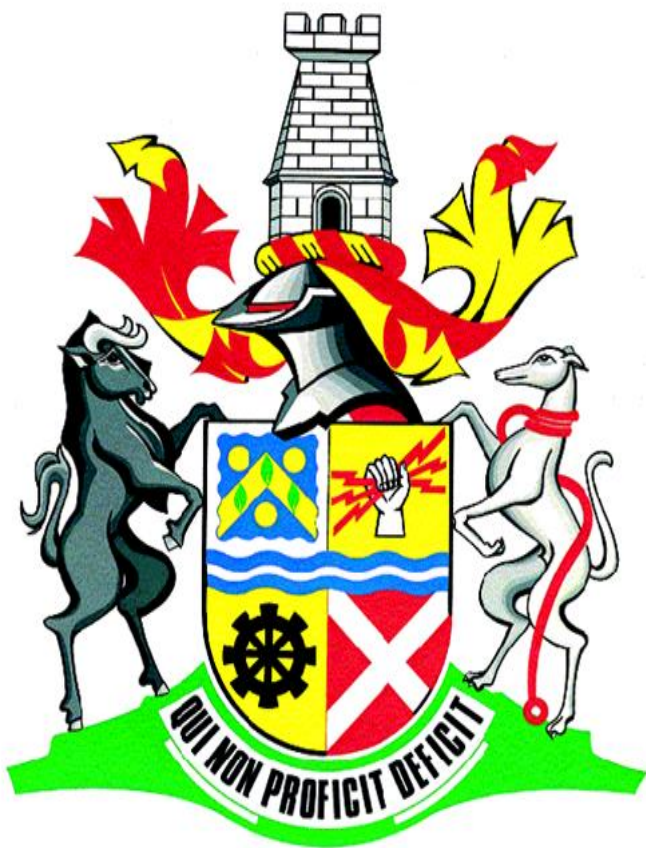


2018/19

# NEWCASTLE MUNICIPALITY

Mid Year Performance Assessment for the  
period ending 31 December 2018



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## 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 2015/16 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 reported performance of the Entity is included as reported information and is still subject to an assessment based on evidence submitted.

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

Performance on the Organisational Score-card as aligned to the IDP and cascaded into 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 change based on further engagements with departments and the internal auditing report, together with advice from the Audit Committee based on 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, aswell as the Dashboard used by the Auditor-General. The Score-cards were reviewed against actuals reported against submission of Portfolio of evidence.

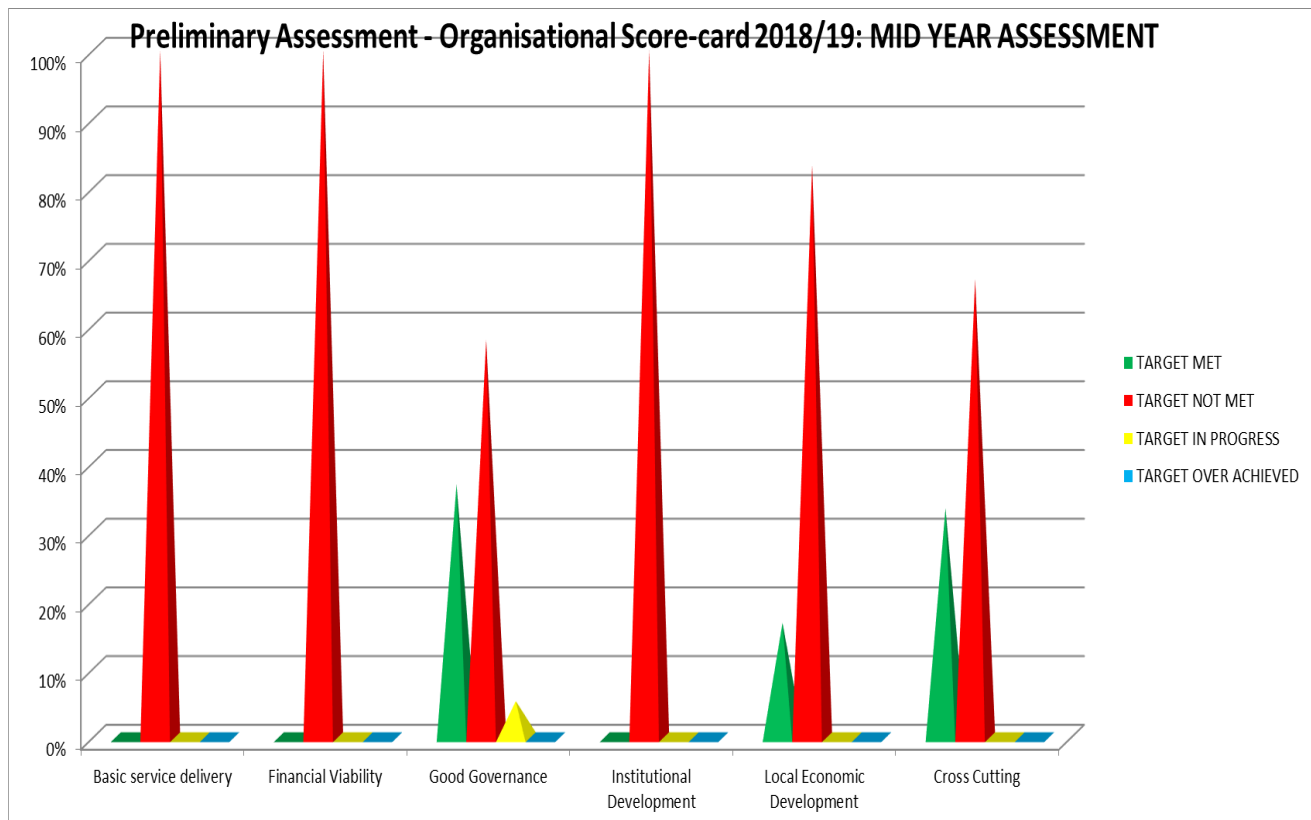
### 3.1 ORGANISATIONAL SCORE-CARD : MID YEAR ASSESSMENT

