



NEWCASTLE MUNICIPALITY

Annual Performance Report 2015/16

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MUNICIPAL MANAGER'S FOREWORD



BE Mswane

The 2015/16 financial year has indeed been a roller coaster year for the municipality! This Annual performance report illustrates not only the service delivery achievements of the municipality, but also highlights some of the many administrative, governance and service delivery challenges experienced for the year under review.

Some of these challenges can primarily be attributed to the high vacancy rate in top management for almost 2 years now, the impact of an intensive re-engineering process and the need to prepare for the incoming Council. Newcastle is also not immune to the global economic recession and this put pressure on the financial resources of the municipality.

Despite these challenges, the Newcastle Municipality has not failed to maintain service delivery standards in the year. Whilst there are serious infrastructure challenges in so far as ageing infrastructure is concerned, interventions were implemented to ensure that our communities were not unnecessarily inconvenienced for prolonged periods of time.

The year under review have also seen many achievements and accolades for the municipality. One of which is the much anticipated completion of the Newcastle Tower

Block – the biggest investment that this Council has made to ensure a one-stop service to our communities. This has changed the landscape of Newcastle forever!!!

The municipality also launched many of the projects that were finalised in this term of office of Council, and we are proud of the impact that these are having in our communities.

Administratively, our biggest challenges have been to address the qualified audit opinion from Auditor-General for the 2014/15 Financial year ; and improving our payment factor and debt collection. It is indeed a proud moment to announce that Newcastle Municipality have improved on a qualified audit outcome since 2008/2009 to an “UNQUALIFIED “audit outcome for the 2015/16 financial year. This has indeed been our greatest achievements in a long time!!! Rest assured – all sleeves are still rolled up to ensure that we do not regress, and continue to work towards an ideal of Clean audit outcome.

I am also pleased to announce that revenue enhancement strategies have yielded a positive increase of 2% on the payment factor in the year under review, and we continue to intensify strategies to ensure that we reduce debt and increase revenue towards a financially viable municipality.

2015/16 also was a year in which organisational re-engineering became a priority emanating from labour disputes late in the previous financial year. It is pleasing to announce that the long awaited placement and job evaluation process is now finalised – with only appeals being considered to close out the process.

I take this opportunity through this Annual Performance Report 2015/16 to congratulate the outgoing Council on the dedication shown to ensuring that Newcastle Municipality progresses towards a MODEL CITY. I also welcome the newly elected Council, and look forward to continuing the good work of our predecessors. We embrace the challenges expressed in this report as an opportunity to ensuring good and accountable local government.

Bhekani Errol Mswane (Mr)
Municipal Manager

INTRODUCTION

BACKGROUND TO MUNICIPAL PERFORMANCE REPORTING

The Newcastle Municipality's Annual Performance Report 2015/16 is compiled in terms of the legislative requirements of Chapter 6 of the Municipal Systems Act, 32 of 2000 and Chapter 12 for the Municipal Finance Management Act, 56 of 2003. The Municipal Systems Act prescribes the role of each sphere of government in the municipal performance reporting process.

PURPOSE OF THE REPORT

The main purpose of this report is to account to MEC for Local Government, Provincial legislature, NCOP, Minister of Cooperative Governance and Traditional Affairs, National Treasury, Auditor-General and to the citizens of South Africa on progress being made by municipalities towards achieving the overall goal of "a better life for all". Furthermore, the report is a key performance report to the communities and other stakeholders in keeping with the principles of transparency and accountability of government to the citizens. It subscribes to the South African developmental nature of participatory democracy and cooperative governance and responds to the principles of the Constitution, Batho Pele, White Paper on Local Government, MSA and the MFMA.

THE ASSESSMENT PROCESS AND THE METHODOLOGY FOLLOWED IN COMPILING THE REPORT

According to the provisions of the Municipal Systems Act, 32 of 2000, municipalities must monitor and measure the progress of their performance by preparing quarterly and mid-year performance reports, in terms of Chapter 6 of the MSA, on performance management systems. These quarterly and mid-year reports make up the municipalities' annual performance reports (Section 46 report), which are submitted to the Auditor-General, together with the financial statements, for auditing. After adoption of the audited performance report by the municipal council (a component of the Annual Report), it must then be submitted to the MEC for Local Government.

LEGISLATIVE OVERVIEW

Section 46 of the Municipal Systems Act requires a municipality to prepare for each financial year a performance report reflecting–

- ❖ The performance of the municipality and of each external service provider during that financial year;
- ❖ A comparison of the performances referred to in paragraph (a) with targets set for and performances in the previous financial year; and
- ❖ Measures taken to improve performance

An annual performance report must form part of the municipality's annual report in terms of Chapter 12 of the Municipal Finance Management Act.

Every attempt has been made to align the submission of this Annual Performance Report with the submission of the Annual Financial Statements for the Office of the Auditor-General.

DEVELOPMENT STRATEGY

The Development strategy for the NLM is designed to fit-in and give effect to the intention of both the national and provincial development strategies. This includes a national development plan (Vision 2030) and various government programs. NLM IDP also fits within the provincial development framework as set out in the PGDS. The NLM strategy covers the following:

- Strategic fit (alignment with national and provincial development strategies).
- NLM long-term strategic direction and organizational culture.
- NLM short to medium term strategies and action plans.

ALIGNMENT WITH NATIONAL AND PROVINCIAL STRATEGIES

STRATEGIC FIT: NATIONAL

The strategic approach is meant to highlight the impact that the municipality seek to create in the short to long term period. As indicated in the IDP, in addition to outcome 9, the NLM will contribute to the attainment of outcomes 2, 4, 5, 6, 8, 9, 10 and 12 with the 5 KPA as the strategic areas for intervention. As such, the development strategy for the NLM is designed to address issues that are specific to the NLM while also contributing to the attainment of the national and provincial priorities.

