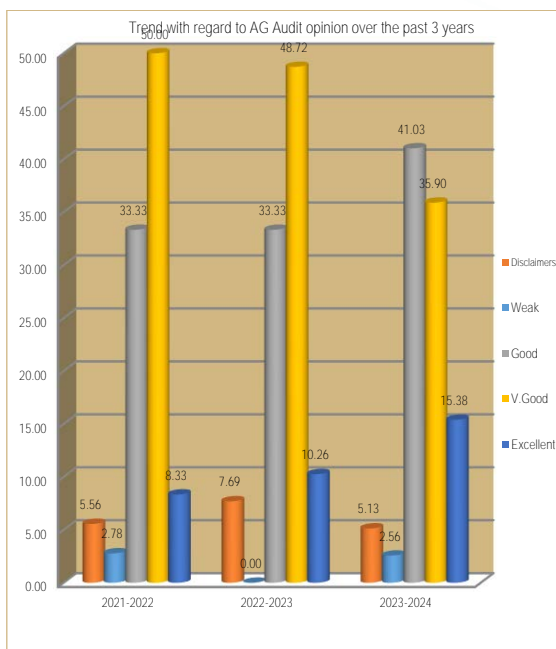
5.2.1 Status of the audit outcome

Section 126 1 (a) of the MFMA states that "The accounting officer of a municipality must prepare the annual financial statements of the municipality and, within two months after the end of the financial year to which those statements relate, submit the statements to the Auditor General (AG) for auditing". Besides the issue of compliance, assessors also measured the status of the audit outcome. The following standards of performance were set:

- **Excellent performance** : if the municipality obtained unqualified audit opinion with no emphasis of matter (clean)
- **Very good performance** : if the municipality obtained an unqualified audit opinion with emphasis of the matter.
- **Good performance** : if the municipality obtained a qualified audit opinion;
- **Weak performance** : if the municipality obtained an adverse audit opinion;
- **Disclaimer** : if the municipality obtained a disclaimer.

| Audit opinion | Improved | Unchanged | Regressed |
|----------------------------------|---|---|---|
| Unqualified with no findings = 6 | <ul style="list-style-type: none"> Alfred Nzo DM Umzimvubu LM Kouga LM | <ul style="list-style-type: none"> Mnquma LM Senqu LM Joe Gqabi DM | <ul style="list-style-type: none"> |
| Unqualified with findings = 14 | <ul style="list-style-type: none"> Amahlathi LM | <ul style="list-style-type: none"> Ntabankulu LM Great Kei LM Mbhashe LM Ngqushwa LM Sarah Baartman DM Dr Beyers' Naude` LM Ndlambe LM Dr AB Xuma LM Inxuba Yethemba LM OR Tambo DM King Sabata Dalindyebo LM Elundini LM | <ul style="list-style-type: none"> Winnie Madikizela Mandela LM |
| Qualified = 16 | <ul style="list-style-type: none"> Amathole DM | <ul style="list-style-type: none"> Raymond Mhlaba LM Chris Hani DM Emalaheni LM Enoch Mgijima LM Sakhisizwe LM Kumkani Mhlontlo LM Ingquza Hill LM Port St Johns LM Nyandeni LM Walter Sisulu LM Buffalo City Metro | <ul style="list-style-type: none"> Matatiele LM Blue Crane Route LM Intsika Yethu LM Nelson Mandela Metro |
| Disclaimer = 3 | <ul style="list-style-type: none"> | <ul style="list-style-type: none"> Makana LM Sunday's River LM | <ul style="list-style-type: none"> |
| Adverse = 0 | <ul style="list-style-type: none"> | <ul style="list-style-type: none"> | <ul style="list-style-type: none"> Koukamma LM |

The performance of municipalities in the 2023/24 Financial Year compared to the two (2) previous financial years with regards to audit outcomes is presented in the graph below.



The number of municipalities that obtained unqualified with no emphasis of matter (clean) have slightly improved from four (4) to six (6) municipalities (15%) in the year under review. Those municipalities are: **Alfred Nzo DM, Umzimvubu LM, Mnquma LM, Joe Gqabi DM, Kouga LM and Senqu LM**. Municipalities with

remarkable difference are, **Alfred Nzo DM, Kouga LM and Umzimvubu LM** that have managed to improve from unqualified with emphasis of matter to clean audit opinion in the year under review.

The municipalities that have achieved a “very good” standard of performance has decreased from nineteen (19) to fourteen (14) municipalities (36%) These municipalities have obtained unqualified audit opinion with emphasis of matter.

Amahlathi LM, Great Kei LM, Mbhashe LM, Ngqushwa LM, OR Tambo DM, King Sabata Dalindyebo LM, Ntabankulu LM, Elundini LM, Dr AB Xuma LM, Inxuba Yethemba LM, Sarah Baartman DM, Dr Beyer's Naude` LM, Ndlambe LM and Winnie Madikizela LM

Amahlathi LM has improved from qualified to unqualified audit opinion.

Twelve (12) municipalities (31%) have maintained their status of unqualified audit opinion: -

Great Kei LM, Mbhashe LM, Ngqushwa LM, OR Tambo DM, King Sabata Dalindyebo LM, Elundini LM, Dr AB Xuma LM, Inxuba Yethemba LM, Sarah Baartman DM, Ndlambe LM, Ntabankulu LM and Dr Beyers Naude LM

Regrettably, **Winnie Madikizela Mandela LM** has regressed from unqualified with no emphasis (clean audit) to unqualified with findings audit opinion.

The number of municipalities that have achieved a “good” performance has slightly increased from thirteen (13) to sixteen (16) municipalities (41%) in the current financial year.

These municipalities are: –

Amathole DM, Buffalo City Metro, Raymond Mhlaba LM, Nyandeni LM, Port St Johns LM, Ingquza Hill LM, Kumkani Mhlontlo LM, Walter Sisulu LM, Chris Hani DM, Enoch Mgijima LM, Emalahleni LM, Sakhisizwe LM, Nelson Mandela Metro, Matatiele LM, Intsika Yethu LM and Blue Crane Route LM

Only **Amathole DM** has managed to improve from disclaimer to qualified audit opinion.

Eleven (11) municipalities (28%) maintained their status of qualified opinion, namely -

Buffalo City Metro, Raymond Mhlaba LM, Nyandeni LM, Port St Johns LM, Ingquza Hill LM, Kumkani Mhlontlo LM, Walter Sisulu LM, Chris Hani DM, Enoch Mgijima LM, Emalahleni LM and Sakhisizwe LM

Nelson Mandela Metro, Matatiele LM, Intsika Yethu LM and Blue Crane Route LM regressed from unqualified to qualified audit opinion.

It is regrettable that **Koukamma LM** has regressed from qualified to adverse audit opinion.

Makana LM, Sunday’s River LM municipality remained the disclaimer audit opinion.

5.2.2. Submission of Annual Financial Statements (AFS)

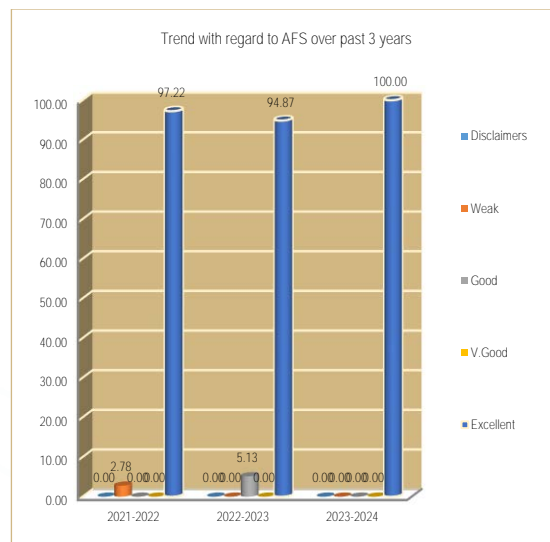
Section 126 (1) of the Municipal Finance Management Act (MFMA) states that “The accounting officer of a municipality must prepare the annual financial statements of the municipality and, within two months after the end of the financial year to which those statements relate, submit the statements to the Auditor-General for auditing; and must in addition prepare consolidated annual financial statements within three months after the end of the financial year to which those statements relate, submit the statements to the Auditor-General for auditing.

The following performance standards were set:

- **Excellent performance** : if AFS were submitted by 31 August and end September for consolidated AFS signed by Municipal Manager (MM) and Chief Financial Officer (CFO).
- **Very good performance** : if AFS were submitted by 31 August and end September for consolidated AFS not signed by Municipal Manager.

- **Good performance** : if AFS were submitted to Auditor-General (AG) not later than one (1) month after the due date.
- **Weak performance** : if AFS were submitted to Auditor-General more than one (1) month after the due date.
- **Disclaimer** : if no information provided.

The performance of municipalities is reflected in the graph below.



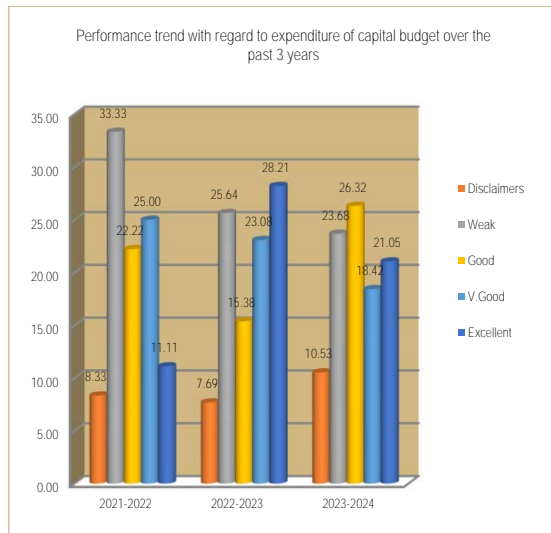
All Thirty-nine (39) municipalities (100%) have achieved “excellent” performance standard in the current financial year as they submitted their AFS within the legislated timeframe which is 31st August.

