



Wes-Kaapse Provinsiale Parlement
Western Cape Provincial Parliament
IPalamente yePhondo leNtshona Koloni

STANDING COMMITTEE ON FINANCE

Reference WCPP 11/6/2

REPORT OF THE STANDING COMMITTEE ON FINANCE ON THE 2024/25 ANNUAL REPORT OF THE PROVINCIAL TREASURY AND ITS ENTITY; THE WESTERN CAPE GAMBLING AND RACING BOARD

The Standing Committee on Finance (the Committee) convened on 31 October 2025 to deliberate on the 2024/25 Annual Report of the Provincial Treasury, and its Entity; the Western Cape Gambling and Racing Board (WCGRB).

1. Provincial Treasury: 2024/25 Annual Report Deliberations

1.1 Introduction

The Minister of Finance and the Head of the Provincial Treasury presented the Annual Report for the 2024/25 financial year. The Minister noted that the Provincial Treasury achieved a lot during the 2024/25 financial year, focusing on long term financial sustainability, fairness, value for money, innovation and trust.

For the period under review, the Provincial Treasury published three major research papers, including the Provincial Economic Review and Outlook, the Municipal Economic Review and Outlook, and the Local Government Budget Performance Review assessing all 30 municipalities. The Provincial Treasury was also able to use data-driven tools to assist with fiscal futures, which in turn allowed the Provincial Treasury to lobby the National Treasury to update the Provincial Equitable Share, thereby also allowing for fairer allocations for provinces. During the 2024/25 financial year, the Provincial Treasury also assisted departments to apply and secure funding for infrastructure from national government in respect of the Budget Facility for Infrastructure (BFI).

The Minister noted that this was the Provincial Treasury's 12th clean audit. Although it was a challenging year, especially given the changes to the national budget process, the Minister was proud of the team and expressed her gratitude for all the officials that contributed to the work of the Provincial Treasury. The Minister also informed the Committee that the Provincial Treasury breached the 30% National Treasury benchmark for total procurement spend to women-owned business for the first time in the Western Cape Government's history. This was a historic moment as it seemed that there was no other government in the world that had achieved this feat.

1.2. Summary of key discussions/concerns

1.2.1 Interventions in municipalities

The Provincial Treasury continued its intervention at the Beaufort West Municipality, which progressed from stage one to stage two of its Financial Recovery Plan (FRP). For the period under review, the Provincial Treasury also started intervention work in Theewaterskloof Municipality, which was then placed under a FRP. The Provincial Treasury then also started the support plan and FRP for Kannaland Municipality.

The Provincial Treasury noted that intervention periods at municipalities differed because municipalities only graduated from intervention once all the criteria of each FRP was met. The municipality would have to show that it has moved from rescue to stability and sustainability. A municipality would remain under an FRP if they did not show any improvements in respect of sustainability.

The Minister further noted that even if Kannaland Municipality concluded every metric contained in the FRP, on time, it would still likely take the municipality five years before they reached financial sustainability. The Provincial Treasury was working with Kannaland Municipality's council to ensure there was proper oversight and that the municipality met all its targets in respect of the FRP.

1.2.2 Engagements with, and support of municipalities

The Committee expressed concern about the support to struggling municipalities. It was noted that one of the Provincial Treasury's strategic priorities was to support municipalities to achieve financial stability and sustainability.

The Minister indicated that the Provincial Treasury assisted municipalities through various support programmes and grants. Municipalities could submit applications for funding; however, the approval of this funding was subject to long term financial sustainability. The Provincial Treasury also offered support in terms of the Financial Management Capability Grant and the Municipal Financial Recovery Services Grant. Many of the grants offered related to revenue enhancement and long-term financial planning. The Provincial Treasury also assisted the Department of Local Government in terms of councillor training and induction.

The Provincial Treasury further provided ad hoc support to municipalities. For example, the Provincial Treasury offered a revenue masterclass to assist municipalities with revenue challenges and long-term planning. The Provincial Treasury also formed part of a budget and governance forum with Members of the Mayoral Committees where all finance concerns were discussed. The Provincial Treasury will also be offering a masterclass or webinar on development charges for municipalities.

