

2014/15

NEWCASTLE MUNICIPALITY

Mid Year Performance Assessment for the
period ending 31 December 2014



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APPENDIX 1 : SERVICE DELIVERY BUDGET IMPLEMENTATION PLAN 2014/15 as at 31 December 2014

- (A) MUNICIPAL MANAGER
- (B) BUDGET AND TREASURY OFFICE
- (C) COMMUNITY SERVICES
- (D) CORPORATE SERVICES
- (E) DEVELOPMENT PLANNING AND HUMAN SETTLEMENTS
- (F) TECHNICAL SERVICES
- (G) ELECTRICAL AND MECHANICAL

APPENDIX 2 : CAPITAL STATUS REPORT AS AT 31 DECEMBER 2014

APPENDIX 3 : ACTION PLAN TO ADDRESS FINDINGS FOR AUDIT REPORT 2013/14

INTRODUCTION

1.1 In terms of Section 72. (1) of the Local Government : Municipal Finance Management Act, 2003 (Act 56 of 2003) (hereinafter referred to as the MFMA), the accounting officer of a municipality must by 25 January of each year-

- (a) Assess the performance of the municipality during the first half of the financial year, taking into account-
 - (i) The monthly statements referred to in section 71 for the first half of the financial year;
 - (ii) the municipality's service delivery performance during the first half of the financial year, and the service delivery targets and performance indicators set in the service delivery and budget implementation plan;

- (iii) The past year's annual report, and progress on resolving problems identified in the annual report; and
 - (iv) the performance of every municipal entity under the sole or shared control of the municipality, taking into account reports in terms of section 88 from any such entities; and
- (b) submit a report on such assessment to-
- (i) the mayor of the municipality;
 - (ii) the National Treasury; and
 - (iii) the relevant provincial treasury.

1.2 Thereafter, the mayor must, in terms of Section 54. (1)-

- (a) Consider the report;
- (b) Check whether the municipality's approved budget is implemented in accordance with the service delivery and budget implementation plan;
- (c) Consider and, if necessary, make any revisions to the service delivery and budget implementation plan, provided that revisions to the service delivery targets and performance indicators in the plan may only be made with the approval of the council following approval of an adjustments budget;
- (d) Issue any appropriate instructions to the accounting officer to ensure-
 - (i) That the budget is implemented in accordance with the service delivery and budget implementation plan; and
 - (ii) That spending of funds and revenue collection proceed in accordance with the budget;
- (e) Identify any financial problems facing the municipality, including any emerging or impending financial problems; and

(f) Submit the report to the council by 31 January of each year.

1.3 With the concurrence of the Chief Financial Officer, it was agreed that (a) the Finance Directorate would submit a report complying with the financial requirements and dealing with the Mid Year Budget Review and Adjustment Budget for 2014/15 and (b) the Performance Management Section in the Office of the Municipal Manager would compile a report on the performance assessment of service delivery against SDBIP and the Capital Program. Accordingly, this report only deals with the second aspect.

2 EXECUTIVE SUMMARY

2.1 In compliance with section 72 of the Municipal Finance Management Act, 2003, the Mid year performance assessment is submitted to the Mayor and the Executive Committee.

The Performance Assessment at Mid-Year is based on un-evaluated, unaudited information, and includes preliminary assessment on the Organisational Score-card, SDBIP and Capital Progress Report. The reports are subject to change based on additional performance information from departments as part of the engagement and internal audit process. The mid year assessment of the Entity is not included as it was not received at the time that the report was submitted to EXCO. The assessment on the Entity will follow on receipt thereof

A detailed assessment will follow against submitted Portfolio of Evidence, and will be presented as part of the Quarter 2 performance Report for the purpose of highlighting gaps and areas for improvement in performance.

3 CURRENT STATUS OF SERVICE DELIVERY PERFORMANCE AGAINST KEY PERFORMANCE INDICATORS AND TARGETS

Performance on SDBIP's for each of the departments is attached as **Appendix 1** , with the technical preliminary assessment being done on reviewed Actuals against Portfolio of evidence submitted by departments. It should be highlighted, that the non-submission of performance information timeously, or the inconsistencies in reporting from departments, will affect the quality of the report.