5.2.3 Capital expenditure

This indicator measures the extent to which municipalities spent their capital budget. The absence of budget information negatively affected the assessment as it was not possible for the assessment team to determine the extent to which many municipalities had spent their capital budget and hence municipalities who have failed to provide complete information have been assessed as a “disclaimer” regarding this KPI. However, where the capital budget and the expenditure amounts were disclosed, the following standards were used to measure the performance:

- **Excellent performance** : if the municipality reports 90-100% of capital budget utilised.
- **Very good performance** : if the municipality reports 80-89% of capital budget utilised.
- **Good performance** : if the municipality reports 70-79% of capital budget utilised;
- **Weak performance** : if the municipality reports less than 70% of capital budget utilised;
- **Disclaimer** : if no information is provided.

The performance of municipalities in the year under review compared to 2022/23 financial year for capital expenditure is presented in the graph below:-



Eight (8) municipalities (21%) have obtained “excellent” performance in level of spending their capital budget compared to eleven (11) municipalities in the last financial year.

Those municipalities are:

Sundays River Valley LM (127%), Chris Hani DM (109%), Emalahleni LM (107%), Walter Sisulu LM (101%), Amathole DM (100%), Intsika Yethu LM (100%), Kumkani Mhlontlo LM (99%) and Great Kei LM (93%)

The number of municipalities who performed “very good” performance has slightly decreased from nine (9) to seven (7) municipalities (18%) in the year under review, those are:-

Ntabankulu LM (80%), Umzimvubu LM (88%), Ngqushwa LM (86%), OR Tambo DM (83%), Port St Johns (88%), Nelson Mandela Metro (82%) and Buffalo City Metro (88%)

The number of municipalities that have obtained “good” performance in spending their capital budget in the current financial year has increased from six (6) to ten (10) municipalities (26%) as compared to last financial year, those are:

Joe Gqabi DM (76%), Enoch Mgijima (76%), Dr AB Xuma LM (78%), Kouga LM (71%), Dr Beyers Naude LM (74%), Mquma LM (71%), Mbhashe LM (75%), Amahlathi LM (77%), Winnie Madikizela Mandela LM (78%) and Matatiele LM (74%)

The number of “weak” municipalities has slightly decreased from ten (10) to nine (9) municipalities (24%) in the year under review. The following municipalities

reported spending of less than 70% of their capital budget:-

Senqu LM (62%) Elundini LM (63%), Nyandeni LM (46%), King Sabata Dalindyebo LM (66%), Ingquza Hill LM (65%), Sakhisizwe LM (52%), Ndlambe LM (59%), Sarah Baartman DM (55%) and Raymond Mhlaba LM (59%)

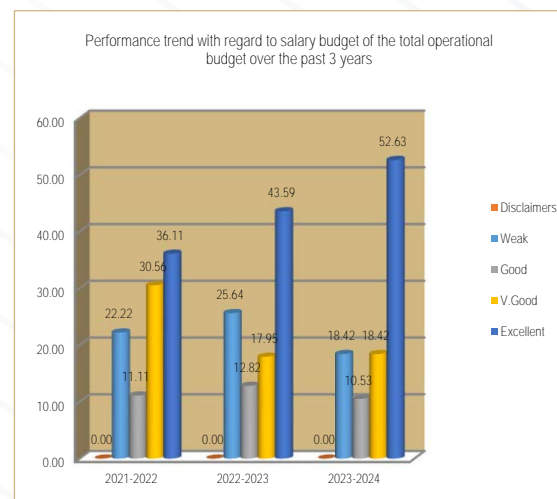
The following four (4) municipalities (11%) did not disclose information on Capital Expenditure in the year under review as compared to three (3) that have not reported in the previous financial year:- **Inxuba Yethemba LM, Makana LM, Alfred Nzo DM and Koukamma LM**

5.2.4 Actual Salaries versus Operational Budget

This indicator measures the extent to which municipalities spent their operational budget on salaries. The following standards were used to measure the performance:-

- **Excellent performance** : if the municipality spends at most 35% of operational budget.
- **Very good performance** : if the municipality spends between 36-40% of operational budget.
- **Good performance** : if the municipality spends between 41-45% of operational budget;
- **Weak performance**: if the municipality spends more than 45% of operational budget;
- **Disclaimer** : if the municipality does not report on actual expenditure.

The performance of municipalities this year compared to last year for actual salary expenditure is reflected in the graph below:-



The following twenty (20) municipalities (53%) have obtained “excellent” performance in spending their operational budget on salaries during the year under

review compared to seventeen (17) municipalities in the previous financial year; those are:

Nelson Mandela Bay Metro (23%), Buffalo City Metro (27%), Alfred Nzo DM (33%), Umzimvubu LM (17%), Winnie Madikizela-Mandela LM (32%), Great Kei LM (35%), Sarah Baartman DM (23%), Dr Beyer's Naude LM (30%), Kouga LM (29%), Makana LM (31%), Ndlambe LM (31%), Sunday's River Valley LM (33%), Chris Hani DM (31%), Enoch Mgijima LM (35%), Inxuba Yethemba LM (33%), Sakhisizwe LM (27%), Ingquza Hill LM (33%), King Sabata Dalindyebo LM (34%), Elundini LM (35%), and Walter Sisulu LM (34%).

Municipalities that have achieved a “very good” performance remained at seven (7) municipalities (18%) in the year under review, those are: -

Matatiele LM (37%), Amathole DM (40%), Kumkani Mhlontlo LM (36%), Nyandeni LM (40%), Port St Johns LM (39%), Joe Gqabi DM (40%) and Senqu LM (39%)

Four (4) municipalities (11%) have achieved a “good” performance as compared to five (5) municipalities in the previous financial year; those municipalities are: -

Mbhashe LM (42%), Mnquma LM (42%), Ngqushwa LM (44%) and Dr AB Xuma LM (41%),

The number of “weak” performing municipalities has slightly decreased from ten (10) to seven (7) municipalities (18%) in the year under review; namely: -

Ntabankulu LM (51%), Amahlathi LM (48%), Ramond Mhlaba LM (46%), Koukamma LM (78%), Emalahleni LM (48%), Intsika Yethu LM (52%) and OR Tambo DM (47%),

5.2.5 Total amount of actual trade creditors as a percentage of total revenue.

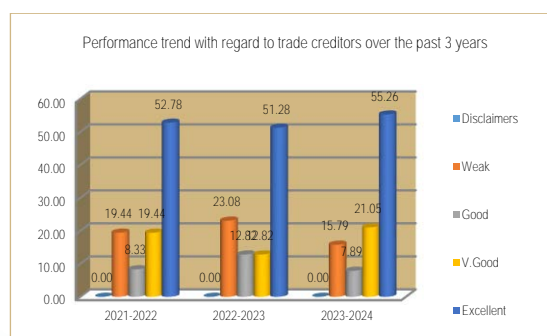
This indicator measures the reduction of trade creditors by municipalities in the year under review as compared to the 2022/23 financial year. The total amount owed to creditors against total revenue measures the capacity of a municipality to meet its obligations in paying creditors within the prescribed time frame.

The following performance standards were set:

- **Excellent performance:** if the total actual amount of trade creditors represents less than 20% of the total municipal revenue at the end of the financial year.
- **Very good performance :** if the total actual amount of trade creditors represents 21% to 40% of the total municipal revenue at the end of the financial year.

- **Good performance :** if the total actual amount of trade creditors represents 41% to 60% of the total municipal revenue at the end of the financial year.
- **Weak performance :** if the total actual amount of trade creditors represents 61% and above of the total municipal revenue at the end of the financial year.
- **Disclaimer:** if no information is provided.

The performance of municipalities this year as compared to last year regarding to this indicator is summarised below.



The number of municipalities that obtained an “excellent” standard of performance has slightly increased from twenty (20) to twenty-one (21) municipalities (55%) in the current financial year. The following municipalities were able to pay their creditors within the legislated timeframe of 30 days: -

Nelson Mandela Bay Metro (13%), Alfred Nzo DM (20%), Ntabankulu LM (13%), Umzimvubu LM (17%), Mbhashe LM (7%), Mnquma LM (4%), Ngqushwa LM (14%), Kouga LM (12%), Koukamma LM (18%), Dr AB Xuma LM (9%), Intsika Yethu LM (18%), Sakhisizwe LM (12%), OR Tambo DM (16%), Kumkani Mhlontlo LM (6%), Ingquza Hill LM (4%) King Sabata Dalindyebo LM (3%), Nyandeni LM (3%) and Port St Johns LM (19%),

The number of municipalities with a “very good” standard of performance has slightly increased from five (5) to eight (8) municipalities (21%) in the current financial year; these are as follows: -

Buffalo City Metro (36%), Amathole DM (38%), Great Kei LM (32%), Raymond Mhlaba LM (39%), Sarah Baartman DM (22%), Ndlambe LM (24%), Chris Hani DM (24%) and Emalahleni LM (29%)

Municipalities with a “good” standard of performance during the year under review has slightly decreased from five (5) to three (3) municipalities (8%) in the current financial year. These are:

Dr Beyers Naude LM (50%), Makana LM (46%) and Sundays River Valley LM (43%)

The number of municipalities with a “weak” standard of performance has decreased from nine (9) to six (6) municipalities (16%) in the year under review. These municipalities are as follows:

Matatiele LM (91%), Winnie Madikizela-Mandela LM (87%), Enoch Mgijima LM (134%), Inxuba Yethemba LM (168%) and Walter Sisulu LM (113%)

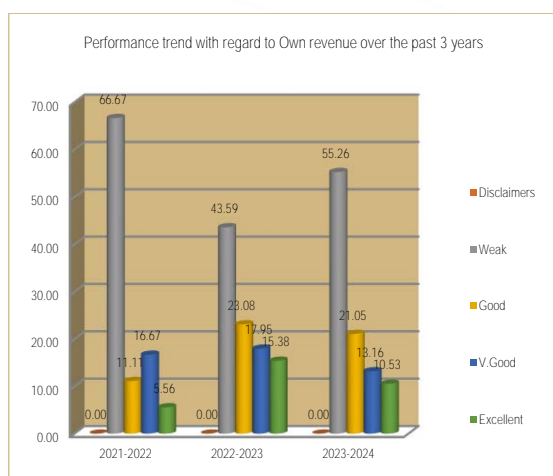
No municipality has failed to provide the required information in the year under review.