The Provincial Treasury also held annual financial statement consistency workshops with municipalities, which did so well that it was being rolled out to all the other provinces, in partnership with National Treasury.

The Provincial Treasury continued to support municipalities in terms of reducing red tape and guiding them on preferential procurement regulations on an ongoing basis. The Provincial Treasury customised the frequency of its engagements with municipalities depending on each one's needs, assisting them with developing credible budget funding plans, and improving collection rates and revenue.

1.2.3 Geopolitical challenges and political instability

During the 2024/25 financial year, the Provincial Treasury noted that there were challenges due to global and local factors such as fiscal constraints, increasing demands for services, geopolitical risks, and political instability.

The Provincial Treasury expanded on the geopolitical risks indicating that the Ukraine war also had an impact on South Africa.

In terms of the reference to political instability, there were 18 hung councils during the year under review, which had implications for how the municipalities were run and the additional support they needed from the Provincial Treasury.

1.2.4 Funded and unfunded budgets of municipalities

During the 2024/25 financial year, 24 municipalities adopted funded budgets because of improved governance arrangements. The Provincial Treasury noted the importance of approved funded budgets, which denoted credible budgets where revenue matched expenditure lines.

For example, in the 2023/24 financial year, Cederberg Municipality had an unfunded budget; however, they have since moved to a funded position. In the 2024/25 financial year, Swellendam Municipality had an unfunded budget, but it has moved to a funded position. Bitou Municipality also moved from an unfunded budget in 2023/24 to a funded budget in 2024/25.

The Provincial Treasury supported municipalities in terms of improving their budget revenue and expenditure and assisted them in adopting funded budgets. The Provincial Treasury also provided advice to municipalities in terms of the accuracy of their financial reporting systems and long-term financial planning.

Eskom's Municipal Debt Relief Programme played a significant role in the relief that enabled some municipalities to move from an unfunded position to a funded position. This was especially the case for the Cederberg and Matzikama Municipalities.

1.2.5 Data accuracy and verification

The Minister noted that all the data was linked to information received from credible sources such as Statistics South Africa and Quantec. For example, the data included in the PERO was linked to the data source, which the Committee could reference if it needed to.

1.2.6 Provincial Equitable Share Formula

The Provincial Treasury continued to lobby National Treasury for updates to the Provincial Equitable Share (PES) formula, indicating that the current PES formula disadvantaged high-growth provinces like the Western Cape. The Provincial Treasury continued to advocate for a full formula review to ensure a fairer allocation of national resources, in line with provinces' population and economic growth.

The Provincial Treasury has argued that the national funding should follow the "feet", because there were many people migrating between provinces. The Provincial Treasury; therefore, wanted a higher weighting of the population data, but also a higher weighting of the economic data, specifically.

1.2.7 Public Private Partnerships

The Provincial Treasury performed an oversight role throughout the Public Private Partnership (PPP) project cycle, assessing factors such as affordability, value for money, and risk transfer during project development. Provincial Treasury also monitored closed PPP deals that were in the implementation stage.

The Minister indicated that PPP was an instrument within the Alternative and Blended Finance (ABF) model. It was the departments' prerogative to formulate a proposal and submit the applications for a PPP. The Provincial Treasury was able to assist a department with the ABF mechanism and assessing

applications for financial viability and risks, but it was that department's responsibility to do the groundwork in terms of that PPP project.

1.2.8 Vacancies

The Committee noted that there was one African male within the organisation's structure. The Provincial Treasury indicated that it would continue to address the challenges posed by elevated vacancies, which had increased demands in its workload. Since the submission of the Provincial Treasury's 2024/25 Annual Report, some vacancies had already been filled. The Provincial Treasury was in the process of seeking approval from Cabinet for some appointments.

The Department of Public Service and Administration's circular 20 of 2024 had an impact on the pace in which the Provincial Treasury could fill its vacancies. There were some governance structures that the Provincial Treasury had to implement before job applications could be considered and vacancies could be advertised and funded.