This Mid Year performance report is still subject to further engagements with departments based on the preliminary assessment, an internal auditing process and advice from the Audit Committee pending the outcome of the internal audit process. This report is also subject to a formal evaluation process being conducted by the Municipal Manager.

The methodology used for the assessment is based on the rating calculator for Municipal Manager's and managers directly accountable to the Municipal Manager, as well as the Dashboard used by the Auditor-General. The Score-cards were reviewed against actuals reported against submission of Portfolio of evidence.

3.1 SERVICE DELIVERY BUDGET IMPLEMENTATION PLANS(SDBIP)

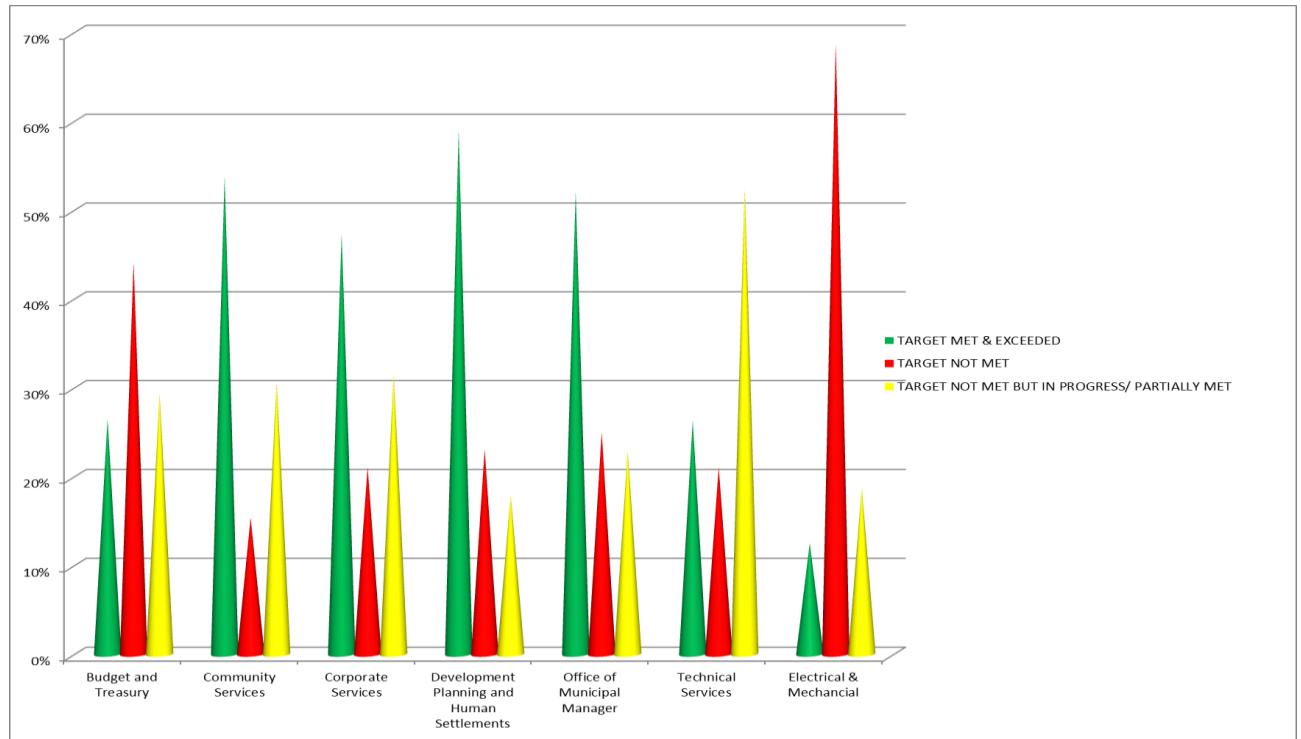
The following table and graph illustrate the performance on SDBIP's by Department :-