5.2.6 Total municipal own revenue as a percentage of the actual budget

This indicator measures the extent of municipal own revenue in the municipal actual budget and provides information on the cash flow situation within the municipality. Municipalities were assessed according to the following standards of performance:

- **Excellent performance** : if the municipality’s own revenue constitutes 80% or more of the total municipal actual budget figure;
- **Very good performance** : if the municipality’s own revenue constitutes 60% - 79% of the total municipal actual budget figure;
- **Good performance**: if the municipality’s own revenue constitutes 40% - 59% of the total municipal actual budget figure;
- **Weak performance**: if the municipality’s own revenue constitutes less than 40% of the total municipal actual budget figure;
- **Disclaimer performance**: if no information was provided.

The performance of municipalities this year compared to last year for this indicator is summarised below: -



Four (4) municipalities (11%) obtained “excellent” performance in the current financial year compared to two Six (6) municipalities in the previous year. They are

Walter Sisulu LM (105%), Makana LM (85%), Nelson Mandela Metro (83%) and Matatiele LM (115%)

The number of municipalities that obtained “very good” performance has slightly decreased from seven (7) to five (5) municipalities (13%) in the year under review. These municipalities are :-

Inxuba Yethemba LM (76%), Enoch Mgijima LM (77%), Ndlambe LM (60%), Koukamma LM (78%) and Buffalo City Metro (79%)

The number of municipalities that obtained “good” performance has slightly decreased from nine (9) to eight (8) municipalities (21%) in the current financial year; these municipalities are:-

Senqu LM (43%), Joe Gqabi DM (41%), King Sabata Dalindyebo LM (58%), Sunday’s River Valley LM (43%), Kouga LM (51%), Dr Beyer’s Naude` LM (58%), Raymond Mhlaba LM (58%) and Amahlathi LM (41%)

The number of municipalities that obtained “weak” performance has decreased from eighteen (18) to twenty-one (21) municipalities (55%) in the year under review; these municipalities are: -

Elundini LM (28%), Port St Johns LM (22%), Nyandeni LM (17%), Ingquza Hill LM (15%), Kumkani Mhlontlo LM (18%), OR Tambo DM (23%), Sakhisizwe LM (28%), Intsika Yethu LM (18%), Dr AB Xuma LM (7%), Emalahleni LM (34%), Chris Hani DM (26%), Sarah Baartman DM (8%), Ngqushwa LM (18%), Mnquma LM (25%), Mbhashe LM (21%), Great Kei LM (30%), Amathole DM (30%), Winnie Madikizela-Mandela LM (26%), Umzimvubu LM (13%), Ntabankulu LM (12%) and Alfred Nzo DM (10%)

No municipality has failed to disclose information on own revenue in the year under review.

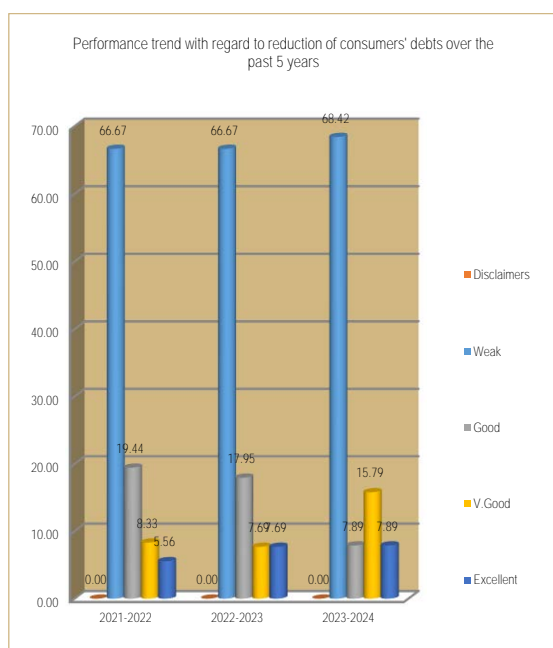
5.2.7 The rate of municipal consumer debtors’ reduction

This indicator measures the level of reduction in consumer debtors from 2022/23 to 2023/24 and is an indication of the capacity of the municipality to collect outstanding consumer debts during the year under review. For this indicator the performance standards were set as follows:

- **Excellent performance** if the municipality reports 31% and above of the municipal consumer debtors reduced by the end of the financial year.
- **Very good performance** : if the municipality reports 15% to 30% of the municipal consumer debtors reduced by the end of the financial year.
- **Good performance** : if the municipality reports less than 15% of the municipal consumer debtors reduced by the end of the financial year.

- **Weak performance** : if the municipality reports an increase of municipal consumer debtors by the end of the financial year.
- **Disclaimer** : if no information is provided in the annual report.

A comparison of the past three financial years of the performance of municipalities in this indicator is shown in the graph below:-



Ingquza Hill LM (44%) Kumkani Mhlontlo LM (38%) and Mphashe LM (31%) municipalities obtained “**excellent**” performance in debt reduction which is the same as the last financial year.

The number of municipalities obtained a “**very good**” performance in the current financial year has increased from three (3) to six (6) municipalities (16%) as compared to the previous financial year; these are :- **Enoch Mgijima LM (30%), Kouga LM (15%), Sarah Baartman DM (29%), Great Kei LM (17%), Amathole DM (21%) and Umzimvubu LM (27%).**

The number of municipalities obtained “**good**” performance in the current financial year has decreased from seven (7) to three (3) municipalities (8%) and they are:- **Sakhisizwe LM (6%), Raymond Mhlaba LM (5%) and Nelson Mandela Metro (7%),**

The number of municipalities that have failed to reduce their consumer debtors has remained at twenty-six (26). The information below is exclusive of Metros, Sarah Baartman District and Joe Gqabi District municipalities as these municipalities do not receive MIG. Comparing the financial years, it is noted that there is a significant increase in the level of MIG expenditure as the number

municipalities (68%) as compared in the previous financial year resulting to obtaining “weak” performance quality standard, namely: -

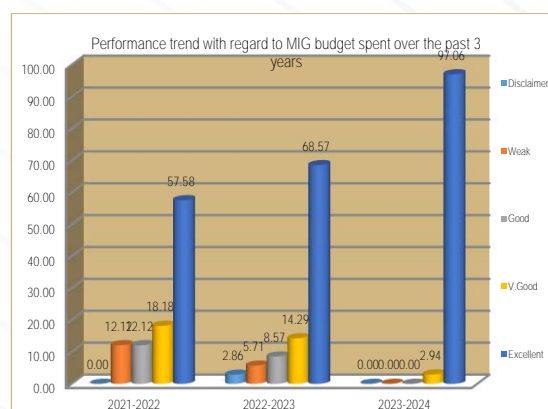
Senqu LM (43%), Walter Sisulu LM (31%), Elundini LM (0,33%), Joe Gqabi DM (32%), Port St Johns LM (69%), Nyandeni LM (18%), King Sabata Dalindyebo LM (43%), OR Tambo DM (36%), Inxuba Yethemba LM (3%), Intsika Yethu LM (33%), Dr AB Xuma LM (15%), Emalahleni LM (40%) Chris Hani DM (160%), Sunday's River Valley LM (18%), Ndlambe LM (11%), Makana LM (21%), Koukamma LM (4%),Dr Beyer's Naude` LM (42%), Ngqushwa LM (14%), Mnquma LM (15%), Amahlathi LM (33%), Winnie Madikizela-Mandela LM (0,2%), Ntabankulu LM (21%), Matatiele LM (20%), Alfred Nzo DM (9%) and Buffalo City Metro (17%)

5.2.8 Municipal Infrastructure Grant

This indicator measures the extent to which municipalities spent their Municipal Infrastructure Grant (MIG) received from National Government. Where the MIG budget and the expenditure amounts were disclosed, the following standards were used to measure the performance:

- **Excellent performance** : if the municipality reports 100% of MIG budget appropriately spent;
- **Very good performance** : if the municipality reports 90% - 99% of MIG budget appropriately spent;
- **Good performance** : if the municipality reports 80% - 89% of MIG budget appropriately spent;
- **Weak performance** : if the municipality reports less than 80% of MIG budget appropriately spent;
- **Disclaimer performance** : if no information was provided.

The graph below depicts the performance comparison of municipalities relating to MIG expenditure for three past financial years.



of “**excellent**” performing municipalities has increased from twenty-four (24) to thirty-three (33) municipalities (97%) in the year under review. The following municipalities have spent 100% of MIG: -

Matatiele LM, Ntabankulu LM, Umzimvubu LM, Winnie Madikizela-Mandela LM, Amahlathi LM, Great Kei LM, Mbhashe LM, Mnquma LM, Ngqushwa LM, Raymond Mhlaba LM, Dr Beyer's Naude LM, Kouga LM, Koukamma LM, Makana LM, Ndlambe LM, Sunday's River Valley LM, Chris Hani DM, Emalahleni LM, Dr AB Xuma LM, Enoch Mgijima LM, Intsika Yethu LM, Inxuba Yethemba LM, Sakhisizwe LM, OR Tambo DM, Kumkani Mhlontlo LM, Ingquza Hill LM, King Sabata Dalindyebo LM, Nyandeni LM, Port St Johns LM, Joe Gqabi DM, Elundini LM, Walter Sisulu LM and Senqu LM

Only **Amathole DM** obtained a “very good” performance in the year under review compared to Five (5) municipalities in the previous financial year.