LOCAL GOVERNMENT TURN AROUND STRATEGY





In line with the National Turnaround strategy, the Newcastle Municipality also strives to address the turnaround priorities as identified below. The PMS of the municipality caters for the monitoring of targets set against these activities as included in the IDP.

The outcomes of meeting these objectives as identified by the Local Government Turnaround Strategy include:

- The provision of household infrastructure and services
- The creation of liveable, integrated and inclusive cities, towns and rural areas
- Local economic development
- Community empowerment and distribution

Accordingly Newcastle Municipality has prioritised the following as part of the municipal turnaround strategy:

- Service Delivery (Maintenance existing levels, Rehabilitation of infrastructure and backlogs)
- Fast Track Sustainable Human Settlements through Housing and Rural Development Program
- Develop Consolidated Infrastructure Plan and Capital Investment Plan for implementation
- Debt Management – increase payment factor
 - ✓ Revenue enhancement
 - ✓ Debt Control
 - ✓ Revenue Collection
- Integration and Co-ordination (Establishment of Economic Forums)
- Clean Audit by 2014

-  Intergovernmental relations
-  Identify infrastructure that support economic development
-  Development of Communication Strategy
-  Halving poverty and unemployment by 2014

LOCAL GOVERNMENT BACK TO BASICS PROGRAMME

Local government is the sphere of government which is closest to the people. It is also the gateway to service delivery and the platform where most citizens get to interface and interact with government. The vision of a developmental local government system was that it would be the building block on which the reconstruction and development of the country and society was to be built. It was also a place in which the citizens of South Africa could engage in a meaningful and direct way with the institutions of the state. A number of issues related to governance within the local sphere have emanated over the years hence necessitating efforts that support, educate and where needed, enforce implementation. In light of the issues related to the local sphere of government, the transformation of the government sectors thereof remains a priority.

According to the National Development Plan, achieving South Africa's transformation agenda requires functional municipalities and a capable machinery at a local level that can create safe and healthy economically-sustainable areas where citizens and people can work, live and socialize. Therefore, it is vital to understand where South Africa is, where the country could be and what needs to be done in order to achieve the developmental vision of the country. The goal of Government is to improve the functioning of municipalities in order to effectively render meaningful basic services to communities by getting the basics right. Since the decentralized system of local government was put in place in 1995, as enshrined in the country's Constitution (i.e. as a 'distinctive, interdependent and interrelated' sphere of government), much has been achieved towards building local government.

National Government has provided support to the system of local government through the development of world-class local government legislation and policy, supported by a transparent system of intergovernmental grants that enable municipalities to perform their

roles. Furthermore, a wall to wall system of municipalities has been developed for the sole purpose of integrating communities that were previously divided by the apartheid regime. The Local Government White Paper put forward a vision of local government as a key component of the developmental state, and in pursuit of that vision, services have been progressively extended to more citizens than ever before.

His Excellency, President Jacob Zuma, in his State of the Nation Address delivered on the 17th of June 2014, articulated Government's concerns regarding improvements needed at local government level. As part of Government's plan of action to revitalize local government, President Jacob Zuma stated that *"South African municipalities are built on a firm foundation, built over the last 20 years of democracy. We have evaluated all our municipalities. We have inspected their financial management, how they work within legislative processes as well as their ability to roll out projects and to address capacity constraints. We have also looked at how they respond to service delivery protests. There have been many successes in many municipalities. However, we face a number of challenges."*

Therefore, against the backdrop of the statement by His Excellency - President Jacob Zuma, the Ministry of Cooperative Governance and Traditional Affairs is pursuing the Back to Basics Approach in order to address the challenges that are faced by local government, and also to strengthen municipalities and instill a sense of urgency towards improving the lives of citizens. The Back to Basics Approach is premised on the recent review of all the 278 municipalities within South Africa, which established three groups of municipalities namely the Top Group, the Middle Group, and the Lower Group. In terms of the Back to Basics Approach, clear benchmarks are set and these are directed towards increasing performance in Government's efforts to ensure that all municipalities perform these basic functions without compromise.

Furthermore, the Back to Basics Approach is of significance because it also supports a transformation agenda which is premised on the need to ensure functional municipalities as outlined by the Minister of Cooperative Governance and Traditional Affairs in his 2014 Budget Vote. The approach is informed by the Constitution, legislation and programmes that are intended at streamlining a new agenda aimed at changing Government's approach

and strategic orientation especially at a local level towards serving the people whilst ensuring service delivery.

As part of Government's efforts to recognize and adequately reward good performance and ensure sufficient consequences for under-performance, the Department of Cooperative Governance (DCoG) has developed a set of indicators to be reported on a monthly basis as per the pillars of the Back to Basics Approach. These indicators will functions thus to measure whether Newcastle Municipality is performing in terms of the basics and these are as follows:-

- Putting people first;
- Delivering basic services;
- Good governance;
- Sound financial management; and
- Building capable local government institutions.








Following the first Back to Basics reporting template sent in terms of the Department of Cooperative Governance Circular No. 47 of 2014, Newcastle Municipality's reporting template is attached as **Appendix 5** . According to the circular, Newcastle Municipality is obliged to furnish the Minister of COGTA with information on a monthly basis in order to assist in the analysis of the state of local governance within South Africa, and also to afford COGTA the opportunity to make an informed assessment to support and intervene where needed. For the purpose of this report, as most KPI's were not included in the approved PMS, a portfolio of evidence was not retained and was not subjected to a monitoring and review process.