The approved vacancy rate within the Provincial Treasury in the year under review was 28%, which was quite large for such a small organisation. This was a concern as the vacancy rate was primarily a symptom of structured financing. Going forward, the Provincial Treasury would address this challenge through the strategic prioritisation of critical posts. The Provincial Treasury's Cost of Employment committee would adjudicate the posts for criticality, as well as planning in respect of the retention of capable staff, particularly for employees between the ages of 25 and 36 that were found to be the most mobile and who were often poached.

The Provincial Treasury also offered bursaries to facilitate career progression in critical fields. The Provincial Treasury was also in the process of developing an alternative non-remunerative award policy to boost the morale of staff in the absence of being able to provide performance rewards.

1.2.9 Eskom's Municipal Debt Relief Programme

The Provincial Treasury indicated that there were four municipalities enrolled in Eskom's Municipal Debt Relief Programme. The municipalities were Cederberg, Matzikama, Beaufort West and Kannaland. All four municipalities performed well in the first year of the programme and qualified for the write-off of the first third of their debts. The debts written off totalled R93,1 million.

The municipalities recently concluded the second year of the three-year programme. Municipalities were required to report monthly on their compliance, and the Provincial Treasury was required to assess those monthly reports and report to National Treasury.

During the second year of the programme, the Beaufort West, Matzikama and Cederberg Municipalities strengthened their compliance requirements, while Kannaland Municipality saw a marked deterioration in one of the 41 compliance conditions, which was to make consistent payments to Eskom. The Provincial Treasury has since implemented an FRP at Kannaland Municipality.

1.2.10 Integrated Financial Management System

The Integrated Financial Management System (IFMS) posed a challenge for the Provincial Treasury since there was a moratorium on the IFMS, nationally. The Western Cape Government (WCG) used e-procurement; however, this only allowed for a certain level of transactions. For the WCG to roll out e-procurement for all transactions across all WCG departments, the moratorium had to be lifted, but

this decision was with the National Treasury. The Provincial Treasury has lobbied the National Treasury to lift the moratorium.

1.2.11 National Energy Regulator of South Africa – Gauteng High Court ruling

The Provincial Treasury's Chief Directorate: Local Government Public Finance played a critical supporting role when the Gauteng High Court ruled that the National Energy Regulator of South Africa's (NERSA) methodology for determining municipal electricity tariffs was unlawful. The Court required all municipalities to submit updated Cost of Supply Studies (COSS) alongside their 2024/25 financial year electricity tariff applications. The Court judgment came at the end of July 2024, and the first of the new month was on a Sunday. This meant that the ruling was being communicated to municipalities on non-working days (weekend).

Some municipalities had challenges in terms of revenue loss because they could not implement the new tariff due to the absence of valid COSS. The Provincial Treasury, along with the Department of Local Government, then mobilised all its resources to assist all Western Cape municipalities that lacked valid COSS or funding for COSS, ensuring they developed compliant models and met the submission deadline.

NERSA then indicated that there was a miscalculation of approximately R50 billion, which was not included in the current NERSA proposals in respect of the increase for electricity tariffs for municipalities. The Minister indicated that there was a concern that the R50 billion was going to be placed on municipalities. This concern was raised with National Treasury, as the last issue that was needed for citizens was for the cost of living to increase beyond the ability to pay these expenses, resulting in a further push towards poverty.

1.2.12 The use of consultants

The Committee noted the use of consultants within the Provincial Treasury. The Minister noted that the PERO was now written in-house, while consultants were still used for the drafting of the MERO. The Minister hoped to build the capacity within the Provincial Treasury so that the MERO could be drafted in-house as well; however, this would take some time given the volume of work required to draft the MERO.

The Minister indicated that, where possible, the Provincial Treasury preferred to use its in-house capacity to complete tasks; however, there were areas of work that required capacity that Provincial Treasury did not have, particularly when a task was not part of its day-to-day work. Consultants were mainly used when specific services were needed from time to time.

2. The Western Cape Gambling and Racing Board: 2024/25 Annual Report Deliberations

2.1 Introduction

The Western Cape Gambling and Racing Board (WCGRB) received an unqualified audit for the 2024/25 financial year. The Minister noted that the WCGRB's role was to control and regulate gambling within the Western Cape, and to provide a consistent and effective regulatory environment free from corruption and unlawful gambling and betting activities.