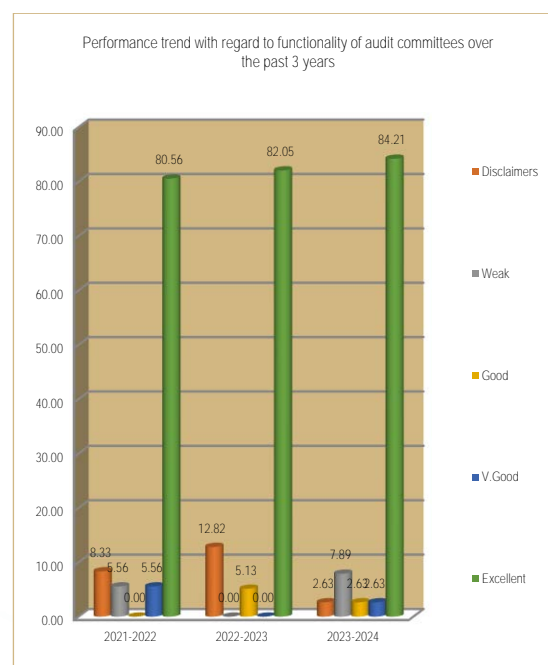
It is commendable that no municipality obtained “good” and “weak” and failed to disclose information of MIG spending performance in the year under review.

5.2.9 Functionality of Audit Committee

In terms of the Municipal Systems Act, each municipality must have an Audit Committee. Section 166 of the MFMA prescribes how the audit committee is to be established in each municipality. To assess the performance of municipalities in complying with this legislation during the year under review four performance standards were set as follows:

- **Excellent performance** : if the municipality reports the existence, responsibilities and functionality of an Audit Committee including a report attached in the Annual Report;
- **Very Good** : if the municipality reports the existence, responsibilities and functionality of an Audit Committee
- **Good** : if the municipality mentions the existence and the responsibilities/functionality of an Audit Committee.
- **Weak performance** : if the municipality mentions only the existence of an Audit Committee
- **Disclaimer** : if no information was provided.

The performance of municipalities with regards to this indicator is reflected in the graph below.



The number of municipalities that have achieved an “**excellent**” performance standard in relation to this KPI has remained at twenty-two (32) municipalities (**84%**) in the year under review.

Only **Ntabankulu LM** obtained “**very good**” performance standard in the year under review.

Makana LM obtained “**good**” performance standard in the year under review

Three municipalities (**8%**) mentioned the existence of audit committees without providing audit committee reports resulting to obtaining “**weak**” performance.

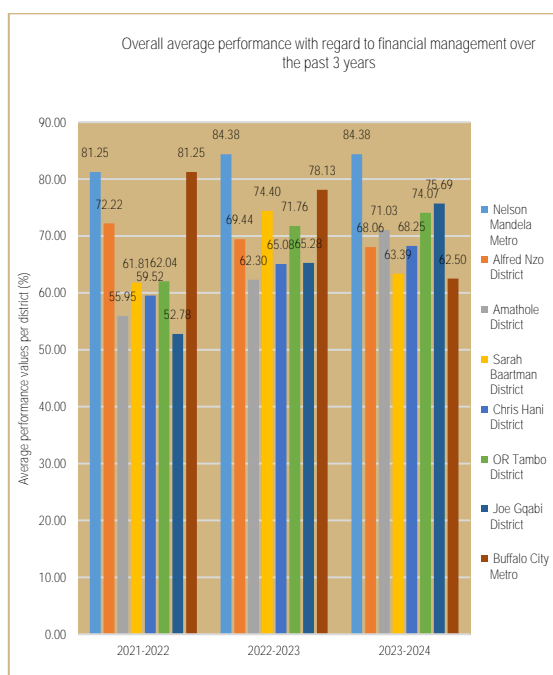
Dr Beyer's Naude LM failed to disclose information on Audit Committee in the year under review.

Below is the performance by municipalities per quality standard with regard to this KPI.

| EXCELLENT | | VERY GOOD | GOOD | WEAK | DISCLAIMER |
|------------------------------|-------------------------|---------------|-----------|---------------|------------------|
| Nelson Mandela Bay Metro | Sunday's River Valley | Ntabankulu LM | Makana LM | Sakhisizwe LM | Dr Beyer's Naudè |
| Buffalo City Metro | Chris Hani DM | | | Dr AB Xuma LM | |
| Alfred Nzo DM | Emalaheni LM | | | Amathole DM | |
| Matatiele LM | Enoch Mgijima LM | | | | |
| Umtzimvubu LM | Intsika Yethu LM | | | | |
| Winnie Madikizela-Mandela LM | Inxuba Yethemba LM | | | | |
| Amahlathi LM | OR Tambo DM | | | | |
| Great Kei LM | Mhlontlo LM | | | | |
| Mbhashe LM | Ingguzi Hill LM | | | | |
| Mnquma LM | King Sabatha Dalindyebo | | | | |
| Nggushwa LM | Nyandeni LM | | | | |
| Raymond Mhlaba LM | Port St Johns LM | | | | |
| Sarah Baartman DM | Joe Gqabi LM | | | | |
| Kouga LM | Elundini LM | | | | |
| Koukamma LM | Walter Sisulu LM | | | | |
| Ndlambe LM | Senqu LM | | | | |

5.3 Overall performance achievement in financial management and viability

The assessment results for the 2023/24 Financial Year showing the performance of two Metros and DMs in regard to all nine (9) KPIs used is presented in the graph below.



The overall performance of the Metros and some District Municipalities is generally satisfactory as it shows a slight improvement in the year under review. The best performing municipality in the province in terms of financial management is **Nelson Mandela Metro** as it maintained the same score of **84.38%** in 2023/24 financial year. **Joe Gqabi DM** has constantly improved performance as compared to previous financial years i.e. **52.78**, **65.28%** and **75.69%** respectively. **OR Tambo DM** is steadily improving its performance over the years with

a scoring of **71.76%** in the previous financial year to **74.07%** in the current financial year. It is worth noting that **Amathole DM** is continuously improving its performance as it scored **71.3%** in the year under review compared to **62.30%** of 2022/23 financial year. During 2023/24, **Chris Hani DM** has since improved from **65.08%** to **68.25%**. In the year under review, **Alfred Nzo DM** has since displayed a slight decrease performance from **69.44%** to **68.06%**. It is noted with concern that **Sarah Baartman DM** has decreased from **74.4%** to **63.36%** followed by **Buffalo City Metro** which is at the bottom of the overall performance by scoring **62.50%** in the year under review compared to **78.13%** in the previous financial year.

5.4 Observations

- All municipalities, except Blue Crane Route LM have submitted the Annual Reports for 2023/24 financial year.
- All municipalities have submitted their Annual Financial Statements as per the legislated time frame.
- Most municipalities (66%) have spent more than **70%** of their Capital budget, nine (09) municipalities spent less than **70%** of their Capital budget while four (4) municipalities failed to disclose their Capital expenditure.
- There is a slight improvement in municipalities complied with the norm of spending their operational budget on salaries.
- There is a huge improvement in the spending of **Municipal Infrastructure Grant (MIG)** which reflects 97% of municipalities achieving 100% expenditure. That means municipalities have adopted Risk Adjustment Strategy to improve implementation of projects.
- The trend of poor revenue collection and municipalities being grant dependent is still a concern as it is continuously decreasing. This depicts:
 - A culture of non-payment by consumers

- The billing system by municipalities is still a challenge.
- Non-implementation of debt management and credit control policies and by-laws

5.5 Challenges

- Leadership in the municipalities does not exercise the necessary responsibility to enhance good governance.
- The accuracy, validity and credibility of Annual Reports (AR) submitted by some municipalities were questionable and thus municipalities are advised to review their ARs prior to submission.
- Non-disclosure of capital expenditure (CAPEX), as some municipalities did not adequately disclose their CAPEX on their annual reporting.
- Lack of compliance by municipalities in reporting format.
- Non – attachment of relevant information such as audited Annual Financial Statement (AFS), referenced Annexures or Appendixes with no information populated.

5.6 Support Interventions

Through the Chief Audit Executive and Risk Management Forum, the department continues to use the platform to assist in supporting the municipal internal audit and risk management units on to share best practices and benchmark from each other. The forum is utilised to ensure that the progress on the implementation and improvement of audit outcomes becomes the standard agenda item being discussed in audit committee meetings.

Capacitation of Municipal Public Accounts Committees (MPACs) in dealing with unauthorized, irregular fruitless and wasteful expenditure (UIFWE) as well as the support on the development and implementation of UIFWE reduction strategy.

The department, in collaboration with Provincial Treasury and SALGA is closely monitoring and supporting municipalities that have obtained unfavorable audit opinions and those that are under section 139 (5) of the MFMA through monthly meetings to discuss matters raised by the auditor general and advise on how the matters should be resolved.

The department issued circular no 3 of 2024 to all municipalities, where section 131 report was developed and submitted to the Provincial Legislature. The department has been requesting municipalities to provide progress on the implementation of audit improvement plans, however, there has been little evidence that demonstrates that indeed the municipalities are implementing the plans as stated in the audit response plans.

Auditor General's reports highlight that most audit findings are repeated and that these findings can be avoided as they are a direct consequence of non- or inadequate implementation of audit improvement plans. In this regard, the department requests that Municipal Public Accounts Committees (MPAC'S) include the progress on implementing audit improvement plans in their scope of work and interrogate such in their meetings. This is to ensure that the council monitors the development and implementation of audit action plans and that management reports to the council regularly on progress to address audit findings and improve their audit outcomes through its support as it believes that improved audit outcomes positively affect service delivery.

The department is mandated to ensure that municipalities improve on good governance matters, including audit outcomes. To achieve the above mandate, the department has designed a questionnaire to establish the functionality of MPACs in respective municipalities. Municipalities are requested to complete the questionnaire that COGTA officials disseminate every quarter, which should include the status of MPACs's advice on monitoring municipal audit action plans, amongst other things.

The department champions and coordinates Quarterly Arrear Debt meetings between municipalities and government departments with the purpose of facilitating the payment of current and arrear debts, resolve the disputes that are emanating from non-payment, and much attention is given on debt owed for 90 days and above.