DEPARTMENT	TARGET MET & EXCEEDED	TARGET NOT MET	TARGET NOT MET BUT IN PROGRESS/ PARTIALLY MET	TOTAL NUMBER OF KPI'S
Budget and Treasury	9	15	10	34
Community Services	14	4	8	26
Corporate Services	9	4	6	19
Development Planning and Human Settlements	23	9	7	39
Office of Municipal Manager	25	12	11	48
Technical Services	5	4	10	19
Electrical & Mechancial	2	11	3	16
	87	59	55	201
	43%	29%	27%	100%

The total number of KPI's on the performance score-cards (Departmental SDBIP's) is 201 (relevant and applicable) of which targets on the score-cards forms the basis of this assessment.

From the table above, 87 KPI's (43%) of targets have been met for the period under review, with 29% of targets either partially met or still in progress. 29% of the targets are not met at all where an intervention is required.

The following is a Graphical representation of performance by Department.



4 PROGRESS ON THE IMPLEMENTATION OF THE CAPITAL PROGRAM 2014/15

A detailed capital status report highlighting the status of the capital program for July to December 2014 is included as Appendix 2.

The performance of the capital program as at mid year is illustrated below :

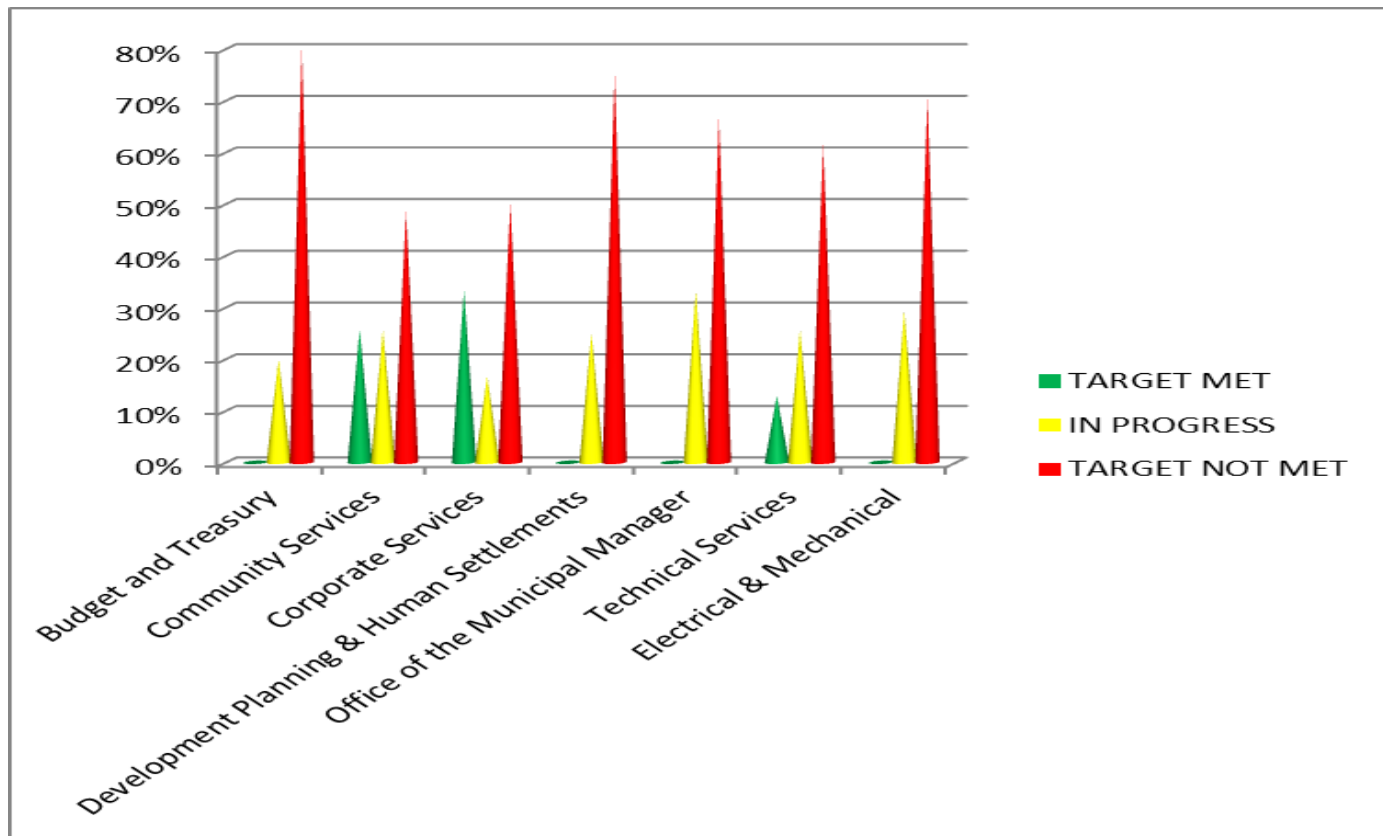
DEPARTMENT	TARGET MET	IN PROGRESS	TARGET NOT MET	TOTAL NUMBER OF PROJECTS
Budget and Treasury	0	1	4	5
Community Services	9	9	17	35
Corporate Services	2	1	3	6
Development Planning & Human Settlements	0	3	9	12
Office of the Municipal Manager	0	1	2	3
Technical Services	9	18	43	70
Electrical & Mechanical	0	5	12	17
	20	38	90	148
	20	38	90	148
	14%	26%	61%	