2.2. Summary of key discussions/concerns

2.2.1 Revenue collected from gambling tax

The gambling sector saw a significant growth in gambling taxes. For the year under review, the WCGRB collected approximately R1,7 billion in gambling taxes. Money from Corporate Social Investment (CSI) initiatives totalled approximately R15,9 million.

In 2015, revenue collected from gambling tax amounted to R51 million. Ten years later, gambling tax amounted to R1,7 billion, due to the increase in licence holders. The WCGRB indicated that the growth in revenue could also largely be attributed to online gambling and betting taxes. Unfortunately, an increase in gambling transactions also resulted in an influx of punter disputes, which the WCGRB had to resolve.

2.2.2 Responsible gambling measures and excessive gambling advertising

The Committee noted that there were increased levels of gambling advertising across the province, often targeting vulnerable communities and the youth.

The WCGRB indicated that both the Western Cape Gambling and Racing Act, 1996 (Act 4 of 1996) (the WCGR Act) and its Regulations contained strict prohibitions against false, misleading advertisements, and advertisements targeting youth. All advertisers were also required to include a statement in their advertisements about the dangers of addictive gambling. The WCGRB was also in discussions with the National Gambling Policy Council on how to address this challenge. There were also deliberations on the possible restriction on sponsorships at events where minors might frequent, such as sporting events.

The Western Cape was one of the few provinces where approval was required by the WCGRB before a licence holder in the Western Cape was able to advertise in the province. Unfortunately, the WCGR Act did not make provision for licence holders located in other provinces to seek permission for advertising in the Western Cape. Since approval was not required for other provinces, it was permissible for a gambling establishment located in those provinces to advertise in the Western Cape. For example, a licence holder located in Mpumalanga was allowed to advertise in the Western Cape without the WCGRB's approval.

There were also restrictions about advertising to vulnerable persons; however, the WCGRB noted that the amount of gambling advertising, nationally, appeared to be excessive. The WCGRB also informed the Committee that licence holders were getting quite creative about the way they promoted their products; however, the WCGRB was in the process of addressing this and there were discussions about implementing a minimum criterion for advertising that would be applicable for all provinces. The WCGRB agreed that advertising had to be addressed on a national level.

In terms of responsible gambling programmes, the WCGRB was part of the provincial government Thusong Programme that meets with communities to teach them about problem gambling and responsible gambling. The WCGRB, alongside the South African Responsible Gambling Trust also visited licenced establishments to engage with punters and inform them about responsible gambling.

One of the licence conditions was that each licence holder had to contribute 0.1% of their gross gaming revenue to the South African Responsible Gaming Trust, where the money was used for education, awareness and the treatment of individuals.

2.2.3 Board remuneration and skills retention

The Committee noted the WCGRB's remuneration level, which was among the lowest for provincial entities, making it difficult to attract and retain skilled professionals.

The WCGRB noted that it was evident that the entity had grown tremendously. The staff structure was originally 75 posts; however, an organisational review indicated that the optimal structure for the WCGRB would be 115 posts. The WCGRB was engaging with the Minister and Provincial Treasury regarding additional funding for these posts.

The WCGRB agreed that the retention of staff was a significant problem, as they had lost key staff members to other entities, and even to international organisations. Online betting was also a major growth area, and the lack of resources within the WCGRB placed a great strain on existing staff.

The WCGRB still retained the same number of staff that it did in 2015, despite the significant growth in the gambling industry. A responsible gambling mini division was needed within the organisation to address the issue of problem gambling, especially given the massive growth in the industry.

The WCGRB and Provincial Treasury were working together to address the entity's capacity issues. The Provincial Treasury was meeting with the Department of the Premier to discuss the WCGRB's capacity needs to operate optimally.

2.2.4 Casino relocation application

The WCGRB reported on five casinos that were awarded casino licenses in the Western Cape. During the year under review, the WCGRB also dealt with a case of one of the casino's that applied to relocate to the Metro.

