



# NEWCASTLE MUNICIPALITY

**ANNUAL PERFORMANCE REPORT  
2018/19**

## **ABSTRACT**

This Annual Performance Report is drafted in terms of Section 46 of The Local Government Municipal Systems Act, 32 of 2000. The Annual Performance Report 2018/19 is based on reported and assessed performance information as per the approved Framework on Performance Management for the Newcastle Municipality. The report is subject to change after the internal audit and Auditor General process, finalisation of the Annual Financial Statements for 2018/19, as well as the audit from the Auditor-General (AG) of South Africa.

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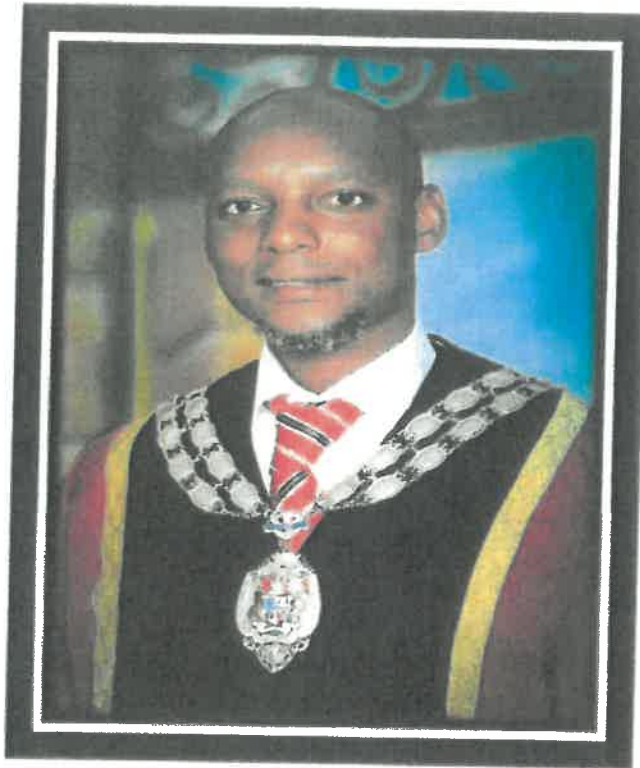
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## FOREWORD BY THE MAYOR

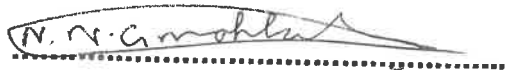


This being my first term as the Mayor of Newcastle, I have to thank both my employees and the public, businesses, community based organisations for the support I have received thus far. However, the transition into this position has been accompanied by many challenges amongst those financial challenges that have set the course of my tenure into ensuring Newcastle Municipality has a positive cash flow and balance sheet. On behalf of the Council and officials, I hereby present this Annual Performance Report for the 2018/19 financial year. The report demonstrates that during the year under-review the municipality continued to strive towards realising its vision. The Annual Performance Report provides a comprehensive yet honest account of performance for Newcastle Municipality, highlighting key achievements as well as a rationale for the under-achievement in instances where there has been under-performance by the municipality for not achieving its targets as set out in the Organisational Scorecard for the 2018/19 financial year. Our specific mandate as Newcastle Municipality, is guided by our Integrated Development Plan. Our resolve is based on servicing our communities in all areas of Newcastle. In all the work of the financial year under review we were guided by The Constitution of South Africa, the IDP, policies and by-laws that govern Local Government

Many service delivery milestones have been achieved and many challenges have been met, none of which are beyond resolution. Synergies have been increased, and frictions have occurred however, the key focus areas of Local Government, can be summarised as follows; Building a Municipality that is efficient, effective and responsive; Strengthen Accountability and Accelerating Service Delivery and supporting the vulnerable communities; Promoting