The total number of projects under review is 148 of which 14% of projects are on target or have already been completed. 26% of the projects are in progress, however many of the projects are not aligned to the cash flow projections approved at the beginning of the financial year. 61% of the projects are either behind schedule or have not commenced- contrary to the cash flow projections and project implementation plans approved at the beginning of the financial year which is indicative of a slow paced capital programme. Furthermore, cash flow projections for in year appropriations and roll over projects are either not submitted, or does not align to the total project allocation. Project implementation plans for the revised budget in most instances are outstanding or incomplete – limiting the ability to monitor these projects effectively and therefore to report accurately on performance thus far. Non submission of reports and / or evidence also impacts negatively on the performance of projects.

Whilst reasons for variance and recommended corrective action have been specified for some projects that challenges are being experienced against, adjustments through roll-overs as indicated for many projects are unavoidable. There is also a need to identify savings on certain projects to further reduce the cash flow challenges experienced by the municipality. Delays in the sourcing of external loans, and the limitation of bridging finance for the capital program, further inhibits progress on the capital program. It is therefore necessary to secure loan funding earlier to ensure that the capital program is implemented timeously.

Furthermore, project Implementation plans encouraged as a tool to be used for the planning and monitoring of projects against cash flow projections are not being utilized effectively. Interdepartmental co-ordination and co-operation is also encouraged at the planning stage to ensure alignment with planned targets.

For this purpose, joint door-to-door visits to departments between Office of the Municipal Manager and Budget and Treasury Office are encouraged. Regular Extended Manco's and EXCO meetings are encouraged through eliminate challenges experienced with internal communication as an intervention.