	TARGET MET	TARGET NOT MET	TARGET IN PROGRESS	TARGET OVER ACHIEVED
Basic service delivery	0	13	0	0
Cross Cutting	3	6	0	0
Financial Viability	0	8	0	0
Good Governance	7	11	1	0
Institutional Development	0	11	0	0
Local Economic Development	1	5	0	0
	11	54	1	0

The total number of applicable KPI's for the mid year review on the Organisational Score-card is 66 of which 11 (or 17%) targets was met. 82% of targets at Mid year were not met at all of which only 2% were partially met or in progress at end of the Mid Year Term.

It should be noted that **TARGET NOT MET** or **IN PROGRESS** includes KPI's for which either insufficient, inaccurate and/or irrelevant; and/or no evidence was submitted. The assessment will include a **TARGET NOT MET** when the relevant department failed to report an actual or evidence the reason for variance.

The graph below reflects the performance of each KPA in the IDP in relation to each other.



### 3.2 SERVICE DELIVERY BUDGET IMPLEMENTATION PLANS(SDBIP)

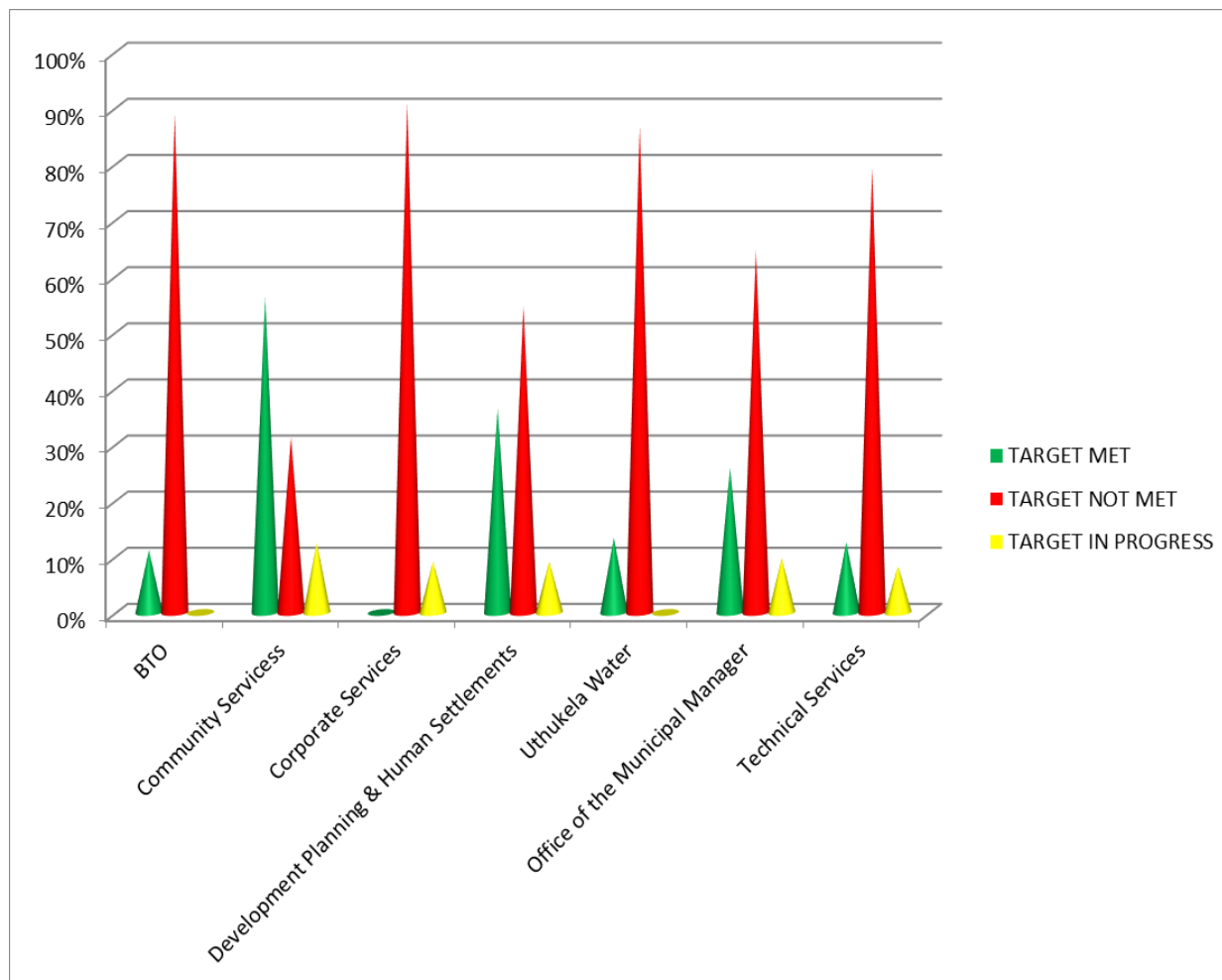
The following table and graph illustrate the performance on SDBIP's as per Appendix 2 by Departments :-

	TARGET MET	TARGET NOT MET	TARGET IN PROGRESS	TARGET OVER ACHIEVED	TOTAL APPLICABLE KPI'S
<b>BTO</b>	<b>1</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>9</b>
<b>Community Services</b>	<b>7</b>	<b>5</b>	<b>2</b>	<b>2</b>	<b>16</b>
<b>Corporate Services</b>	<b>0</b>	<b>10</b>	<b>1</b>	<b>0</b>	<b>11</b>
<b>Development Planning &amp; Human Settlements</b>	<b>8</b>	<b>12</b>	<b>2</b>	<b>0</b>	<b>22</b>
<b>Uthukela water</b>	<b>2</b>	<b>13</b>	<b>0</b>	<b>0</b>	<b>15</b>
<b>Office of the Municipal Manager</b>	<b>8</b>	<b>20</b>	<b>3</b>		<b>31</b>