Economic and Social development; Fostering Development Partnerships, Social Cohesion and community upliftment. Looking at the above priority areas, it is important to note that these can never be achieved on their own, it is therefore imperative that Councillors, Officials, and the community at large, work together with synergy in order to develop recovery plans to address the issues raised in the Annual Performance Report. The municipality recognises that there are still a number of challenges that it faces, which characterises the development phase through which most South African cities and towns are currently facing. Attention is therefore paid towards accelerating some of the municipality's interventions in order to improve the social and economic state of the people of Newcastle whilst still pursuing the vision of Newcastle Municipality that is, ***By 2035, Newcastle will be a Resilient and Economically Vibrant City, Promoting Service Excellence to its Citizens.***

In conclusion throughout 2019/20 financial year we will endeavour to achieve all performance targets in line with the approved service delivery budget implementation plans, IDP and 2019/20 approved budget.



**DR NNG MAHLABA**

**MAYOR OF NEWCASTLE**

**DATE:** 30/08/2019

## FOREWORD BY THE ACTING MUNICIPAL MANAGER



In terms of Section 121 of The Local Government: Municipal Finance Management Act 32 of 2000, the municipality is required to compile an annual performance report. The importance and relevance of an annual report in an accountable, participatory and developmental orientated local government as a valuable assessment tool, cannot be over-emphasised. This report records the performance and progress made by Newcastle Municipality in fulfilling its strategic objectives contained in the Integrated Development Plan (IDP) and Organisational Scorecard as approved by Council for 2018/19 financial year. It also provides a record of the activities of the municipality during the financial year under review. The SDBIP is the annual performance plan of the municipality which provides quarterly performance targets and key performance indicators (KPI's) with specific measurable targets per Key Performance Area (KPA).

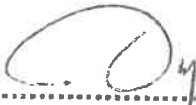
The Annual Performance Report is not only a compliance matter but provides a fair presentation of the performance of Newcastle Municipality for the 2018/19 financial year. Our attitude to the Annual Performance Report is that all our key stakeholders and partners i.e. Council, traditional & community leaders, administration, communities and business must take a keen interest in tracking and reviewing municipal performance. Thus the 2018/19 Annual Performance Report provides one with such an opportunity. This essential exercise is vital in shaping and influencing our SDBIP's, processes and services in our future development.

However, the year was not without its fair share of challenges. There were delays in the implementation of the capital program and there was non-achievement of targets as set out in the SDBIP due to delay in the appointment of service providers, poor performance of contractors, high vacancy rate and financial constraints. However despite the challenges encountered during the 2018'19 financial year the municipality has completed the construction

of 133 Top-structures (houses), 243 houses were transferred through the Enhanced Extended Discount Benefit Scheme (EEDBS), 22 properties were released for sale to the public, 835 households were electrified, 8.8 km of road was re-gravelled, 14.306 km of road was resealed, 878 households were connected to sanitation, 120 households were connected to a minimum level of water, the completion of Charlestown Library, Completion of AC Pipe replacement in the Lennoxton area and Murchission street, Completion of Watt Street and the training of 86 SMME's.

Our single most important objective of the public service is to serve our community. Speed, timing and excellence in the quality of daily work must become a key feature in the way in which officials undertake their work. The overall turn-around times of administrative and professional work will require significant improvement. Plans will be developed to ensure that all officials interact directly with our communities and improve the quality of service delivery.

To conclude the 2018'19 Annual Performance Report, I want to assure the community that in the 2019/20 financial year, the municipality will ensure that we work vigourously towards achieving the targets as set out in the approved 2019/20 SDBIP that is aligned to the budget an IDP. "Tactics without strategy is the noise before defeat" (Sun Tzu, 2000, The Art of War). It is therefore imperative that we all join hands and focus on critical issues that have been raised by members of the community in an attempt to defeat those issues and improve service delivery.



