



NEWCASTLE MUNICIPALITY

2021/2022

DRAFT ANNUAL PERFORMANCE REPORT



ACRONYMS

- | | |
|-----------|--|
| 1. AFS | - Annual Financial Statements |
| 2. AG | - Auditor General |
| 3. BAC | - Bid Adjudication Committee |
| 4. BEC | - Bid Evaluation Committee |
| 5. BSC | - Bid Specification Committee |
| 6. BOQ | - Bill of Quantities |
| 7. CLO | - Community Liaison Officer |
| 8. DOL | - Department of Labour |
| 9. COGTA | - Cooperative Governance and Traditional Affairs |
| 10. DWS | - Department of Water and Sanitation |
| 11. EXCO | - Executive Committee |
| 12. ICT | - Information and Communication Technology |
| 13. IDP | - Integrated Development Planning |
| 14. KPA | - Key Performance Area |
| 15. KPI | - Key Performance Indicator |
| 16. LED | - Local Economic Development |
| 17. LR | - Labour Relations |
| 18. MANCO | - Management Committee |
| 19. MFMA | - Municipal Finance Management Act |
| 20. MIG | - Municipal Infrastructure Grant |
| 21. MSA | - Municipal Systems Act |
| 22. MSCOA | - Municipal Standard Chart of Accounts |
| 23. ORG | - Organisational |
| 24. OSS | - Operation Sukuma Sakhe |
| 25. PMS | - Performance Management System |
| 26. POE | - Portfolio of evidence |
| 27. RMC | - Risk Management Committee |

NEWCASTLE MUNICIPALITY



2021/2022 DRAFT ANNUAL PERFORMANCE REPORT

- | | |
|------------|---|
| 28. SCM | - Supply Chain Management |
| 29. SDBIP | - Service Delivery and Budget Implementation Plan |
| 30. SMME's | - Small Medium Micro Enterprises |
| 31. VIP | - Ventilated Improved Pits |
| 32. WSP | - Workplace Skills Plan |
| 33. WULA | - Water Use License Application |

EXECUTIVE SUMMARY

The year under review covers the period from the 1st of July 2021 to the 30th of June 2022. In terms Section 55 of The Local Government Municipal Systems Act 32 of 2000, the Accounting Officer, as the Head of Administration, must oversee the execution and implementation of all council policies and applicable legislation to local government. The Annual Performance Report for the 2021/2022 financial year has been compiled in accordance with Section 46 of The Local Government Municipal Systems Act, No. 32 of 2000 (as amended), Section 127 (2) of The Local Government Municipal Finance Management Act, No. 56 of 2003, as well as accompanying circulars, templates and guidelines. The Annual Performance Report provides the community with a credible, reliable and accurate assessment of the municipality's progress in achieving its goals as set out in the Integrated Development Plan (IDP) and Top-layer Service Delivery Budget Implementation Plan (TLSDBIP).

The Annual Performance Report is compiled by the Monitoring and Evaluation Unit after reviewing all Key Performance Indicators on the Top-Layer Service Delivery Budget Implementation Plan (TLSDBIP). The TLSDBIP comprises of the six National Key Performance Area's (NKPA's), these are: Basic Services, Cross Cutting, Good Governance, Financial Viability, Local Economic Development and Institutional Development. All NKPA's contain Key Performance Indicators (KPI's) and each KPI has a target that is measurable, specific, attainable, reliable and time-bound. All Capital Projects have been linked to a KPI on the TLSDBIP. The TLSDBIP has been attached per each KPA as Annexures A - F. 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.

NEWCASTLE MUNICIPALITY



2021/2022 DRAFT ANNUAL PERFORMANCE REPORT

The Graph below represents a comparison of the 2020/2021 and 2021/2022 performance of the Top-Layer Service Delivery Budget Implementation Plan:

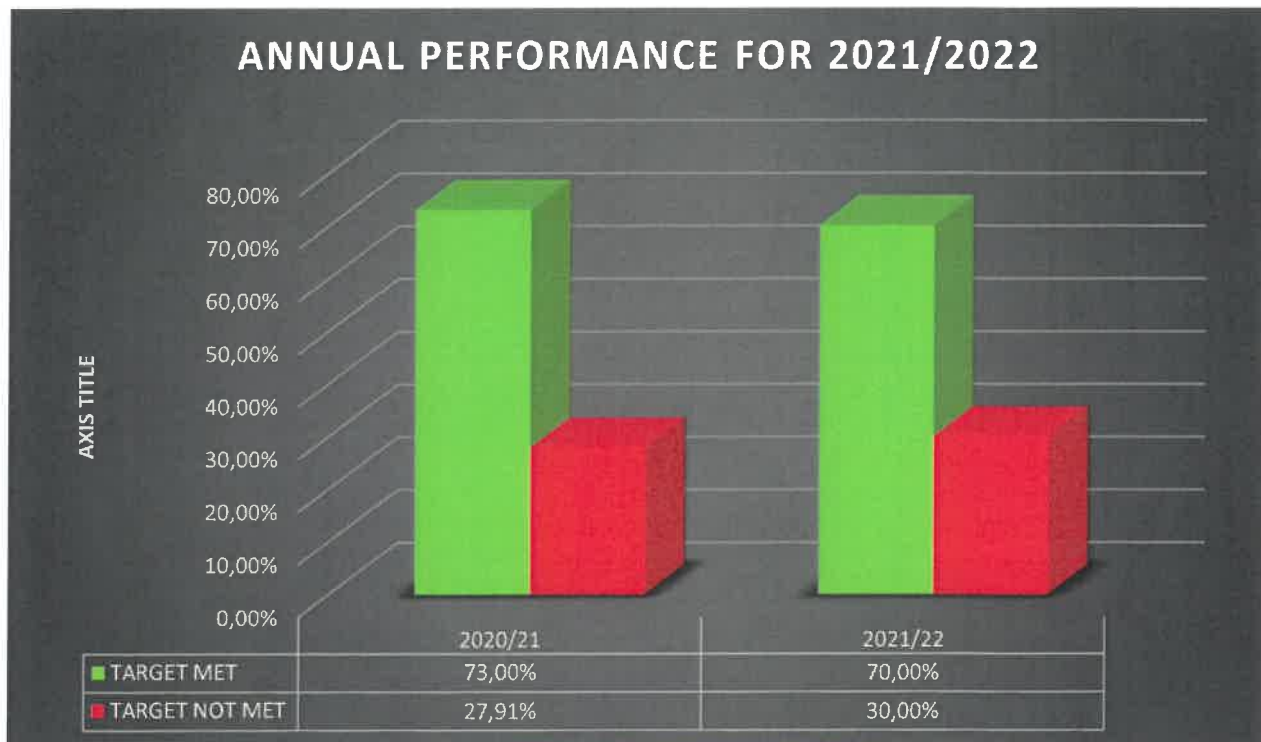


Figure 1 COMPARISION BETWEEN THE 2020/2021 AND 2021/2022 FINANCIAL YEAR

The chart above demonstrates the overall organisational performance for the 2021/2022 financial year, based on the information on the graph 70% of targets were achieved and 30% of the planned targets that were set were not achieved. The Municipality has regressed in performance by 3%.

PERFORMANCE MANAGEMENT PROCESS

The M & E Unit from the 1st working day till the 10th working day of every quarter conducts a 100% review of the performance information as submitted from departments in terms of relevance, sufficiency, accuracy and reliability. The TLSDBIP is reviewed against the approved targets and KPI's. The capital projects are monitored and evaluated every month from the 1st working day of the month to the 5th working day of the month by evaluating the actual financial and non-financial performance based on the approved cash-flow projections per month and the Project Implementation Plans (PIP's). The M & E Unit uses a Performance Management Checklist (Annexure C) to review the performance information submitted by departments. The Performance

NEWCASTLE MUNICIPALITY



2021/2022 DRAFT ANNUAL PERFORMANCE REPORT

Management (PMS) Checklist is based on Relevance, Sufficiency and Accuracy of the portfolio of evidence submitted to the M & E unit by departments. If a target as specified in the Top-layer SDBIP 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 M & E 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

Table 1 CRITERIOR TO ASSESS PERFORMANCE INFORMATION

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

The performance dashboard is used to score departments based on the actuals reported and the portfolio of evidence submitted to the M & E unit. Departments are required to submit sufficient evidence to support the actual performance reported and if a reason for variance is reported, supporting evidence must be submitted.

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:

NEWCASTLE MUNICIPALITY



2021/2022 DRAFT ANNUAL PERFORMANCE REPORT

Table 2 PERFORMANCE REPORTING

Report Frequency Submitted for consideration and/or review to Remarks	Report Frequency Submitted for consideration and/or review to Remarks	Report Frequency Submitted for consideration and/or review to Remarks	Report Frequency Submitted for consideration and/or review to Remarks
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

The Manager of the M & E Unit submits quarterly reports to the Director of the Internal Audit Unit every quarter on the 25TH working day of month after the quarter under review is completed. The quarterly report that is submitted to the Internal Audit is a 100% reviewed report of the TLSDBIP by the M & E Unit. All Actuals and reasons for variance reported on the Performance Reports are supported by portfolios of evidence that are relevant, reliable and accurate. The Portfolio of evidence is referenced as per the KPI number on the TLSDBIP and submitted to the Internal audit