LOCAL GOVERNMENT OUTCOME 9

The national government has adopted an Outcomes Based Approach to development as a means to focus government initiatives and manage public expectations. Based on the Medium Term Expenditure Framework (MTEF), Outcome 9 deals with local government and affects Newcastle Municipality directly. It moves from a premise that local government is a key part of the reconstruction and development effort in South Africa, and that aims of

democratizing society and growing the economy inclusively can only be realized through a responsive, accountable, effective and efficient local government system that is part of a developmental state. The Newcastle Municipality PMS also supports Outcome 9 and specific KPI's aligned to outputs specified below are included in both the Organisational scorecard and SDBIP's.

The government has identified the following outputs for Outcome 9:

-  Output 1: Implement a differentiated approach to municipal financing, planning and support.
-  Output 2: Improving access to basic services
-  Output 3: Implementation of the Community Work Programme
-  Output 4: Actions supportive of the human settlement outcome
-  Output 5: Deepen democracy through a refined Ward Committee Model
-  Output 6: Administrative and financial capability
-  Output 7: Single window of coordination

PRIORITY ISSUES AS IDENTIFIED IN THE 3RD GENERATION IDP

- ☐ Delivery of human settlements – housing
- ☐ Upgrading and expansion of existing infrastructure
- ☐ Inefficient spatial integration and poor land use management.
- ☐ Poverty and unemployment.
- ☐ Rural development and Urban renewal
- ☐ Public participation and Governance
- ☐ Insecurity of land tenure
- ☐ Infrastructure investment Program
- ☐ Debt collection and management

VISION, MISSION AND CORE VALUES

The following vision and mission statement for Newcastle Municipality were formulated at a strategic planning session with active participation of both the political and administrative components of the municipality. The vision commits the municipality to sustainable, integrated, equitable and effective development.

NEWCASTLE MUNICIPALITY DEVELOPMENT VISION



MISSION STATEMENT

Newcastle Municipality commits to the following mission Statement:

- Render sustainable services
- Creating an environment conducive to economic growth.
- To become the Regional Centre for Investment attraction for Northern KZN.
- Improve service delivery.
- Offer good governance and public participation.
- Best ITC municipality in the local government sphere

LESSONS LEARNT IN 2015/16

Reporting requires that the priorities of the organisation, its performance objectives, indicators, targets, measurements and analysis, are taken and presented in a simple and accessible format, relevant and useful to the specified target groups for review. While it is important that the reporting formats are relevant, useful and cater for the reader's need in reviewing performance, the existence of too many reporting formats can become both confusing and burdensome to the organisation. The ideal situation is the existence of one reporting format that contains the necessary information for all users, yet remains simple and accessible to all users. This was done using a basic Excel spreadsheet.

In the year under review, every attempt was made to align the planning and reporting template with KPI's from the National Treasury through the IDP process, and then subsequently at Mid-Year Review with the Back to Basics programme. This became rather confusing and frustrating for departments who were already accustomed to KPI's from previous years which were also aligned to the IDP, which may have been phrased differently.

It is also apparent that in order for an effective PMS, it is necessary for all stakeholders to be involved in the planning, monitoring and review process. Of specific note is the need for the streamlining of oversight activities by the Council and Community through processes specified in a framework to be aligned to other key strategic processes of the organisation. Furthermore, the need for a National and Provincial reporting system integrated with local government is re-iterated for the purposes of mainstreaming of national programmes and reporting requirements.

Perhaps one of the critical factors influencing performance in the organisation is the value chain and instilling a culture of performance. This would include amongst others - change management and team building techniques, awareness of and practicing of Batho Pele principles and a Code of Ethics. Leadership and management processes are key to ensuring an outcome driven entity with recognition and acknowledgment systems being implemented. In the year under review, the organisational re-engineering, budget cuts, and the high vacancy rate in top management negatively impacted on the quality of performance reporting. It is therefore deemed appropriate to ensure that together with skills development and change management processes, performance management is cascaded to all levels of employees once the re-engineering process is finalised.

For the performance Management process to be efficient, it is necessary for an automated system to be implemented to ensure accurate reporting that is aligned to financial reporting processes. This must be followed by effective risk management and internal audit processes to ensure that review mechanisms are implemented timeously. For the year under review, the need to align with other governance processes was emphasised through the PMS process. Unfortunately, institutional challenges amongst others, contributed to inadequate monitoring mechanism for governance related issues. It is therefore necessary to ensure that when the PMS is automated, that it interfaces with the governance systems, including amongst others a project management module, GIS and financial systems.

The institutional arrangements within the organization must be such that it supports the process. This would include sufficient capacity to lead the process and to ensure that compliance issues are administered. The need for each department to also identify performance champions administratively to co-ordinate performance information to support performance managers and leaders is critical for ensuring compliance with reporting requirements. This would include adequate administrative systems such as record keeping, consistency with administrative support officials. Furthermore, ongoing awareness and training is necessary to ensure that the entity is abreast of all performance related issues and how this integrates into other municipal processes. This was affirmed by the Audit Committee, resolving that no interns be used to co-ordinate PMS reporting in departments and that a co-ordinator in departments with administrative functions be nominated by each department. This continues to be a challenge in most departments resulting in lack of consistency in quality reporting.