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MJ MAYISELA

ACTING MUNICIPAL MANAGER

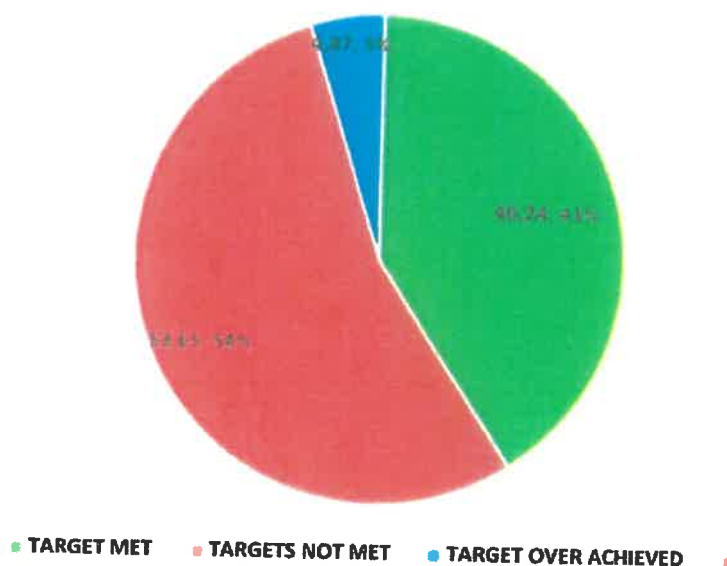
DATE: 30/8/2019

## SUMMARY

The 2018/19 Annual Performance Report presents the year-end performance results for the financial year. The Annual Performance Report is compiled by the Performance Management Unit after reviewing all Key Performance Indicators on the Organisational Scorecard and Project Implementation Plans (PIP's) on the Capital Status Report. All KPI's and PIP's are assessed in terms of relevance, sufficiency and accuracy. The Performance Scorecard is used to determine the dashboard scoring for the KPI or PIP. The Annual Performance Report is a summary of the performance achieved and not achieved for the municipality and provides a comparative of the performance information to prior years.

The Graph below represents a summary of the overall performance for 2018/19 on the Organisational Scorecard:

### ORGANISATIONAL PERFORMANCE



The chart above demonstrates the overall organisational performance for 2018/19, based on the information above 40,24% of targets were achieved and 53,65% of targets set were not achieved and 4,87% were over achieved on the Organisational Scorecard.

### PERFORMANCE MANAGEMENT PROCESSES

The Performance Management Process to review and assess performance information was revised on the 27<sup>th</sup> of March 2019 with the intention of improving performance reporting in the organisation.

The PMS Unit from the 6th working day till the 14th working day of every month conducts a 100% review of the performance information as submitted from departments in terms of relevance, sufficiency, accuracy and reliability. The Organisational Scorecard is reviewed against the approved targets and KPI's and the Capital Status report is evaluated based on reviewing the approved cash-flow projections per month under review against the specific deliverable as approved in the Project Implementation Plans (PIP's). The PMS Unit uses a Performance Management Checklist (Annexure C) to review the performance information submitted by departments. The Performance Management Checklist is based on Relevance,

Sufficiency and Accuracy of the portfolio of evidence submitted to PMS by departments. If a target as specified in the Organisational Scorecard has not been achieved, a reason for variance with supporting evidence must be submitted together with a recommended corrective action that must be implemented in the next quarter. The PMS Checklist has prompting questions based on relevance, sufficiency and accuracy, with a drop-down list with specific answers to ensure that each PMS official reviews the performance information systematically. The purpose of the PMS Checklist is to ensure that actuals are fully supported by the evidence submitted.

The following table provides a description on the criteria that is used to assess performance information

<b>Relevance</b>	Closely connected or appropriate to what is being measured/ assessed
<b>Sufficiency</b>	Enough or adequate evidence to support the actual
<b>Reliable</b>	Evidence that is good in quality, credible and trustworthy.