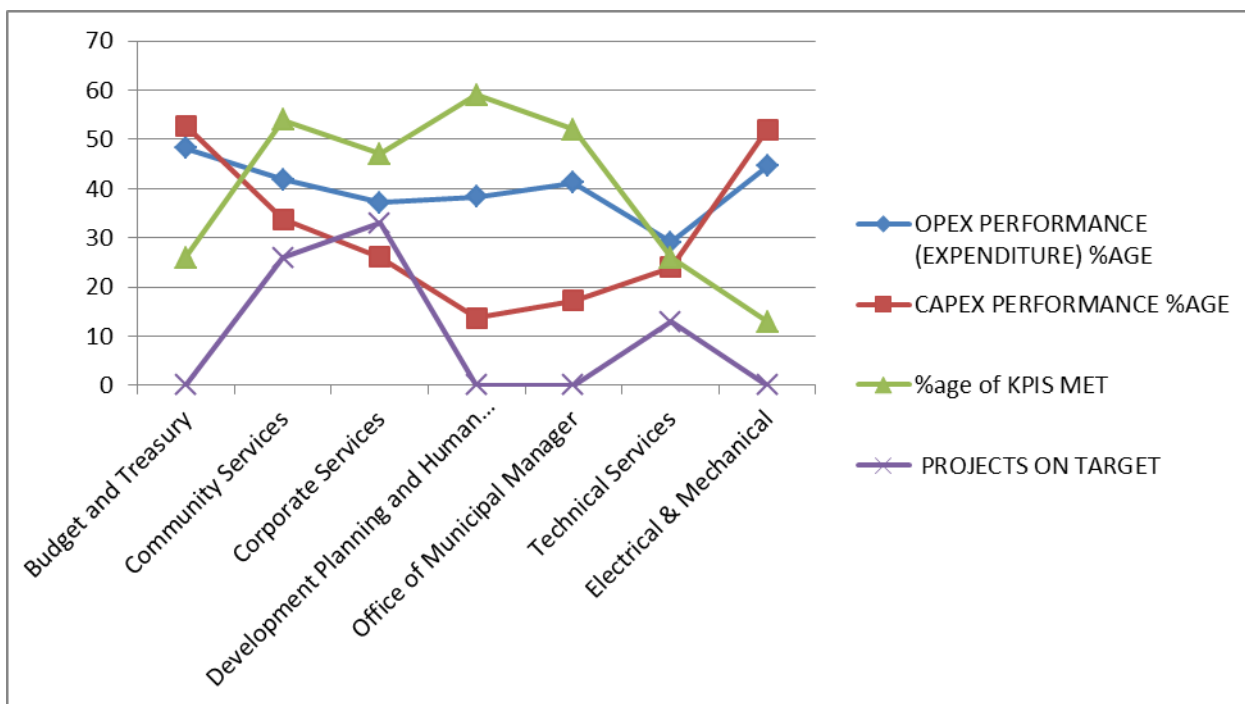
The table below shows actual YTD performance as at December 2014 against Budget 2014`15 :

DEPARTMENT	BUDGET OPEX (Rm)	OPEX PERFORMANCE (EXPENDITURE) YTD (Rm)	OPEX PERFORMANCE (EXPENDITURE) %AGE	BUDGET CAPEX(Rm)	CAPEX PERFORMANCE YTD (Rm)	CAPEX PERFORMANCE %AGE
Budget and Treasury	79,393,686	38,287,916	48%	2,862,194	1,512,328	53%
Community Services	283,066,315	118,494,480	42%	46,261,273	15,602,553	34%
Corporate Services	157,765,878	58,702,296	37%	193,665,612	50,514,399	26%
Development Planning and Human Settlements	57,866,638	22,158,012	38%	36,825,095	5,048,129	14%
Office of Municipal Manager	61,968,588	25,550,713	41%	2,534,965	437,750	17%
Technical Services	701,119,032	204,215,603	29%	201,893,257	48,498,607	24%
Electrical & Mechanical	524,543,495	233,500,133	45%	34,731,246	18,059,870	52%
TOTAL DECEMBER 2014	1,865,723,632	700,909,153	38%	518,773,642	139,673,636	27%

The following table and graph illustrates the comparison between the financial performance (Opex and Capex) and the non-financial performance (SDBIP targets met and Number of projects on target as per PIP) :

DEPARTMENT	OPEX PERFORMANCE (EXPENDITURE) %AGE	CAPEX PERFORMANCE %AGE	%age of KPIS MET	PROJECTS ON TARGET
Budget and Treasury	48	53	26%	0%
Community Services	42	34	54%	26%
Corporate Services	37	26	47%	33%
Development Planning and Human Settlements	38	14	59%	0%
Office of Municipal Manager	41	17	52%	0%
Technical Services	29	24	26%	13%
Electrical & Mechanical	45	52	13%	0%