Of critical importance is the need for top and senior management posts to be filled to ensure management and leadership in so far as performance management processes are concerned. This is necessary especially in terms of motivating a goal orientated environment, quality control in respect of reporting and monitoring, review and submission of evidence and more importantly ensuring accountability at a senior management level. Actions plans in so far as the filling of critical posts must be implemented to meet the targets as specified in the SDBIP, including reducing the turnaround time for the filling of these posts. The vacancy rate in levels of senior management and operationally within the organisation also impacts negatively on performance. This is re-affirmed by Audit Committee recommendations that the use of interns for supporting the performance management process had to be reversed to ensure accountability at a management level, and to improve the quality of reporting. Of course these factors must be taken into account when aligning targets to resources available. The PMS unit have in the year under review

introduced a “*Monitoring and Evaluation Checklist*” to support KPI and project owners review of performance information to meet the basic requirements of the PMS. It was designed also to support the monitoring and evaluation process. The pilot process of the checklist was not entirely successful as departments opted to use traditional methods of submission of performance information – thus contributing to poor quality reporting. The success of this new support approach is dependent on effective and functional senior management at a strategic and operational level. It is incumbent on both management and Council to ensure a resource orientated monitoring and evaluation environment.

The role of the PMS unit as defined in the PMS Framework was operationally reviewed in the year under review to that of supporting departments to ensure quality reporting. This is also dependent on the co-operation and buy-in of officials in departments working with performance information and proved challenging in an organisational with institutional and transformational challenges. Furthermore – skills capacity and competencies in the PMS unit is evolving more towards analytical and audit orientated – as opposed to primarily administrative as is contained in the job requirements for key positions within the unit. It is necessary for the relevant skills development programmes to also be extended to all relevant officials in department to improve quality of performance processes.

The need for improved Intergovernmental relations to ensure streamlining of performance based reporting processes is also necessary This would require that all spheres of government to integrate and co-ordinate these reporting requirements through the identification and rationalization of key performance indicators aligned to the National Growth Path. Furthermore the alignment to the national government Medium Term Strategic Framework and national priorities is necessary to ensure that all spheres of government are striving to common goals and targets. It is also deemed appropriate for a common reporting, monitoring and assessment process be developed for all spheres of government in respect of specific key intervention /performance areas.

ORGANISATIONAL SCORE-CARD 2015/16 ANALYSIS

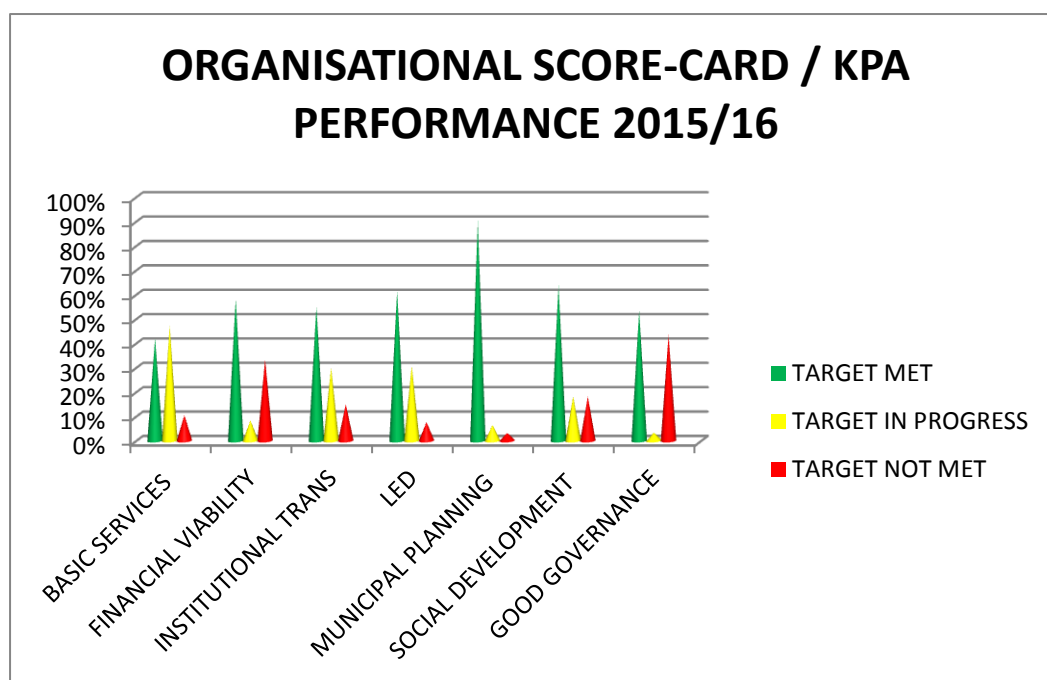
The above-mentioned strategic priorities as identified in the IDP, cascades into the performance management system of the municipality through the a 5 year organisational score-card (**Appendix 1**).

For the 2015/16 financial year, a total of 147 key performance indicators (relevant and applicable) are evaluated against targets set as summarized below:-

ANNUAL ANALYSIS 2015/16								
KPA	BASIC SERVICES	FINANCIAL VIABILITY	INSTITUTIONAL TRANS	LED	MUNICIPAL PLANNING	SOCIAL DEVELOPMENT	GOOD GOVERNANCE	
TARGET MET	3	5	7	5	18	9	12	59
TARGET IN PROGRESS	9	1	6	4	2	4	1	27
TARGET NOT MET	2	4	3	1	1	4	13	28
TARGET OVER ACHIEVED	5	2	4	3	10	5	4	33
TOTAL KPIS	19	12	20	13	31	22	30	147

From the above 63% Of targets were achieved ,of which 23 % was exceeded for all key performance indicators on the organisational score-card linked to the IDP. This is a regression from the 75% targets met from the previous financial year. 37% of targets were not achieved, with 18 % of targets being partially achieved or still in progress and 19 % not met at all.