Table 1: Description on criteria used to assess performance information

The following table, based on the legislative framework for performance management and the PMS Framework provides a summary of the various performance reporting deadlines which apply to the Municipality:

<b>Report Frequency Submitted for consideration and/or review to Remarks</b>	<b>Report Frequency Submitted for consideration and/or review to Remarks</b>	<b>Report Frequency Submitted for consideration and/or review to Remarks</b>	<b>Report Frequency Submitted for consideration and/or review to Remarks</b>
1. SDBIP's	Quarterly	Executive Committee	See MFMA Circular 13 of National Treasury for further information
2. Monthly budget statements	Monthly	Mayor (in consultation with The Executive Committee)	See sections 71 and 54 of the MFMA
3. Implementation of the budget and financial state of affairs of the Municipality	Quarterly	Council	See section 52 of the MFMA
4. SDBIP mid-year budget and performance assessment	Annually during January of each year	Mayor (in consultation with The Executive Committee)	See sections 72 and 54 of the MFMA
5. Performance report	Annually	Council	See section 46 of the Municipal Systems Act as



			amended. Said report to form part of the annual report
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Table 2: Summary performance reporting deadlines

The PMS Unit submits quarterly reports to the Chief Audit Executive of the Internal Audit Unit every quarter on the 15<sup>th</sup> working day of month after the quarter under review is completed. The quarterly reports to be submitted to Internal Audit will be a 100% review of the Organisational Scorecard and the capital status report. All KPI's on the Organisational Scorecard and the projects on the capital status report will be 100% reviewed by the PMS unit. The reports submitted to Internal Audit will include a signed off hard copy of all the Excel reports for the Organisational Scorecard and the departmental capital status reports. The signed off hardcopy will be signed off by the relevant PMS Officers, PMS Manager and the SED: DPHS. After the Internal Audit reviews the PMS Report the draft Internal Audit report will be circulated to the PMS unit to respond and address findings that are only relevant to the PMS unit. The PMS unit will take 2 days to respond to the findings raised and adjust the PMS reports were applicable based on the findings raised by the Internal Audit unit.

## PERFORMANCE AND SUPPORTING INFORMATION

Section 46 of The Local Government Municipal Systems Act 32 of 2000 requires municipalities to publish an annual performance report reflecting the performance of the Municipality and of each external service provider; a comparison of the performances with targets; and measures taken to improve performance.

### BACKGROUND TO MUNICIPAL SCORECARD

The organisational scorecard is the adopted performance scorecard for Newcastle Municipality. The Organisational Scorecard consists of 6 Key Performance Areas. The 6 Key Performance Areas are as follows:

- Basic Services
- Cross cutting
- Good Governance
- Institutional Development
- Financial Viability
- Local Economic Development

Newcastle Municipality adopted the Organisational Scorecard on the 30<sup>th</sup> of May 2018 to report on performance information for the 2018/19 financial year. The Organisational Scorecard was thereafter revised and approved by Council on the 27<sup>th</sup> of March 2019. The Organisational Scorecard is aligned to the Integrated Development Plan (IDP), the 58 priorities as outlined in the IDP have been aligned to the Organisational Scorecard objectives and strategies. Key Performance Indicators (KPI's) are developed and aligned to the objectives and strategies as specified in the IDP. Targets are set for KPI's based on the availability of resources, information and legislation. Newcastle municipality monitors the financial and actual performance of capital projects on the Capital Status report. The capital status report is composed of Project Implementation Plans (PIP'S) and Cash-flows, departments are required to report on the capital status report any expenditure incurred for the month and the actual progress of the project. The actual spent and the actual performance reported must be supported by invoices, journals, and progress reports or completions certificates where applicable. If a projected cash-flow or milestone on the PIP is not achieved by the department, a reason for variance with supporting evidence must be submitted.

For the 2018/19 financial year not all of the capital projects were linked to KPI's on the Organisational Scorecard, therefore the analysis of performance information for 2018/19 includes an analysis of performance on the Organisational Scorecard and Capital Status Reports.