During the 4th quarter, the department held a **two (2) day Municipal Revenue Management Indaba** that seeks to address and unlock the challenges of non-payment by government departments, whereby senior management from the government departments, municipalities and stakeholders formed part of the discussion panel with a view to exchange ideas, share and learn best practises and promote collaboration and partnership amongst other things.

Objectives of the Revenue Management Indaba:

- To ensure cooperative governance and build the capacity of municipalities
- To understand and examining the underlying reasons and root causes of government debt to municipalities, including inadequate budgeting, poor financial management, and lack of accountability
- To provide solutions on challenges and critical aspects of revenue management, financial viability and sustainability

- To build consensus and harmonious working relations towards the satisfaction of the Eastern Cape citizens.
- To exchange ideas, share, learn and emulate best practises.

Resolutions of Revenue Management Indaba

- Municipalities to improve on data credibility and accuracy. – due diligence on reporting
- Strengthen effectiveness of IGR structures – Decision making
- Encourage payment culture by educating our communities and implement Credit Control & Debt Collection policy.
- Work with stakeholders that have high influence in the communities such as Business Chambers etc.
- Strengthen integration across all spheres of government - each sphere performs its functions courtesy and due care
- Clarification of legislation relating to tariffs (MPRA), etc by property experts as there are misalignment and misinterpretations (e.g. communal land)

- To promote collaboration and foster partnership amongst the municipalities, government departments and stakeholders
- To set priorities and Drive action
- Government Departments are urged to make payment on undisputed accounts and address disputes later.
- Foster collaborations across all stakeholders and implement consequence management where necessary.
- Commitments from Department of Provincial Public Works and Health to pay accruals at the beginning of Financial Year.
- Emphasis on municipal land audit, proper surveys.
- Sharing National Asset Register with EC municipalities to resolve the issue of unidentified properties.
- Sessions with municipalities in each district to present the general valuation and have state properties identified instantly.



Province of the
EASTERN CAPE
COOPERATIVE GOVERNANCE
& TRADITIONAL AFFAIRS

CHAPTER 6

GOOD GOVERNANCE
AND PUBLIC PARTICIPATION (KPA5)



SERVING OUR COMMUNITIES BETTER



Chapter 6

GOOD GOVERNANCE AND PUBLIC PARTICIPATION (KPA 5)

6.1 Introduction

Good governance and public participation are crucial for a functioning democracy in South Africa, with the Constitution recognizing the right of citizens to be involved in local government. Public participation is not just a legal requirement but a cornerstone of effective governance, ensuring transparency, accountability, and responsiveness to the needs of the people. The South African Constitution, particularly Section 152, emphasizes the importance of public involvement in local governance. It mandates municipalities to encourage the participation of communities and community organizations in all local government matters.

This report provides information on how municipalities have performed in 2023/24 financial year in relation to their mandate to promote good governance and public participation.

6.2 Measurement of selected Key Performance Indicators (KPIs)

Performance assessment was measured using the following eight (8) indicators:

- Establishment of ward committees
- Effective functioning of Ward Committees
- Existence of an effective system of monitoring Community Development Workers (CDWs)
- Existence of an effective IGR strategy
- Effectiveness IGR structural meetings
- Existence of communication strategy
- Number of Mayoral Imbizos conducted.
- Existence of corruption prevention mechanisms

6.2.1 Establishment of Effective Ward Committees

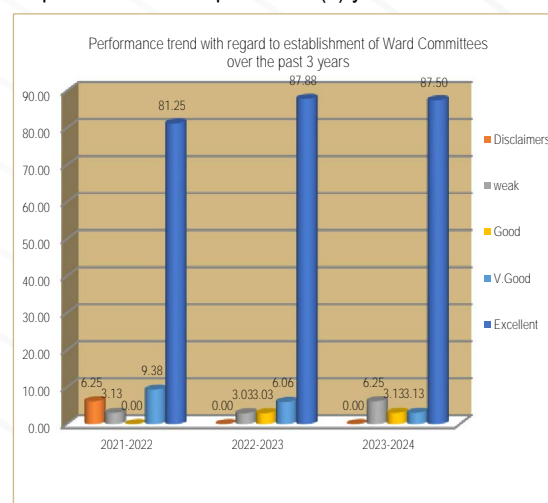
In terms of Section 16 of the Municipal Systems Act, 32 of 2000 (as amended) and Section 72 of the Municipal Structures Act, 117 of 1998 municipalities must establish Ward Committees that will serve as vehicles for community participation in municipal affairs. Chapter four of the Ward Committee Resource Book states that “because of the wide range of municipal functions and powers, many interest groups could claim an interest in municipal matters”, so it makes sense that ward committees are formed with residents at the helm. It further states that each ward committee should have a maximum of ten (10) members who are selected from a broad range of interest groups that are most relevant to the key performance areas of the municipality”.

The Act states that a “ward committee could be an important mobilising agent for community action and plays an important part in mobilising partnerships for the development of local projects. This is a system which is designed to ensure that people’s inputs are taken into account during planning and decision-making processes at municipal level.

The assessment of this KPI was conducted based on the following quality standards:

- **Excellent (4):** If 100% of ward committees are established as reported in the Annual Report wherein the municipality provides information on the total number of ward committees established and the total number of wards.
- **Very Good (3):** If at least 90% of ward committees are established as reported in the Annual Report wherein the Municipality provides information on the total number of ward committees established and the total number of wards.
- **Good (2):** If at least 80% of ward committees are established as reported in the Annual Report wherein the Municipality provides information on the total number of ward committees established and the total number of wards.
- **Weak (1):** If less than 80% of ward committees are established as reported in the Annual Report wherein the Municipality provides information on the total number of ward committees established and the total number of wards.
- **Disclaimer (0):** If there is no information provided in the report.

The diagram below is a graphical illustration of the progress achieved in establishing ward committees in the province over the past three (3) years.



There is a decline in the number of municipalities that obtained “**excellent**” in the establishment of ward committees from 29 municipalities (88 %) in 2022/23 to 28 municipalities (87.50%) in 2023/24 Financial Year.

The following municipalities obtained “**excellent**”:
Nelson Mandela Bay Metropolitan, Matatiele LM, Ntabankulu LM, Umzimvubu LM, Winnie Madikizela-Mandela LM, Amahlathi LM, Great Kei LM, Mbashe LM, Mnquma LM, Ngqushwa LM, Raymond Mhlaba LM, Kouga LM, Koukamma LM, Ndlambe LM, Sunday’s River Valley LM, Emalaheni LM, Dr AB Xuma LM, Enoch Mgijima LM, Intsika Yethu LM, Inxuba Yethemba LM, Sakhisizwe LM, Kumkani Mhlontlo LM, Ingquza Hill LM, King Sabata Dalindyebo LM, Nyandeni LM, Port ST Johns LM, Elundini LM and Walter Sisulu LM

Only **Makana LM** obtained “**very good**” performance in 2023/24 financial year.

Only **Dr Beyers Naudé LM** obtained “**good**” performance in the 2023/24 financial year.

Buffalo City Metropolitan and Senqu LM obtained “**weak**” performance in the 2023/24 Financial year. No municipality obtained “**disclaimer**” performance in the 2023/24 Financial year.

6.2.2 Functionality of Ward Committees

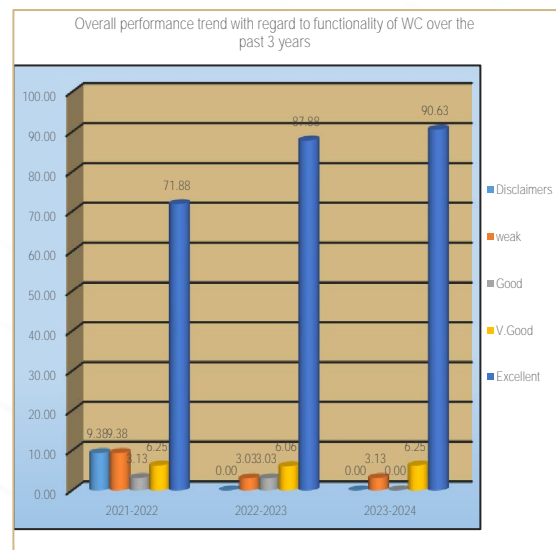
Ward Committees are important role players in a community. The ward committee discusses and elevate issues through the ward councillor who then reports on these issues and /or developments at council meetings. Furthermore, Section 74 (b) of the Municipal Structures Act, 117 of 1998 provides that a council may also delegate specific municipal duties and powers to a ward committee.

Assessment in this KPI was based on fulfilling the set quality standards as follows:

- **Excellent (4):** If the municipality provides information on all the ten committee members participating in all the meetings; minutes of the committee meetings are available in the files; written proof of tabling resolutions is available; minutes of feedback meetings with communities are in the files; and ward committee activity reports are available.
- **Very Good (3):** If the municipality provides information on all the ten committee members participating in all the meetings; minutes of the committee meetings are available in the files; written proof of tabling resolutions is available; minutes of feedback meetings with communities are in the files; but ward committee activity reports are not all available.

- **Good (2):** If the municipality provides information on all the ten committee members participating in all the meetings; minutes of the committee meetings are available in the files; written proof of tabling resolutions is available, but no minutes of feedback meetings with communities are available in the files.
- **Weak (1):** If the municipality provides information on all the ten committee members participating in all the meetings; minutes of the committee meetings are available in the files; but no written proof of tabling resolutions is available, and no minutes of feedback meetings with communities are available in the files.
- **Disclaimer (0):** If there is no information in the report.

Below is a graphical illustration of performance trends with regards to functionality of Ward Committees over the past three (3) years.