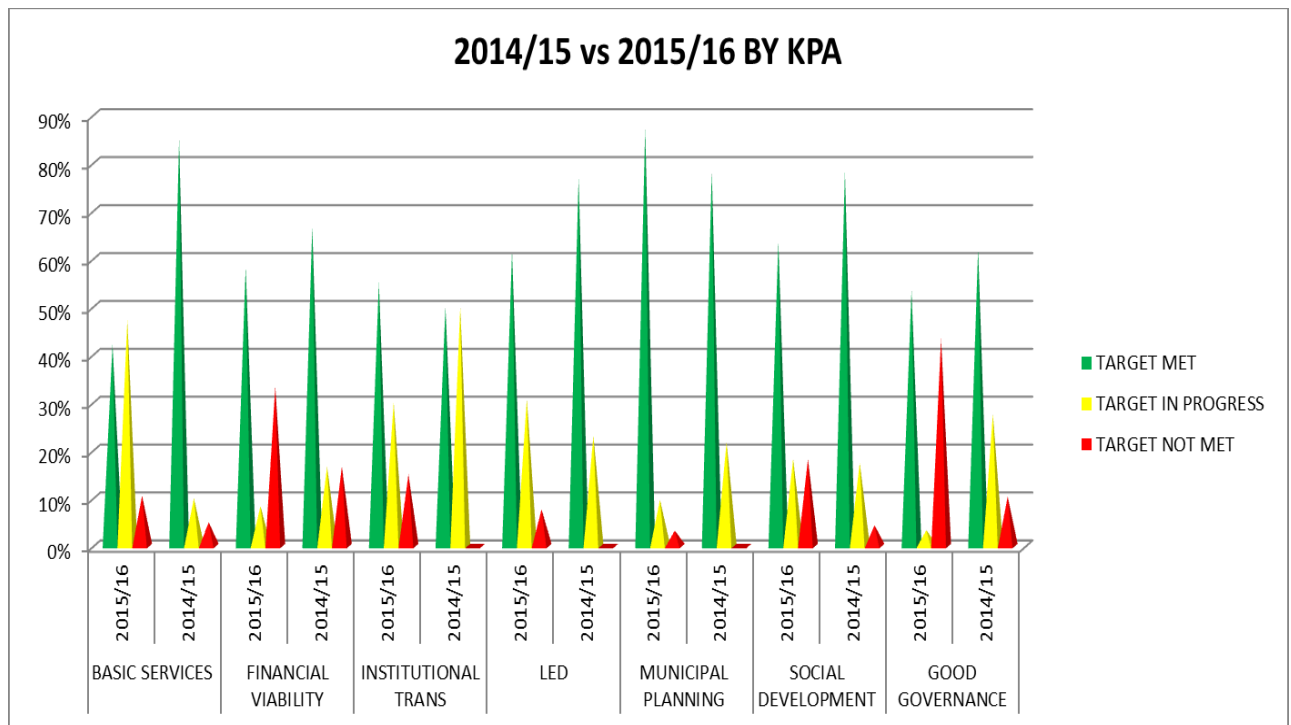
2015/16 KPA PERFORMANCE



Where performance was not reported and/or reported but was not backed with relevant, sufficient or accurate evidence, the target was deemed to have not been achieved or still in progress.

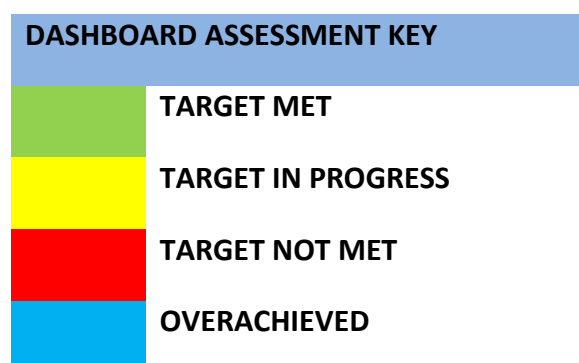
The graph below illustrates the performance against each KPA as included in the organisational score-card for the 2015/16 compared to performance for the same KPA in the previous financial year.

KPA PERFORMANCE 2014/15 Vs 2015/16



Performance on SDBIP's for each of the departments is attached as **Appendix 2** , with the assessment being done on reviewed Actuals against Portfolio of evidence submitted by departments. An internal audit process was carried out.

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 illustrations used by the Auditor-General. The Score-cards are reviewed against actuals reported against submission of Portfolio of evidence which is also subject to an internal audit process. Where a target was not met, an evidenced Reason for the variance was required together with recommended corrective action to be taken to ensure that the target was to be pursued further. For the purpose of this report only the Dashboard results will be highlighted in terms of :



The progressive performance for all 4 quarters was assessed against the annual target to determine the annual actual – and thus annual performance.

The Draft Reports were communicated with all departments allowing departments to respond to the technical assessment . Further engagement is pending the outcome of the internal audit process. Door-to –door visits were conducted to allow departments to clarify areas of contention and to agree with the dashboard status as assessed. Departments used the opportunity to fill in gaps identified. Furthermore, departments continued to submit performance information to the PMS

unit during the internal audit process. This information was accepted and reviewed accordingly where it improved performance against the dashboard as assessed by the PMS unit.