### PERFORMANCE ANALYSIS

Newcastle Municipality did not use the 10% variance and target in progress as specified in the approved 2018/19 PMS Framework as the 10% variance and the "in progress" could not be quantified therefore if a target was not met the KPI or PIP was scored as a target not met even if there were circumstances that were beyond the control of the assessed department. All KPI's on the Organisational Scorecard and PIP's on the Capital Status were evaluating using the following performance scoring:

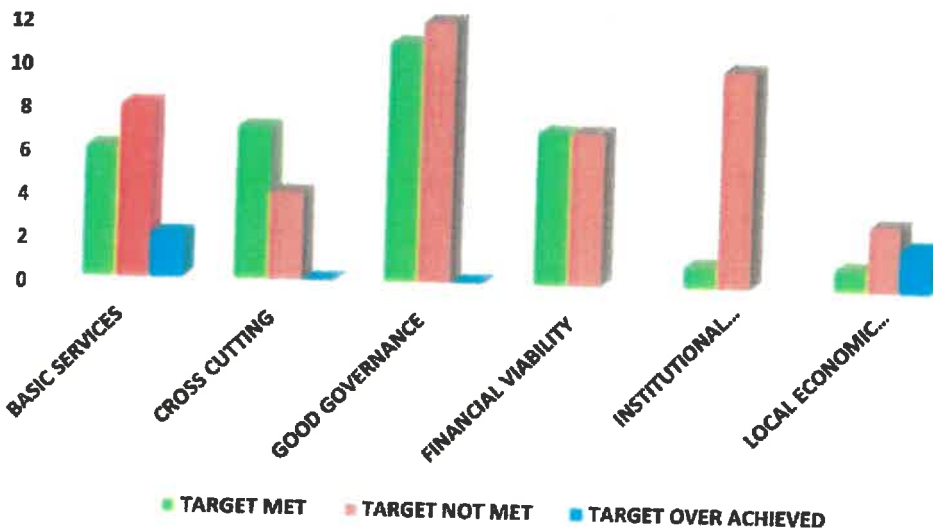
LEVEL	TERMINOLOGY	DESCRIPTION	RATING DASHBOARD
5	Outstanding Performance	Performance far exceeds the standard expected of an employee at this level. The appraisal indicates that the Employee has achieved above fully effective results against all performance criteria and indicators as specified in the PA and Performance plan and maintained this in all areas of responsibility throughout the year.	Target over achieved
4	Performance significantly above expectations	Performance is significantly higher than the standard expected in the job. The appraisal indicates that the Employee has achieved above fully effective results against more than half of the performance criteria and indicators and fully achieved all others.	Target over achieved
3	Fully effective	Performance fully meets the standards expected in all areas of the job. The appraisal indicates that the Employee has fully achieved effective results against all significant performance criteria and indicators as specified in the PA and Performance Plan.	Target met

1	Unacceptable performance	Performance does not meet the standard expected for the job. The review/assessment indicates that the employee has achieved below fully effective results against almost all of the performance criteria and indicators as specified in the PA and Performance Plan. The employee has failed to demonstrate the commitment or ability to bring performance up to the level expected in the job despite management efforts to encourage improvement.	Target not met
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Table 3: Performance Dashboard

## DRAFT ORGANISATIONAL SCORECARD ANALYSIS FOR 2018/19

### ORGANISATIONAL SCORECARD PERFORMANCE ANALYSIS



Graph 1: Organisational Scorecard Performance Analysis

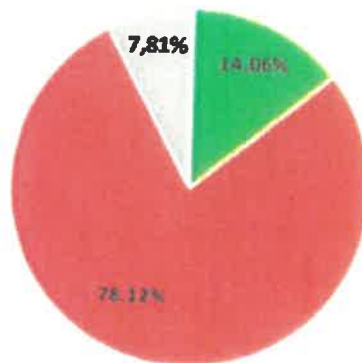
KEY PERFORMANCE AREA	TARGET MET	TARGET NOT MET	TARGET OVER ACHIEVED	TOTAL NUMBER OF APPLICABLE KPI'S
Basic Services	6	8	2	16
Cross Cutting	7	4	0	11
Financial Viability	7	7	0	15