The above graph reflects an increase on the number of “**excellent**” performing municipalities from 88% (29 municipalities) in the 2022/23 financial year to 90.63% (29 municipalities) in the 2023/24 financial year. The names of municipalities are as follows:

Nelson Mandela Bay Metropolitan, Matatiele LM, Ntabankulu LM, Umzimvubu LM, Winnie Madikizela-Mandela LM, Amahlathi LM, Great Kei LM, Mbashe LM, Mnquma LM, Ngqushwa LM, Raymond Mhlaba LM, Kouga LM, Koukamma LM, Makana LM, Ndlambe LM, Sunday’s River Valley LM, Emalaheni LM, Dr AB Xuma LM, Enoch Mgijima LM, Intsika Yethu LM, Inxuba Yethemba LM, Sakhisizwe LM, Kumkani Mhlontlo LM, Ingquza Hill LM, King Sabata Dalindyebo LM, Nyandeni LM, Port St Johns LM, Elundini LM and Walter Sisulu LM.

The municipalities under the category of “**very good**” performing municipalities has not changed from the previous financial year **6.25 %** (2 Municipalities). They are:

Dr Beyers Naudé LM and Senqu LM

No municipality obtained “**good**” performance in the 2023/24 Financial year.

Buffalo City Metropolitan Municipality obtained “**weak**” performance in the 2023/24 financial year.

No municipality obtained “**disclaimer**” performance in the 2023/24 financial year.

6.2.3 Monitoring Mechanisms for Community Development Workers (CDWs)

Community Development Workers (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 documents.

One of the attributes of CDWs is to show respect towards the elected leaders, the people, their norms, and values. At ward level, CDWs should attend and provide reports to ward committee meetings. They should promote the notion of partnership between themselves and local structures of government at community level. Community Development Workers and Ward Councillors should work hand-in-glove if government resources are to be utilized effectively and efficiently.

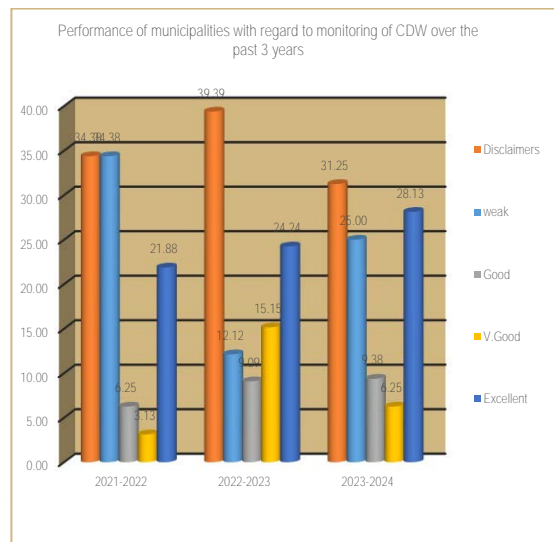
The assessment of this KPI was based on the following five (5) quality standards:

- **Excellent (4):** If the municipality provides information on the database of deployed CDWs, regularly receives reports from CDWs; has a dedicated official that deals with CDW issues, and that the municipality provides feedback to the Provincial Department on CDW performance.
- **Very good (3):** If the municipality provides information on at least three of the following elements, that is, information on the database of deployed CDWs, regularly receive reports from CDWs; has a dedicated official that deals with CDW issues, and that the municipality provides feedback to the Provincial Department on CDW performance.
- **Good (2):** If the municipality provides information on at least two of the following elements, that is, information on the database of deployed CDWs, regularly receives reports from CDWs; has a dedicated official that deals with CDW issues, and

that the municipality provides feedback to the Provincial Department on CDW performance.

- **Weak (1):** If there is no effective monitoring of CDWs.
- **Disclaimer (0):** If there is no information provided in the report.

The diagram below is a graphical illustration of the progress achieved in establishing mechanisms to monitor CDWs over the past three (3) years.



The above graph indicates a slight increase in the number of municipalities that have obtained “**Excellent**” performance regarding monitoring of CDWs from (8) Municipalities (24%) in 2022/23 financial year to 9 municipalities (28%) in the 2023/24 financial year, viz:

Umzimvubu LM, Winnie Madikizela-Mandela LM, Great Kei LM, Ngqushwa LM, Raymond Mhlaba LM, Ingquza Hill LM, King Sabata Dalindyebo LM, Port ST Johns LM and Senqu LM.

Only 2 municipalities (6.25%) namely **Mnquma LM and Ndlambe LM** have obtained “**very good**” performance on the existence of an effective system of monitoring CDWs in the 2023/24 financial year compared to 5 municipalities in 2022/23 financial year.

Three municipalities obtained “**good**” performance in the financial year under review, similar to the number of municipalities that obtained the same in performance last financial year’s (3) municipalities (9%) in the 2023/24 financial year, namely: - **Dr Beyers Naudé LM, Kouga LM and Sakhisizwe LM.**

The number of municipalities with “**weak**” performance increased from 4 municipalities (12%) in the 2022/23 financial year to 8 municipalities (25%) in the 2023/24 financial year, viz: - **Nelson Mandela Bay Metropolitan, Matatiele LM, Mbhashe LM, Makana LM, Emalahleni LM, Nyandeni LM, Elundini LM and Walter Sisulu LM**

The number of municipalities that obtained a “disclaimer” performance decreased from 13 municipalities (39%) in the 2022/23 financial year to 8 municipalities (31%) in the 2023/24 financial year, viz: - **Buffalo City Metropolitan, Ntabankulu LM, Amahlathi LM, Koukamma LM, Sunday’s River Valley LM, Dr AB Xuma LM, Enoch Mgijima LM, Intsika Yethu LM, Inxuba Yethemba LM And Kumkani Mhlontlo LM**

6.2.4 Development of IGR Strategy

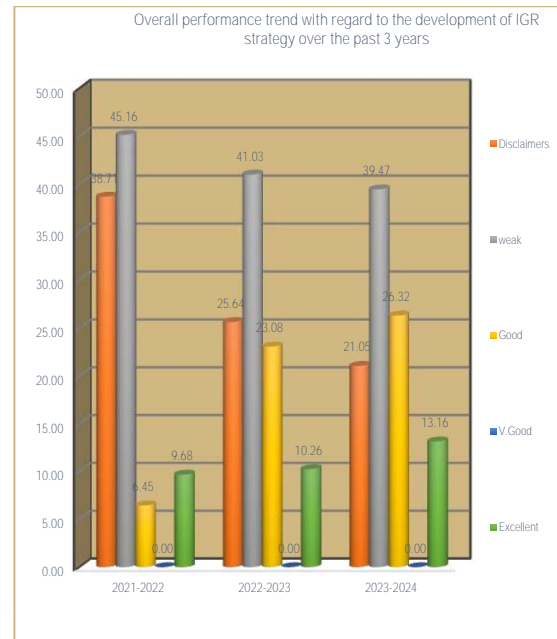
The Intergovernmental Relations is the means by which the government ensures that its policies and objectives across all spheres of government contribute towards service delivery and meet the needs of citizens in an effective way. For municipalities to succeed in their developmental role, cooperation between all three spheres of government becomes indispensable: this is where IGR comes into play. IGR further promotes the alignment of planning, budgeting, implementation, and accountability. Therefore, cooperation between national, provincial, and local government is crucial. The Intergovernmental Relations Framework Act, 2005 provides a framework for this purpose.

This Act established provisions to guide the three spheres of governance in terms of implementing policy, establishing intergovernmental structures, managing the conduct of IGR, setting disputes and monitoring and reporting to Parliament.

The assessment of Intergovernmental Relations in municipalities was based on the fulfilment of the following four elements that define this KPI:

- **Excellent (4):** If the IGR strategy is developed, adopted by council and an operational unit is in place with adequate human and financial resources.
- **Good (2):** If the municipality has an IGR strategy developed, adopted by council, the operational unit is in place with a dedicated official but with limited financial resources.
- **Weak (1):** If the municipality has an IGR strategy developed but not yet adopted by council or no IGR strategy developed.
- **Disclaimer (0):** If there is no information provided in the report.

The diagram below is a graphical illustration of performance trends with regard to the existence of IGR strategy over the past three years.



The graph above portrays a slight incline in the number of municipalities with “excellent” performance from 10.26% (4 municipalities) in the 2022/23 financial year to 13% (5 municipalities) in the 2023/24 financial year.

The municipalities are **Nelson Mandela Bay Metropolitan, Ntabankulu LM, Umzimvubu LM, O.R. Tambo DM and Kumkani Mhlontlo LM**

No municipalities obtained “very good” performance in the year under review.

The number of municipalities that fall under “good” performance has increased from 23% (9 municipalities) in 2022/23 financial year to 26% (10 municipalities) in the 2023/24 financial year, viz: - **Winnie Madikizela-Mandela LM, Amathole DM, Amahlathi LM, Great Kei LM, Mbhashe LM, Mnquma LM, Raymond Mhlaba LM, King Sabata Dalindyebo LM, Nyandeni LM and Senqu LM**

There is a slight decrease in the number of “weak” performing municipalities from 41 % (16 municipalities) in the 2022/23 financial year to 39 % (15 municipalities); viz: -

Buffalo City Metropolitan, Alfred Nzo DM, Matatiele LM, Ngqushwa LM, Sarah Baartman DM, Dr Beyers Naudé LM, Kouga LM, Makana LM, Ndlambe LM, Sunday’s River Valley LM

Emalahleni LM, Dr AB Xuma LM, Sakhisizwe LM, Port St Johns LM and Joe Gqabi DM

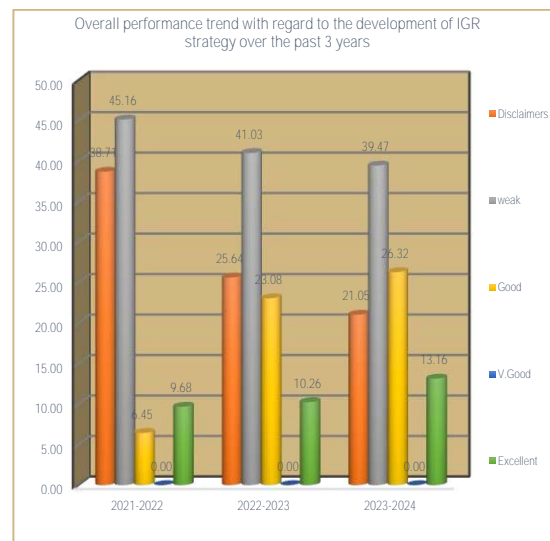
The number of municipalities with “disclaimer” performance decrease from 26% (10 municipalities) in 2022/23 financial year to 21% (8 municipalities) in the 2023/24 financial year. The municipalities are: - **Koukamma LM, Chris Hani DM, Enoch Mgijima LM, Intsika Yethu LM, Inxuba Yethemba LM, Ingquza Hill LM, Elundini LM and Walter Sisulu LM**

6.2.5 Functionality of DIMAFOs and Technical DIMAFOs

DIMAFOs and Technical DIMAFOs are forums that usually meet on a quarterly basis and are normally chaired by the Executive Mayors and Municipal Managers.