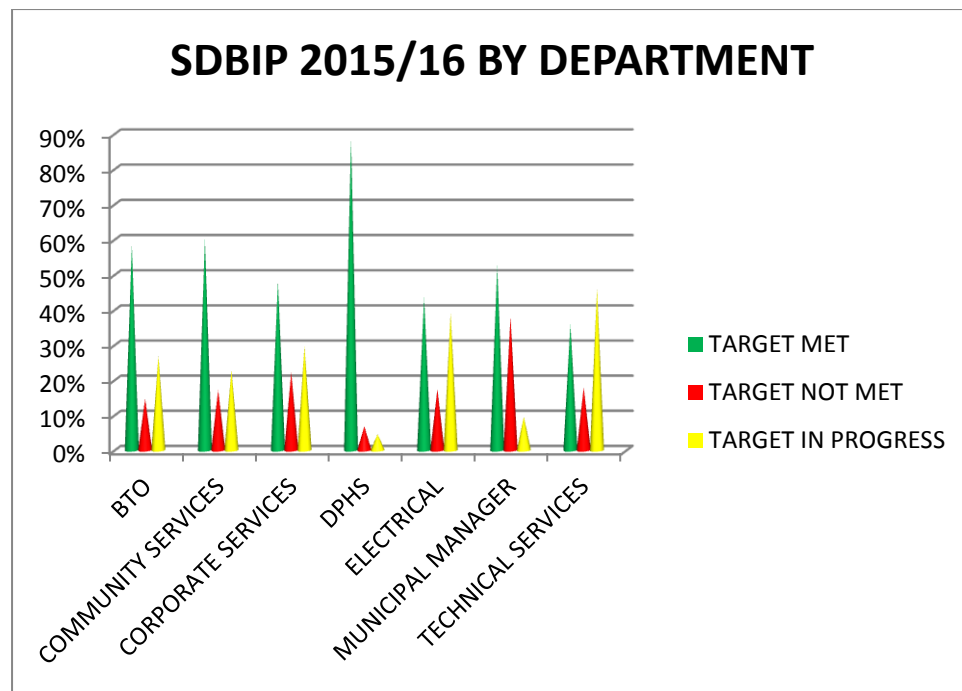
The table below highlights the annual SDBIP performance using the dash board as mentioned above :-

	TARGET MET	TARGET NOT MET	TARGET IN PROGRESS	TARGET OVER ACHIEVED	
BTO	21	6	11	3	41
COMMUNITY SERVICES	13	6	8	8	35
CORPORATE SERVICES	7	6	8	6	27
DPHS	21	3	2	18	44
ELECTRICAL	6	4	9	4	23
MUNICIPAL MANAGER	21	24	6	12	63
TECHNICAL SERVICES	8	7	18	6	39
	97	56	62	57	272

The total number of KPI's on the performance score-cards (Departmental SDBIP's) is 272(relevant and applicable) of which targets on the score-cards forms the basis of this assessment.

From the table above 154 KPI's (57%) of targets have been met (of which 21% is overachieved) for the year under review on the SDBIP's holistically compared to 69% from the previous financial year. 23% of targets are either partially met or still in progress. 21% of the targets are not met at all. A target is assessed as not met or in progress if no actual has been reported and/or where insufficient, irrelevant or inaccurate evidence is submitted to support reported performance or reason for variance.

The following is a Graphical representation of performance by Department.



CAPITAL PROGRAMME PERFORMANCE 2015/16

A detailed capital status report highlighting the status of the capital programme as at the 30 June 2016 is included as **Appendix 3**.

This assessment is based on reported information only as well as a technical review against the submitted Portfolio of evidence.

The status of the capital program is illustrated below :

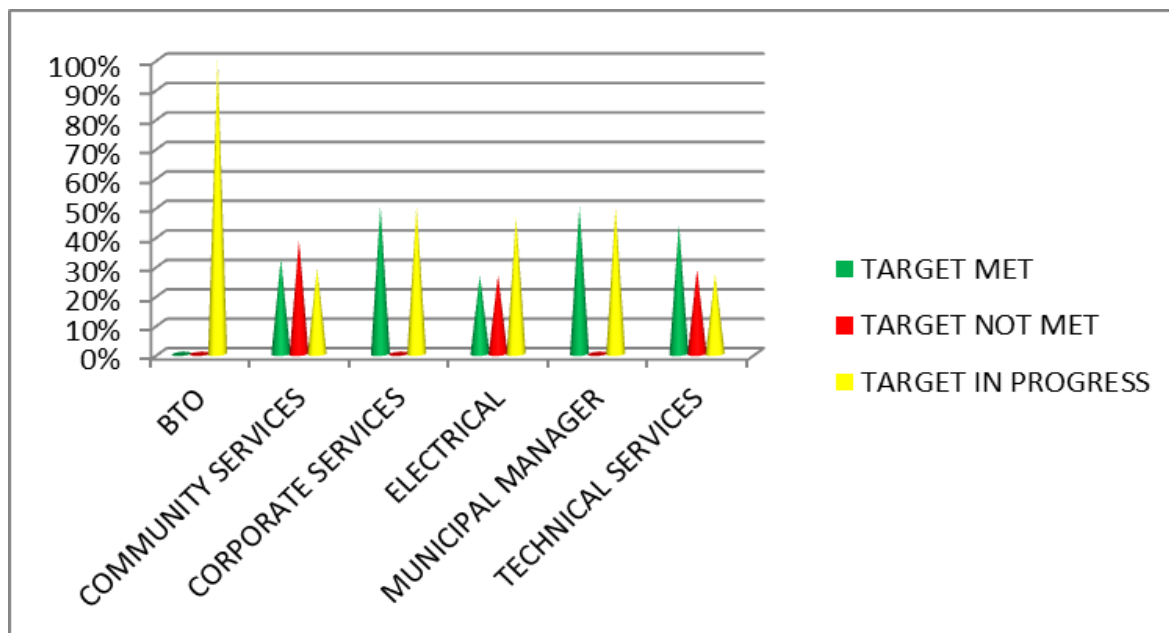
	TARGET MET	TARGET NOT MET	TARGET IN PROGRESS	
BTO	0		1	1
COMMUNITY SERVICES	20	24	18	62
CORPORATE SERVICES	2	0	2	4
DPHS	2	3	5	10
ELECTRICAL	4	4	7	15
MUNICIPAL MANAGER	1	0	1	2
TECHNICAL SERVICES	32	21	20	73
TOTAL	61	52	54	167