<b>Technical Services</b>	<b>3</b>	<b>19</b>	<b>2</b>	<b>0</b>	<b>24</b>
	<b>29</b>	<b>87</b>	<b>10</b>	<b>2</b>	<b>128</b>

The total number of KPI's on the performance score-cards (Departmental SDBIP's) is 128(relevant and applicable) of which targets on the score-cards forms the basis of this assessment.

From the table above, 31 KPI's (25%) of targets have been met for the period under review, with 8% of targets either partially met or still in progress. 68% 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

A detailed capital status report highlighting the status of the capital program for July to December 2018 is included as Appendix 3.

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

	TARGET MET	TARGET NOT MET	TARGET IN PROGRESS	TARGET OVER ACHIEVED	TOTAL APPLICABLE KPI'S
<b>BTO</b>	0	1	0	0	1
<b>Community Services</b>	0	2	1	3	6
<b>Development Planning &amp; Human Settlements</b>	0	5	0	0	5
<b>Technical Services</b>	1	25	1	0	27
	1	33	2	3	39



The total number of projects under review is 39 of which 18% of projects are on target or have already been completed. 5% 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. 85% 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.

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.

An intervention to improve on the turnaround time at the supply chain management process is necessary to fast track the capital programme going forward. There is also a need to ensure that identification of specific expertise on projects is done early in the process. For this purpose, programme managers support to departments in ensuring alignment with cash flow projections and project implementation plans are practical and implementable.