<b>Good Governance</b>	11	12	0	<b>23</b>
<b>Institutional Transformation &amp; Development</b>	1	10	0	<b>11</b>
<b>Local Economic Development</b>	1	3	2	<b>6</b>
<b>Total</b>	<b>31</b>	<b>47</b>	<b>4</b>	<b>82</b>

Table 5: Analysis of the Key Performance Areas of the Organisational Scorecard

## DRAFT ANALYSIS OF THE ASSESSMENT ON THE DEPARTMENTAL CAPITAL STATUS REPORTS

### ORGANISATIONAL PERFORMANCE REVIEW OF CAPITAL PROJECTS



■ TARGET MET   
 ■ TARGET NOT MET   
 ■ TARGET OVER ACHIEVED   
 N/A

### DEPARTMENTAL PERFORMANCE ON CAPITAL PROJECTS

DEPARTMENT	TARGET MET	TARGET NOT MET	TARGET OVER ACHIEVED	TOTAL APPLICABLE PIP'S	TOTAL NOT APPLICABLE PIP'S
<b>BTO</b>	1	1	0	<b>2</b>	<b>0</b>
<b>COMMUNITY SERVICES</b>	4	12	0	<b>15</b>	<b>1</b>
<b>DPHS</b>	0	9	0	<b>9</b>	<b>3</b>
<b>TECHNICAL SERVICES</b>	4	28	0	<b>32</b>	<b>1</b>
<b>TOTAL</b>	<b>9</b>	<b>50</b>	<b>0</b>	<b>58</b>	<b>5</b>

Table 6: Analysis of the assessment on the capital status reports per department

## **PERFORMANCE ACHIEVEMENTS FOR 2018/19**

- 133 Top-structures (houses) were completed
- 243 houses were transferred through the Enhanced Extended Discount Benefit Scheme (EEDBS)
- 22 properties were released for sale to the public
- 835 households were electrified
- 8,8 km of road was re-gravelled
- 14, 306 km of road was resealed
- 878 households were connected to sanitation
- 120 households were connected to a minimum level of water
- The completion of Charlestown Library
- Completion of AC Pipe replacement in Lennoxton and Murchission street
- Completion of Watt Street
- Training of 86 SMME's

## **CHALLENGES**

- Delay in the appointment of service providers for Technical Services MIG projects
- Removal of R 56, 000, 0000. 00 of the MIG budget
- Vacant positions that have not been filled
- Evidence was not signed off by relevant officials
- Non-submission of revision motivations
- Delay in the payment of service providers
- Unrealistic revised targets set by departments
- Submission of irrelevant/unreliable/insufficient evidence
- Delay in the submission of PMS Information

## **MEASURES TAKEN TO IMPROVE PERFORMANCE INFORMATION**

- The Municipal Manager and Chief Financial Officer have been informed to ensure that BAC and BEC sit weekly.
- An application was submitted to COGTA and approved for the returning of funds to Newcastle Municipality, detailed PIP's will be followed through to monitor the progress of all capital projects
- All Projects that have not been completed in the 2018/19 financial year will be brought on the 2019/20 Capital Status Report and aligned to the Top-Layer SDBIP and were applicable new KPI's will be brought on the Top-Layer SDBIP.
- Performance agreements have been finalised and signed, all SEDs will be held accountable for poor performance
- All critical vacant positions will be advertised in the 2019/20 financial year
- The position of the CAE and CFO has been finalised and we are awaiting council approval
- All delays in payment of service providers to be reported formally to the CFO/MM

- All KPI's, targets and source of evidence have been revised on the 2019/20 PMS to be smart and aligned to each other
- The 2019/20 PMS Framework has been revised to be specific to Newcastle Municipality and all internal audit findings raised in the Audit Report of the 2018/19 PMS have been addressed