From the above table only 36 % of projects were completed during the 2015/16 financial year compared to 53% from 2014/15. 32% of project was still in progress at year end, of which it is recommended that the projects be rolled over into the 2016/17 financial year for completion.

The total number of projects under review is 167 of which 61 have been completed/ target met as per the approved project implementation plan.

The graph below illustrates performance of departments in relation to the number of projects per department.

CAPEX PERFORMANCE BY DEPARTMENT 2015/16



Monitoring of projects depends on the accuracy of cash flow projections for in year appropriations and roll over projects. These were 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. Increased in-house project management and project planning tools and/or mechanisms are required to support improvement in capital programme implementation. This could include skills development coupled with an automated project management system.

Whilst reasons for variance and recommended corrective action have been specified for projects that challenges are being experienced against, adjustments through roll-overs or suspending of projects (as part of cash management strategies), as indicated for many projects are inevitable. There is also a need to identify savings on certain projects to further reduce the cash flow challenges experienced by the municipality. The increased savings where applicable, and in-year veriments against some projects, also is reflective of poor project planning and costing processes, and is impacting negatively on holistic capital programme performance.

Furthermore, delays in the sourcing of external loans, and the limitation of bridging finance for the capital program internally, further inhibits progress on the capital program. It is therefore essential to secure loan funding earlier to ensure that the capital program is implemented timeously and in line with Project implementation plans and procurement planning processes. A detailed financial plan over the MTREF is necessary to ensure that cash flow planning and completion of projects are aligned within the approved resources.

Project Implementation plans encouraged at the beginning of the year to serve as a tool to be used for the planning and monitoring of projects against cash flow projections are also not being utilized effectively by departments. Interdepartmental co-ordination and co-operation (ICC) is encouraged at the planning stage to ensure alignment with planned targets. ICC processes are also encouraged throughout the implementation stages of the capital programme to identify potential bottlenecks earlier, and implement solutions accordingly.

For this purpose, joint door-to-door visits to departments between Office of the Municipal Manager and Budget and Treasury Office were carried out during year. ICC and Extended ManCo's were also convened to eliminate challenges experienced with internal communication as an intervention.

Supply Chain Management processes, specifically the poor turnaround time for the awarding of bids have been a huge challenge in the year under review. Some of the issues identified relate to the functionality of bid committees, administrative and procedural delays both at the SCM unit and within departments. These are being addressed through interventions as agreed by management to ensure that the SCM turnaround time is reduced. SCM unit is also required to ensure that the procurement processes are aligned to the Procurement Plan of the municipality.

It is also encouraged that further alignment of reported financial performance from departments is aligned to the reports as generated from the Budget and Treasury Office.

There is a definite need to improve alignment between the financial and non-financial targets through improved planning at the budget stage. The development of and implementation of operational plans aligned to procurement plans are essential for this purpose. In year adjustments based on operational requirements of the municipality has also contributed to confusion in the departments. Improved communication is encouraged and timeous budget processes are required to ensure alignment with implementation plan. The gaps were applicable could also be attributed to many projects on the capital programme still being in progress at year end, and necessitated a roll-over into the 2016/17 financial year.

FINANCIAL PERFORMANCE 2015/16

FINANCIAL PERFORMANCE AGAINST IDP KEY PERFORMANCE AREAS

IDP KEY PERFORMANCE AREA	FULL YEAR TOTAL BUDGET	YEAR TO DATE ACTUAL		FULL YEAR TOTAL BUDGET	YEAR TO DATE ACTUAL	
	CAPITAL			OPEX		
INFRASTRUCTURE DEVELOPMENT	235,573,866.00	186,970,889.73	48%	1,333,107,003.00	1,722,509,808.26	91%
SOCIAL DEVELOPMENT	51,011,626.00	23,859,137.27	6%	75,278,891.00	82,243,150.00	4%
FINANCIAL VIABILITY	2,256,029.00	1,712,535.80	0%	180,314,364.00	180,961,032.31	10%
GOOD GOVERNANCE & PUBLIC CONSULTATION	72,669,259.00	64,150,316.82	16%	258,636,852.00	11,235,118.59	1%
INSTITUTION DEVELOPMENT &	3,796,222.00	3,644,520.00	1%	20,975,266.00	31,257,345.96	2%
LOCAL ECONOMIC DEVELOPMENT	7,386,774.00	3,491,519.97	1%	14,966,088.00	15,830,062.53	1%
SPATIAL AND ENVIRONMENTAL	17,166,184.00	14,089,800.63	4%	19,616,875.00	16,434,747.29	1%
GRAND TOTAL	389,859,960.00	297,918,720.22	76%	1,902,895,339.00	2,060,471,264.94	108%