Cash management strategies implemented at an organisational level also impact on project performance and revised cash flow projects and PIP's aligned to these strategies are required over the multi year period. Care should be exercised not to compromise grant funding obligations negatively.

## **5 PERFORMANCE OF MUNICIPAL ENTITIES**

Appendix 4 includes the Mid-year Assessment by the Accounting officer of the Entity which is monitored by the Chairperson of the Board. The report reflect that all objectives and targets set for Mid-year have been achieved.

Engagements with the Entity is necessary to facilitate and workshop compliance to the PMS of the municipality.

## **6 PROGRESS ON RESOLVING PROBLEMS IDENTIFIED IN THE 2016/17 ANNUAL REPORT**

It is pleasing to note that the AG outcome of an “Unqualified audit opinion with findings” is retained now over the 3 financial years 2015/16, 2016/17 and 2017/18. More effort on the audit of performance objectives is required with specific emphasis on filling critical posts and rolling out of Individual PMS. The customisation of KPI’s and finalising KPI Definitions and Standard Operating procedures must be finalised with the adjustment budget and revised PMS accordingly for the current year.

In line with recommendations, Management are in the process of finalising an Action plan to address the findings going forward. Regular reporting on the Action plan will be presented to the Council and relevant statutory committees to ensure oversight towards a clean audit outcome going forward.

## **7 GENERAL COMMENTS**

1. This Assessment is based on Preliminary Assessment of Quarter 1 and Quarter 2 Performance information which is still subject to internal audit processes and further engagement with departments;
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 is necessary due to technical alignment and/or omissions on the approved SDBIP’s as identified through the audit of the PMS. The score-cards are still subject to a refinement process. 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 on the non-attainment of targets. Record keeping controls and administrative systems within departments are contributing to the poor quality reporting. This has a negative impact on the monitoring process. Departments to ensure that reports are complete as per the PMS Framework. Furthermore, more regular reporting, monitoring and review processes need to be practiced by senior managers to ensure that targets set are realistic and attainable as provided in the PMS Framework.
5. Integration and co-ordination on cross cutting targets between line departments are ineffective
6. Vacancies in key positions and staff turnover impacts negatively on performance, and continuity in respect of administrative processes ;
7. Delays in Supply chain management processes impact negatively on performance of projects.
8. Non-alignment of targets to cash management strategies impact negatively on performance
9. Implementation of cash management strategies impact negatively on set targets
10. Inadequate communication and integration between and within departments impact negatively on performance
11. Internal controls for performance management not adequately implemented
12. Inadequate skills and capacity to implement PMS Framework
13. No automated system to reduce risk of error in reporting ;

## **8 RECOMMENDATIONS BY MUNICIPAL MANAGER**

- (a) That the Mid Year Performance assessment for the period ending 31 December 2018, 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 and Adjusted;
- (c) That the filling of the posts of Senior Managers, and the roll out of individual performance be fast tracked to

promote a culture of discipline and accountability and improve on the quality of performance reporting ;

- (d) That all Key Performance Indicators (KPI) owners comply with monthly reporting & monitoring requirements to ensure compliance with all targets by using the PMS Checklist compiled for this purpose, and this be monitored regularly;
- (e) That internal project management processes be improved to ensure effective implementation of the capital program,
- (f) That the gaps identified in terms on non-alignment of cash flow projections to the budget and recommendations on corrective action on attainment of targets be addressed by Management and BTO in line with the approved adjustment budget process;
- (g) That systems and processes be resuscitated to improve integration and co-ordination between line departments and within departments ;
- (h) That Improvement in the implementation of internal controls and record keeping be addressed by management ;
- (i) That departments ensure KPI definitions and Standards Operating procedures are compiled
- (j) That were recommended by Auditor-General, KPI's be customized to clear ongoing findings by AG and that this be addressed through the revised PMS;
- (k) That the process plan to roll out IPMS be submitted to EXCO for monitoring ;
- (l) That the Workplace Skills plan identify training programmes on PMS for immediate roll out ;
- (m) That an automated PMS be considered during the adjustment budget process ;
- (n) That the progress report on resolving issues in the Annual Report 2016/17 be noted;
- (o) That the Mid Year Budget Review (as presented by the CFO) and the Mid Year performance assessment (non-financial ) , and the recommendations contained therein be approved for preparation of an Adjustment budget for the 2018/19 financial year and the revision of the PMS accordingly.