### COMPARATIVE OF PRIOR YEAR PERFORMANCE ON THE ORGANISATIONAL SCORECARD

	TARGET MET		TARGET OVER ACHIEVED		TARGET NOT MET		TOTAL NUMBER OF APPLICABLE KPI'S 2018/19	TOTAL NUMBER OF NOT APPLICABLE KPI'S 2018/19
	2018/19	2017/18	2018/19	2017/2018	2018/19	2017/2018		
<b>BASIC SERVICES</b>	3	10	2	1	11	4	<b>16</b>	<b>7</b>
<b>CROSS CUTTING</b>	7	10	0	0	4	3	<b>11</b>	<b>8</b>
<b>FINANCIAL VIABILITY</b>	8	11	0	0	7	4	<b>15</b>	<b>2</b>
<b>GOOD GOVERNANCE</b>	11	11	0	0	12		<b>23</b>	<b>4</b>
<b>INSTITUTIONAL TRANSFORMATION</b>	1	1	0	0	10	7	<b>11</b>	<b>2</b>
<b>LED</b>	1	2	2	0	3	4	<b>6</b>	<b>7</b>

**Table 7: Comparative of 2017/18 vs 2018/19 Performance Information**

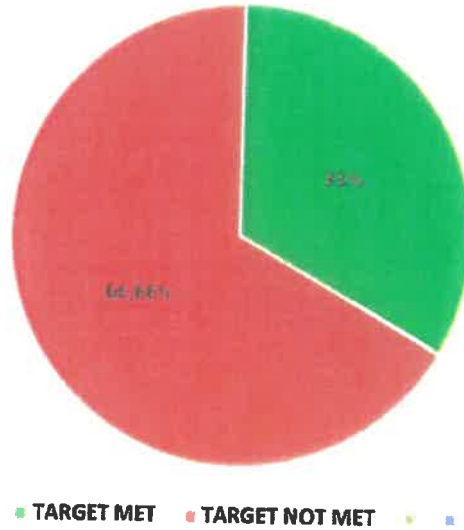
### ASSESSMENT OF THE PERFORMANCE OF EXTERNAL SERVICE PROVIDER

In terms of Section 46 of The Local Government Municipal Systems Act 32 of 2000, a municipality must prepare for each financial year a performance report reflecting-

- (a) The performance of the municipality and of each external service provider during that financial year.

Currently Uthukela Water (Pty) Ltd is the only External Service Provider of the Newcastle Municipality, for which bulk water services is being rendered. Uthukela Water (Pty) Ltd is an Entity of Newcastle Municipality. Newcastle Municipality currently has a signed Service Level Agreement with Uthukela Water that was renewed on the 21<sup>st</sup> of June 2019. The following chart represents the Draft Assessment of Uthukela Water's SDBIP for 2018'19:

## OVERALL ASSESSMENT OF UTHUKELA WATER SDBIP



## COMPARISON OF PRIOR YEARS PERFORMANCE TO 2018/19

	2018'19	2017'18
TARGET MET	7	6
TARGET NOT MET	14	3
TARGET OVER ACHIEVED	0	2
NOT APPLICABLE KPI's	0	TBC
APPLICABLE KPI'S	21	11
TOTAL NUMBER OF KPI's	21	TBC

Only 33,33% of all KPI's were scored as a target met and 66,66% of KPI's were scored as targets not met due to the submission of portfolios of information being insufficient or irrelevant or inaccurate. It must be noted that in comparison to Quarter 3 performance information, the Annual Performance has declined rapidly. One of the main contributing factors, has been the non-submission of the Portfolios of Evidence for KPI's whereby an employee is on leave. KPI's for Uthukela Water were furthermore not revised during the mid-year review and some KPI's that were not specific or did not meet the requirements to be specific, measurable, attainable,

reliable and time bound were not addressed, however the 2019'20 SDBIP has ensured that all issues of non-alignment of the KPI to the Organsational Scorecard have been addressed.