The assessment of the effectiveness of IGR structural meetings in municipalities was based on the fulfilment of the following five elements:

- **Excellent (4):** If the Terms of Reference (TORs) for both DIMAFO and TDIMAFO are in place; all four ordinary DIMAFO meetings held; all four technical DIMAFO meetings held; meeting’s agenda include at least 5YLGSA issues and IDP process/progress; minutes of the meetings including action issues are distributed to participants within 14 days of the end of the meeting.
- **Very good (3):** If the TOR for both DIMAFO and TDIMAFO are in place; all four ordinary DIMAFO meetings held; all four technical DIMAFO meetings held; meeting’s agenda include at least 5YLGSA issues and IDP process/progress; but minutes of the meetings including action issues are distributed to participants beyond 14 days of the end the meeting.
- **Good (2):** If the TOR for both DIMAFO and Technical DIMAFO are in place; all four ordinary DIMAFO meetings held; all four technical DIMAFO meetings held; but meeting’s agenda do not always include at least 5YLGSA issues and IDP process/progress.
- **Weak (1):** If there is no adopted TOR for any of the DIMAFO or Technical DIMAFO.
- **Disclaimer (0):** If there is no information provided in the report.



No district municipalities obtained “**excellent, very good and disclaimer**” performance in the financial year under review.

Alfred Nzo DM obtained “**good**” performance in the year under review.

O.R Tambo DM, Chris Hani DM, Sarah Baartman DM, Joe Gqabi DM and Amathole DM obtained “**Weak**” performance for this KPI in the year under review.

6.2.6 Existence of a Communication Strategy

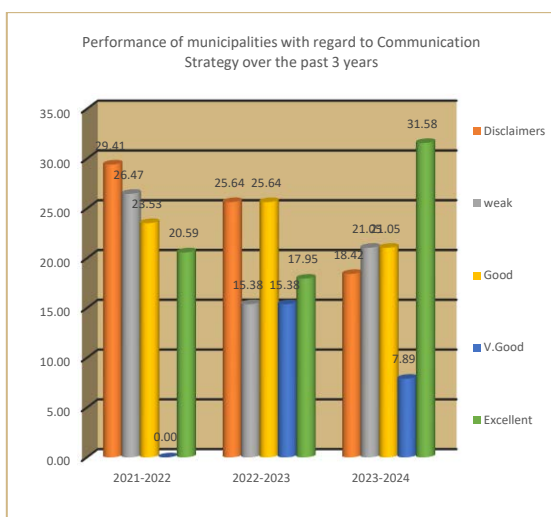
The effective and necessary participation of citizens in local government is a critical issue. It becomes imperative therefore for municipalities to establish a communication unit which must produce a Communication Strategy to guide its communication activities on an annual basis.

The assessment of this KPI was based on five performance quality standards:

- **Excellent (4):** If the municipality provides information that the communication strategy has been developed, tabled to Council, adopted by Council, a Communication Unit headed by professional communicator is in place and provided with adequate resources.
- **Very good (3):** If the communication strategy has been developed, tabled and adopted by Council and a Communication Unit headed by a professional communicator is in place but without adequate resources.
- **Good (2):** If the communication strategy has been developed, tabled and adopted by Council and Communication Unit is in place but not headed by a professional communicator.

- **Weak (1):** If the communication strategy has been developed, tabled but not yet adopted by Council, communication strategy is not yet developed.
- **Disclaimer (0):** If there is no information in the report.

The diagram below is a graphical illustration of performance trends regarding the existence of a communication strategy in municipalities over the past three years.



The number of municipalities with “Excellent” performance increased from seven (7) municipalities (18%) in 2022/23 financial year to (32%) 12 municipalities in 2023/24 financial year.

These municipalities are as follows: -

Alfred Nzo DM, Ntbankulu LM, Umzimvubu LM, Winnie Madikizela-Mandela LM, Amathole DM, Great Kei LM, Sarah Baartman DM, Kouga LM, Ndlambe LM, O.R Tambo DM, King Sabata Dalindyebo LM and Nyandeni LM

There are three (3) municipalities (8%) that obtained “very good” performance in 2023/24 financial year i.e **Buffalo City Metropolitan, Port ST Johns LM and Senqu LM** as compared to 6 municipalities (15%) in the 2022/23 financial year.

The number of municipalities that obtained “good” performance in this KPI has decreased from 10 municipalities (26%) in the 2022/23 financial year to 9 municipalities (21%) in the 2023/24 financial year. These municipalities are: -

Matatiele LM, Mbashe LM, Mnquma LM, Raymond Mhlaba LM, Enoch Mgijima LM, Intsika Yethu LM, Kumkani Mhlontlo LM and Ingquza Hill LM

The number of municipalities with “weak” performance has increased from six (6) municipalities (15%) in the 2022/23 financial year to 8 municipalities (21%) in the financial year under review. These municipalities are: -

Nelson Mandela Bay Metropolitan, Ngqushwa LM, Dr Beyers Naudé LM, Sunday's River Valley LM, Emalahleni LM, Joe Gqabi DM, Elundini LM and Walter Sisulu LM

The graph above shows a decrease in the number of municipalities that obtained “disclaimer” from 10 municipalities (26%) in the 2022/23 financial year to 7 municipalities (18%) in the 2023/24 financial year. They are as follows:

Amahlathi LM, Koukamma LM, Makana LM, Chris Hani DM, Dr AB Xuma LM, Inxuba Yethemba LM and Sakhisizwe LM

6.2.7 Number of Mayoral Imbizos

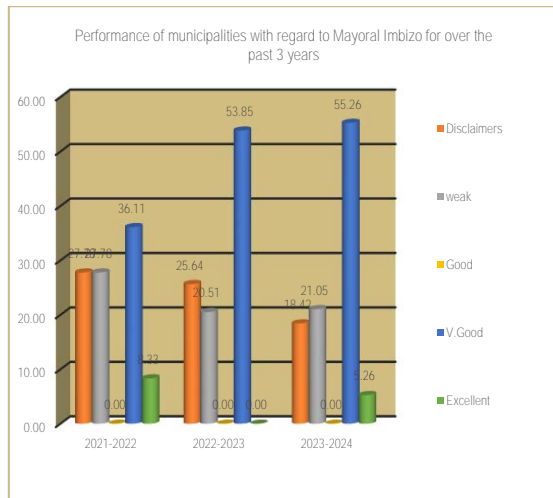
Imbizos are useful strategies for raising community awareness on critical social issues and the activities of municipalities. Imbizos Programme is one of the initiatives of the government that aims at taking government closer to the people by means of engagements. This is where the President, Ministers, Deputy Ministers, MECs, and Mayors undertake regular visits in an interactive programme to engage with ordinary South Africans to communicate the policies of government and to receive feedback on problems and issues facing the local communities.

It is unfortunate to notice that some municipalities did not report on the number of these important community engagements held although Executive/Mayors do engage their communities. The same challenge was highlighted in the previous reports.

Unlike in the other KPIs, only four quality standards were used to assess municipalities. These are:

- **Excellent (4):** If the municipality provides information on the total number of mayoral imbizo during the year and comparative analysis to last year.
- **Very good (3):** If the municipality provides information on the total number of mayoral imbizo during the year: not possible to do a comparative analysis.
- **Weak (1):** If the municipality mentions mayoral imbizo without any information on the number held during the year.
- **Disclaimer (0):** If there is no information provided in the report.

The diagram below is a graphical illustration of performance trends regarding the mayoral Imbizos at municipalities over the past three years.



No municipality obtained “**excellent**” performance in 2022/23 financial year compared to two (2) municipalities (5%) in 2023/24 financial year. These municipalities are: - **O.R. Tambo DM and Alfred Nzo DM.**

There is a slight increase in the number of municipalities that obtained “**very good**” performance from 21 municipalities (54%) in the 2022/23 financial year to 22 municipalities (55%) in the 2023/24 financial year. These municipalities are: - **Matatiele LM, Ntabankulu LM, Umzimvubu LM, Winnie Madikizela-Mandela LM, Amathole DM, Mbhashe LM, Mquma LM, Ngqushwa LM, Raymond Mhlaba LM, Sarah Baartman DM, Makana LM, Sunday’s River Valley LM, Enoch Mgijima LM, Sakhisizwe LM, Kumkani Mhlontlo LM, Ingquza Hill LM, King Sabata Dalindyebo LM, Nyandeni LM, Port St Johns LM, Joe Gqabi DM and Walter Sisulu LM**

No municipalities that obtained “**good**” performance in the year under review.