The WCGRB explained that the initial Western Cape Gambling and Racing Policy Determinations, 1999, in particular, the section that spoke to regional exclusivity for the five casinos in the Western Cape, was found to be invalid by the High Court, and could not be effected or enforced. The Court further confirmed that the WCGRB was authorised to consider applications for the relocation of a casino in accordance with the Western Cape Gambling and Racing Act, 1996 (Act 4 of 1996). Tsogo Sun then submitted an application for relocation to the WCGRB. The application was for the relocation of the casino from Caledon to Somerset West. Tsogo Sun motivated for the relocation citing the underperformance of the casino in Caledon and the declining revenue of the establishment.

Since the application for relocation, the WCGRB has embarked on a public participation process requesting comments from members of the public. After much deliberation, the WCGRB granted Tsogo Sun the approval for the relocation, noting the economic benefits for the community, job creation opportunities, tourism, infrastructure development in Somerset West, and CSI contributions.

Tsogo Sun has also committed to upgrading and reorganising the current Caledon Hotel and Spa, including conference facilities, restaurants and bars. There was also a discussion about continuing with CSI initiatives in Caledon, preserving jobs at Caledon Hotel and Spa, and offering current Caledon Casino staff employment opportunities at the new casino in Somerset West.

2.2.5 Rental income and new WCGRB building

The Committee noted that the WCGRB generated an income from renting its building and questioned whether it was within the entity's mandate to do this.

The WGRB explained that when it bought its building, as part of the sale agreement, it included the transfer of an existing lease agreement to the WCGRB; however, this lease agreement expired in April 2025. This was not something that the WCGRB would do in the normal course of its business.

2.2.6 Corporate Social Investment initiatives

The Committee noted that the Western Cape only held five casino licences, and that the Central Karoo was the only area that did not have a casino licence and therefore was not benefiting from CSI initiatives. It was further noted that current licence holders only established CSI initiatives within their surrounding communities.

The Minister indicated that if a casino was located in a particular area, then the community surrounding that area would likely want the CSI to be established in their surrounding areas where the casino could be causing gambling harm, not in a different area that was far from the casino.

The WCGRB clarified that although CSI initiatives were locally focused, organisations could still apply to any casino operator for funding.

3. Committee resolutions

3.1 The Committee, after its deliberations, REQUESTED the following from the Provincial Treasury:

- 3.1.1 A report on the review of the Provincial Equitable Share formula, once a decision has been made on the possible review;
- 3.1.2 A report providing feedback on the moratorium on the Integrated Financial Management System;
- 3.1.3 A report updating the Committee on the Beaufort West Municipality's progress in respect of its Financial Recovery Plan, and a timeline indicating when the Municipality's financial recovery will be completed; and
- 3.1.4 The links/information to the Financial Recovery Plans for the Beaufort West, Kannaland and Theewaterskloof Municipalities.

3.2 The Committee, after its deliberations, REQUESTED the following from the Western Cape Gambling and Racing Board:

- 3.2.1 A report updating the Committee on the filling of the 41 vacancies;
- 3.2.2 A report providing the Committee with a timeline for the completion of the refurbishment of the entity's office; and
- 3.2.3 A report on the relocation of the casino from Caledon to Somerset West, the implications for jobs at Caledon Casino, and the expectations for job creation in Somerset West.

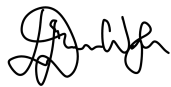
3.3 The Committee RESOLVED the following:

- 3.3.1 That the Provincial Treasury be invited to brief the Committee on the review of the Provincial Equitable Share Formula once a decision has been made on the review;
- 3.3.2 To request progress reports from the Provincial Treasury in respect of the Financial Recovery Plans for the Kannaland and Theewaterskloof Municipalities in the new year; and
- 3.3.3 To visit each of the municipalities under intervention, and to check the progress made in respect of their respective Financial Recovery Plans.

3.4 The Committee FURTHER RESOLVED to invite the Western Cape Gambling and Racing Board to brief the Committee on its spending trends, as well as the spending trends of licence holders in respect of Corporate Social Investment for the past 24 months.

5. Conclusion

The Chairperson expressed appreciation to the Minister, the Head of Department, officials from the Provincial Treasury and the Western Cape Gambling and Racing Board, and the members of the Committee for their constructive engagement.



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CHAIRPERSON: STANDING COMMITTEE ON FINANCE