The graph below compares financial and non-financial performance :



5 PROGRESS ON RESOLVING PROBLEMS IDENTIFIED IN THE 2012/13 ANNUAL REPORT

5.1 MPAC had the following reservations :

ISSUE	COMMENT
1. Qualified Audit Opinion by Auditor-General	Unfortunately, a qualification was once again obtained by Auditor-General. Whilst many of the issues raised in previous audits were not raised, the management interventions with KPMG are on going to resolve outstanding issues. An action plan on the AG report is also attached
2. Debt Collection	The 10 point debt management plan is being reviewed in line with approved revenue enhancement strategies.

Outstanding and/or ongoing issues is included in the AG Action plan for 2013/14 .

6 PERFORMANCE OF MUNICIPAL ENTITIES

6.1 The Mid Year Performance Assessment of Uthukela Water (Pty)Ltd as is required in terms of section 88 of the MFMA was not received at the time that this report was being compiled and will be included on receipt thereof.

7 OBSERVATIONS

1. The Assessment is based on Un-evaluated and Un-audited Performance information
2. The Actual in respect of reportable indicators have not been given in certain instances. For the purpose of this assessment, it is assumed that where there is no Actual specified that the target was

not achieved. Where no evidence is provided in support of actuals reported and reasons for variance – this has been assessed as non-performance.

3. The revision of KPI's and targets on assessment was necessary due to technical irregularities and/or omissions on the approved SDBIP's as identified to the audit of the PMS. The score-cards are still subject to a refinement process as recommended by the Audit Committee. This will be addressed during the revision of SDBIP's to be complied with on approval of the Adjustment budget
4. Departments ability to report timeously and provide relevant portfolio of evidence has impacted drastically on the non-attainment of targets. Poor record keeping and inadequate administrative systems within departments are contributing to the poor quality reporting. This has a negative impact on the monitoring process. Furthermore, more regular reporting, monitoring and review processes need to be practiced by senior managers to ensure that targets set are realistic and attainable.
5. Staff turnover impacts negatively on performance, and continuity in respect of administrative processes relating to performance impacts on the quality of performance information.
6. Delays in Supply chain management processes impact negatively on performance of projects.
7. Interdepartmental co-ordination is weak and impacts negatively on performance.
8. Performance on the capital program is dependent on the availability of funds (revenue and external funding), effectiveness of internal SCM processes, and the internal Human resource capacity;
9. There is no approved framework for the monitoring of the Entity ;

8 RECOMMENDATIONS BY MUNICIPAL MANAGER

- (a) That the Mid Year Performance assessment submitted in terms of section 72 of the Municipal Finance Management Act (Act 56 of 2003) be noted for onward submission to National and Provincial Treasury ;
- (b) That Directorates re-align the Mid-Year Review to Monthly Projections of expenditure on the Operational and Capital budget based on the Midyear assessed SDBIP's;

- (c) That as a key intervention area, monthly capital status reports be presented to EXCO – after technical assessment by the Performance Management Unit- and that a special EXCO be convened for this purpose;
- (d) That SED's comply with monthly reporting & monitoring requirements to ensure compliance with all targets ;
- (e) That internal project management processes be improved to ensure effective implementation of the capital program – this includes alignment with the Procurement plan,
- (f) That a standard operating procedure for SCM be developed emphasizing turn around times for each step in the process
- (g) That the functionality of the SCM committees be monitored and/or reviewed
- (h) That the gaps identified in terms on non-alignment of cash flow projections to the budget be finalised immediately by departments;
- (i) That the progress report on the Auditor-Generals Report 2011/12 be noted;
- (j) That revisions on the SDBIP's forming part of the Mid Year assessment (where applicable) be approved, and Performance Agreements of section 57 employees be amended accordingly.

K MASANGE (MR)
MUNICIPAL MANAGER