The number of municipalities that performed “**weak**” remain unchanged with 8 municipalities (21%) in the 2022/23 financial year and in the 2023/24 financial year. These municipalities are: **Buffalo City Metropolitan, Great Kei LM, Dr Beyers Naudé LM, Kouga LM, Koukamma LM, Ndlambe LM, Emalahleni LM and Dr AB Xuma LM.**

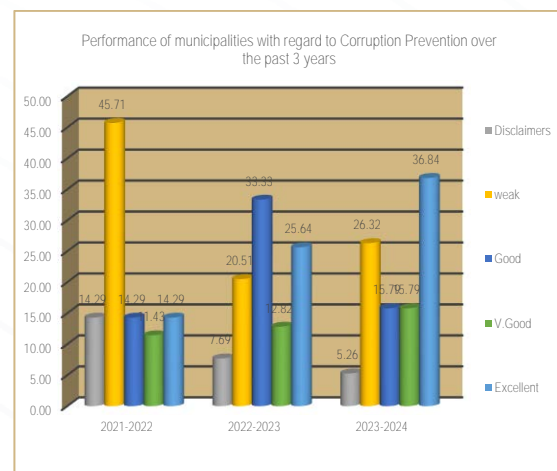
The number of municipalities that have obtained “**disclaimers**” have decreased from 10 municipalities (26%) in the 2022/23 financial year to 7 municipalities (18%) in the 2023/24 financial year. These municipalities are as follows: **Nelson Mandela Bay Metropolitan, Amahlathi LM, Chris Hani DM, Intsika Yethu LM, Inxuba Yethemba LM, Elundini LM and Senqu LM.**

6.2.8 Corruption Prevention Mechanisms

Anti-corruption initiatives and the conducting of appropriate risk analysis are an essential element of good governance.

The assessment of corruption prevention mechanisms in municipalities was based on the fulfilment of the following performance quality standards:

- **Excellent (4):** If the fraud prevention policy has been adopted by council; at least 4 staff awareness workshops conducted and a reporting mechanisms of fraud cases in place.
- **Very good (3):** If the fraud prevention policy has been adopted by council; at least 4 staff awareness workshops conducted but no effective reporting mechanism of fraud cases in place.
- **Good (2):** If the fraud prevention policy has been adopted by council and less than 4 staff awareness workshops conducted.
- **Weak (1):** If the fraud prevention policy has been adopted by council or no fraud prevention policy has been adopted.
- **Disclaimer (0):** If there is no information in the Annual report.



This graph reveals an increase with regards to the number of “**excellent**” performance from 10 municipalities (26%) in the 2022/23 financial year to 14 municipalities (37%) in the 2023/24 financial year. They are as follows: - **Buffalo City Metropolitan, Umzimvubu LM, Winnie Madikizela-Mandela LM, Amathole DM, Amahlathi LM, Sarah Baartman DM, Makana LM, Dr AB Xuma LM, Enoch Mgijima LM, Intsika Yethu LM, Inxuba Yethemba LM, O.R. Tambo DM, Nyandeni LM and Walter Sisulu LM.**

There is a slight increase in the municipalities that have obtained “**very good**” performance from 5 municipalities (13%) in the 2022/23 financial year to 6 municipalities (16%) in the 2023/24 financial year. These municipalities are as follows: **Matatiele LM, Mbhashe LM, Mquma**

LM, Ngqushwa LM, King Sabata Dalindyebo LM and Senqu LM

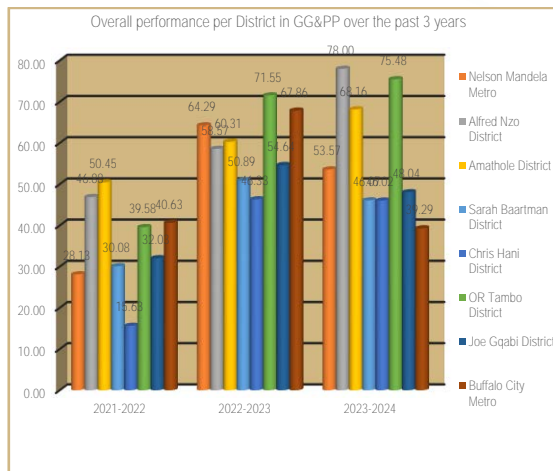
There is a significant decrease in the number of municipalities that have obtained “good” in corruption prevention mechanisms from 13 municipalities (33%) in the 2022/23 to 6 municipalities (16%) in the 2023/24 financial year. These municipalities are as follows: **Alfred Nzo DM, Ntabankulu LM, Great Kei LM, Chris Hani DM, Emalahleni LM and Kumkani Mhlontlo LM**

The number of “weak” performing municipalities has increased from 8 municipalities (21%) in the 2022/23 financial year to 10 municipalities (26%) in the 2023/24 financial year. These municipalities are as follows: **Nelson Mandela Bay Metropolitan, Kouga LM, Koukamma LM, Ndlambe LM, Sunday’s River Valley LM, Sakhisizwe LM, Ingquza Hill LM, Port ST Johns LM, Joe Gqabi DM, Elundini LM**

Dr Beyers Naudé LM did not provide information resulting to “disclaimer”.

6.3 Overall performance achievement in Good Governance and Public Participation

The graph below reflects the overall performance of municipalities per district/metro municipal area with regards to Good Governance & Public Participation.



The overall performance increased in **Alfred Nzo, O.R Tambo and Amathole District** Municipalities whereas the performance of Joe Gqabi and Sarah Baartman decreased compared to previous financial year. The performance of Chris Hani DM remains unchanged for both financial years. Buffalo City and Nelson Mandela Metropolitan Municipalities decreased compared to the 2022/23 financial year.

The **Alfred Nzo DM** is the highest performing municipality in this KPA at **78%** in 2023/24 an increase from **59%** in the previous financial year. It is followed by **O.R. Tambo DM** with overall performance of **75%** in 2023/24 which is an increase compared to **72%** from the previous financial year. **Amathole DM** has improved from **60%** in the last financial year to **68%** in the current financial year. **Nelson Mandela Metropolitan Municipality** has decreased from 64% in the previous financial year to 54% in the current financial year. **Sarah Baartman DM** has decrease from **51%** in the last financial year to **46%** in the current financial year. **Joe Gqabi DM** has decreased from **55%** in the last financial year to **48%** in the current financial year. **Chris Hani DM** performance remains unchanged for both 2022/23 and 2023/24 financial years at **46%**. **Buffalo City Metropolitan Municipality** drastically underperformed from 67% in the 2022/23 financial year to 39% in the financial year under review.

9.4 Observations

- There is a noticeable decline in municipal performance in all Key Performance Indicators under this Key Performance Area, however, there are still municipalities that have constantly improved their performance.
- Some municipalities continue to underreport on these prescribed indicators.
- Most municipalities do not utilise the COGTA indicators that are provided.

6.5 Challenges

The following challenges have been observed during the assessment of municipal performance in 2023/24 financial year.

- Few municipalities recognise that CDW Programme seeks to assist municipalities but do not provide full support to the programme. They refer to it as a departmental (COGTA) function.
- Municipalities not reflecting on the existence of IGR strategy yet mentioning the IGR structures they partake in.
- Under-reporting on the existence of communication strategy
- Failure by municipalities to compare the number of Mayoral Imbizos with the previous financial so as understand the trend.
- Fewer municipalities are conducting fraud and corruption awareness campaigns.

6.6 Support interventions

Having identified the above challenges, the department will provide support by: a

- Reviving of the Memorandum of Understanding for CDW's between COGTA and all Eastern Cape municipalities.
- Encouraging the sitting of CDW monthly Local Roundtables to monitor their performance.
- Encouraging CDWs to submit their monthly reports to municipalities to ensure that service delivery deficiencies are attended to.
- Ensure that CDWs are visible in municipalities.
- Intensify relations between CDWs, municipalities and other stakeholders for effective public participation.
- Encourage municipalities to formalise and enhance their reporting on IGR strategy and fora as it is evident that the structures are in place and mostly operational.
- Through the Provincial Local Government Communicators Forum assist municipalities with development of Communication Strategies and encourage reporting on the availability of the strategy in MEC Reporting Indicators
- For the department through Municipal Public Participation directorate to encourage municipalities to keep record of Mayoral Imbizos conducted in a particular year and do a trend analysis to establish whether there is improvement or regression
- Assist internal audit units and MPAC members in municipalities with capabilities to conduct fraud and corruption awareness campaigns through training.



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EASTERN CAPE
COOPERATIVE GOVERNANCE
& TRADITIONAL AFFAIRS

CHAPTER 7

CONCLUSION



SERVING OUR COMMUNITIES BETTER



Chapter 7

CONCLUSION

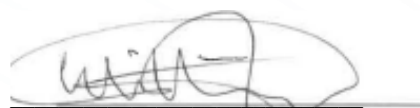
The Department has complied with Section 47 of the Municipal Systems Act as amended, and all municipalities have submitted Section 46 reports except Blue Crane Route municipality. The consolidated municipal performance report of all municipalities in the Province of the Eastern Cape for 2023/24 Financial Year has regressed in some KPAs; however, the KPA on Financial Viability has shown is generally satisfactory as it shows a slight improvement in the year under review. The introduction of the Risk Adjusted Strategy to expedite expenditure on conditional grants by municipalities has spent 98% of the revised budget of 3 405 381 billion.

The department is currently participating in the three-sphere planning (District Development Model) to consolidate and implement key priorities towards local government focus which is an initiative to address failures at local government level and improve service delivery. There has been a notable improvement in the filling of Section 54A and 56 manager's positions in Municipalities, as indicated by fewer vacant positions.

The National Department of Co-operative Governance (DCOG) conducted an assessment of the state of all municipalities in the country. Seven municipalities in the province have been identified as dysfunctional (**Sarah Baartman, Dr Beyers Naudè, Elundini, Dr AB Xuma,**

Ingquza Hill, Walter Sisulu & Enoch Mgijima). Municipal Support and Intervention Plans have been developed in response to the challenges with two (**Walter & Enoch Mgijima**) are implementing Financial Recovery Plans (FRP). The Department will provide additional support to these municipalities in collaboration with other stakeholders such as the Provincial Treasury, SALGA, MISA, District Municipalities and other sector departments.

The Department continues to provide the necessary support to all municipalities to discharge their functions as stated in Chapter 6 and 7 of the Constitution of the Republic of South Africa, 1996. This is intensified by collaborations with all relevant stakeholders through various intergovernmental platforms established by the department.



HONOURABLE Z.A. WILLIAMS
MEMBER OF THE EXECUTIVE COUNCIL
DEPARTMENT OF COOPERATIVE GOVERNANCE
AND TRADITIONAL AFFAIRS
DATE: 16 July 2025

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