FINANCIAL PERFORMANCE BY DEPARTMENT/VOTE

DEPARTMENT/VOTE	FULL YEAR TOTAL BUDGET	YEAR TO DATE ACTUAL		FULL YEAR TOTAL BUDGET	YEAR TO DATE ACTUAL	
	CAPEX			OPEX		
CORPORATE SERVICES	69,845,259.00	60,365,696.35	15%	179,199,528.00	(73,594,489.03)	-4%
COMMUNITY SERVICES	64,952,875.00	33,360,905.02	9%	273,412,842.00	309,225,153.29	16%
MM's OFFICE	2,824,000.00	3,784,620.47	1%	79,437,324.00	84,829,607.62	4%
DPHS	28,349,180.00	21,225,840.60	5%	55,558,229.00	63,522,155.78	3%
BTO	2,256,029.00	1,712,535.80	0%	180,314,364.00	180,961,032.31	10%
ELECTRICAL SERVICES	39,803,049.00	32,283,648.83	8%	534,437,121.00	543,065,756.02	29%
TECHNICAL SERVICES	181,829,568.00	145,185,472.93	37%	600,535,931.00	952,462,048.95	50%
	389,859,960.00	297,918,720.00	76%	1,902,895,339.00	2,060,471,264.94	108%

OVERALL COMMENT

1. There has been an overall regression in organisational performance for the 2015/16 financial year
2. Whilst progressive expenditure performance is commended against both the operational and capital programme, there is a need to enhance the alignment between the financial and non-financial performance processes.
3. Additional monitoring, evaluation and review at a departmental level on at least a monthly basis is compulsory to encourage adherence to planned programmes;
4. Too many strategic and operational objectives in the IDP is resulting in too many KPI's and targets within the organization. This overburdens the administration and management with performance reporting, monitoring and review processes in an already stressed administration. For improved strategic focus to be enhanced, a rationalization of these objectives in the IDP is necessary.
5. Internal co-ordination systems and processes require review to ensure improved co-ordination.
6. Alignment of the Financial System to the Performance Management system must be fast tracked - this would need to include a project management tool or mechanism to improve project planning, reporting and monitoring
7. Record keeping and document management approaches within departments will determine the quality of the evidence to be submitted for evaluation purposes
8. Supply chain processes impact negatively on performance, specifically in relation to improving on turnaround times for the awarding of bids;
9. Alignment of Procurement Planning processes to Project implementation plans and programme management is essential to support service delivery targets being attained
10. Whilst the inclusiveness of governance KPI's is commendable in the SDBIP's as an intervention area, more co-ordination and integration is required on governance KPI's to ensure consistency with reporting ;
11. Improving the payment factor, and reducing outstanding debtors is critical to ensure continuation of a fast tracked capital programme;
12. Intergovernmental relations is essential to ensure that KPI's targets are planned and met for relevant functional areas (viz. housing, environmental issues, Eskom, Back to Basics programme)

13. Outdated Census information is used for the purposes of reporting on backlog eradication
14. Continuous skills development and awareness on performance management is required to ensure quality reporting, monitoring and review process are complied with
15. High vacancy rates in top/senior management impact on the reporting, monitoring and review processes
16. Institutional challenges (skills development, vacancy rates, re-engineering) must be co-ordinated and fast tracked through institutional change strategies
17. It is necessary to move performance management beyond just compliance. This would entail the fast tracking of performance to all employees.

GENERAL RECOMMENDATIONS FOR IMPROVEMENT

- (a) The development of Monthly Operational plans and alignment thereto with the SDBIP and Procurement Plan of the organization ;
- (b) That alignment of financial and non-financial performance information be done through relevant IT systems. This should include a project management system.
- (c) That Head of department and responsible managers conduct monthly meetings to monitor compliance with all targets and reporting requirements. These reports to be elevated to the relevant Portfolio Committees for oversight purposes.
- (d) That the strategic objectives in the IDP be rationalised further to inform the Performance management process for the 2015/16 financial year in line with recommendations of the Audit Committee.
- (e) The Supply chain management turnaround times be improved to fast track municipal programmes;
- (f) That continuous skills development plan be implemented to ensure consistency and continuity in reporting, monitoring processes ;

- (g) That the vacancy rate for all critical positions be reduced ;
- (h) Re-engineering process be finalised to roll out individual performance;
- (i) Fast tracked skills development related to performance management for both officials in the PMS unit , as relevant officials in departments;
- (j) Effective internal governance structures and processes be fast tracked to improve on governance reporting and processes ;
- (k) Revenue enhancement strategies be implemented to improve payment factor and debt collection;
- (l) Intergovernmental structures be resuscitated to ensure alignment of planning and reporting activities that contribute to performance ;
- (m) The development and review of key sector plans be prioritized ;

ASSESSMENT OF SERVICE PROVIDERS 2015/16

For the purpose of this report – an assessment is conducted on external service providers appointed on the capital programme. In respect of all other contracts, a contract register and electronic database is in the process of being compiled and will be reported in the new financial year.

The following assessment key is used for this purpose :-

Assessment Key	
Good (G)	The service has been provided at acceptable standards and within the time frames stipulated in the SLA/Contract
Satisfactory (S) / In Progress	The service has been provided at acceptable standards and outside of the timeframes stipulated in the SLA/Contract / contract still in progress
Poor (P)	The service has been provided below acceptable standards

The service providers engaged in each business unit during the 2015/16 financial year is included under *Appendix 4*

ASSESSMENT OF ENTITY – UTHUKELA WATER (PTY) LTD 2015/16

Uthukela Water (Pty) Ltd SDBIP's relating to 2015/16 as reported is attached at Appendix 5 .

BACK TO BASICS REPORT 2015/16

The Back to Basics report as assessed by Cogta in July 2016 is attached as Appendix 6. This is subject to revision based on the final audited outcomes of the performance report.