2021/2022 DRAFT ANNUAL PERFORMANCE REPORT

unit electronically. Upon Internal Audit review of the PMS Report the draft Internal Audit report is 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 THE TOP-LAYER SERVICE DELIVERY BUDGET IMPLEMENTATION PLAN

The Top Layer Service Delivery Plan (SDBIP) has been adapted by Newcastle Municipality as the preferred performance management tool for measuring performance on key developmental areas that are relevant to municipal service delivery and the public sector. There are five KPA's that municipalities are required to align their strategic planning on and these cut across every functional area of a municipality. The municipal Top-layer SDBIP measures a municipality's performance through these five perspective as listed below. :

- The Municipal Economic Development Perspective
- The Service Delivery Perspective
- The Institutional Development Perspective
- The Financial Management Perspective, and
- Governance Process Perspective

With recent developments through the adoption by the national cabinet of the 5-Year Local Government Strategic Agenda, that aligns local government with the national program of action, it became imperative to review the above municipal Top-layer SDBIP model and to align it with the 5 Key Performance Areas (KPA's) for local government.

The Newcastle Municipality, having adopted the Top Layer SDBIP as the Performance management tool, will align this framework to the Top Layer SDBIP and its performance will be

NEWCASTLE MUNICIPALITY



2021/2022 DRAFT ANNUAL PERFORMANCE REPORT

grouped accordingly. Furthermore, legislation required that the PMS also align to the IDP. The Newcastle Municipality IDP adopted 1 additional KPA's/ perspectives as follows:

- Cross-cutting (Special Programs, Municipal Planning, Community services etc.)

The perspectives that inform Newcastle Municipality's Top-Layer SDBIP are:

- The Local Economic Development Perspective
- The Basic Service Delivery Perspective
- The Municipal Transformation and Institutional Development Perspective
- The Financial Viability Perspective,
- Good Governance Perspective and
- Cross Cutting Perspective
- ***The Cross Cutting*** In this perspective the municipality will assess whether the desired development indicators around the performance area of municipal planning, disaster management and social development is achieved.
- ***The Basic Service Delivery Perspective*** This perspective will assess the municipality's performance in the overall delivery of basic and infrastructural services and products.
- ***The Financial Management Perspective*** This perspective will measure the municipality's performance with respect to the management of its finances.
- ***The Institutional Development Perspective*** This perspective relates to input indicators that measure the functioning of the municipality under areas such as human resources and all other indicators that seek to develop and manage the municipal institution.
- ***The Governance Process Perspective*** This perspective will measure the municipality's performance in relation to its engagement with its stakeholders in the process of governance, established and functioning governance structures, and good municipal governance processes, strategic planning and implementation and performance management.
- ***Local Economic Development*** This perspective will measure Newcastle Municipality's performance in developing the local economy, by ensuring that there is job creation, foreign investment opportunities within Newcastle, business retention, development of SMME's, marketing and tourism development in Newcastle.

NEWCASTLE MUNICIPALITY



2021/2022 DRAFT ANNUAL PERFORMANCE REPORT

Newcastle Municipality has linked each KPI on the TLSDBIP to the IDP Objectives and Strategies and each Capital Project is linked to a specific KPI on the TLSDBIP.

PERFORMANCE ANALYSIS

A performance dashboard is used to score departments based on the actuals reported and the portfolio of evidence submitted to the PMS unit. Departments are required to submit sufficient evidence to support the actual performance reported and if a reason for variance is reported, supporting evidence must be submitted. The diagram below is an illustration of how the M & E unit scores departments:

Table 3 PERFORMANCE DASHBOARD

LEVEL	TERMINOLOGY	DESCRIPTION	RATING DASHBOARD
3	Target met	A KPI is scored as target met, if the target has been achieved and the evidence submitted supports the actual report and the evidence is relevant, sufficient and reliable.	3
1	Target not met and not supported	<p>A KPI is scored as a target not met and not supported when the specified target has not been achieved or the department has not submitted sufficient, reliable or relevant evidence to support the actual or the reason for variance for why the target was not achieved. A KPI is also scored as a target not met and not supported if there is non-submission of:</p> <ul style="list-style-type: none"> • a reason for variance for a target not achieved, or • if there is non-submission of an actual or • non-submission of evidence or 	1

NEWCASTLE MUNICIPALITY



2021/2022 DRAFT ANNUAL PERFORMANCE REPORT

LEVEL	TERMINOLOGY	DESCRIPTION	RATING DASHBOARD
		<ul style="list-style-type: none"> non-submission of a reason for variance or non-submission of a recommended corrective action 	

PERFORMANCE ANALYSIS OF THE TLSDBIP FOR 2021/2022 PER KEY PERFORMANCE AREA

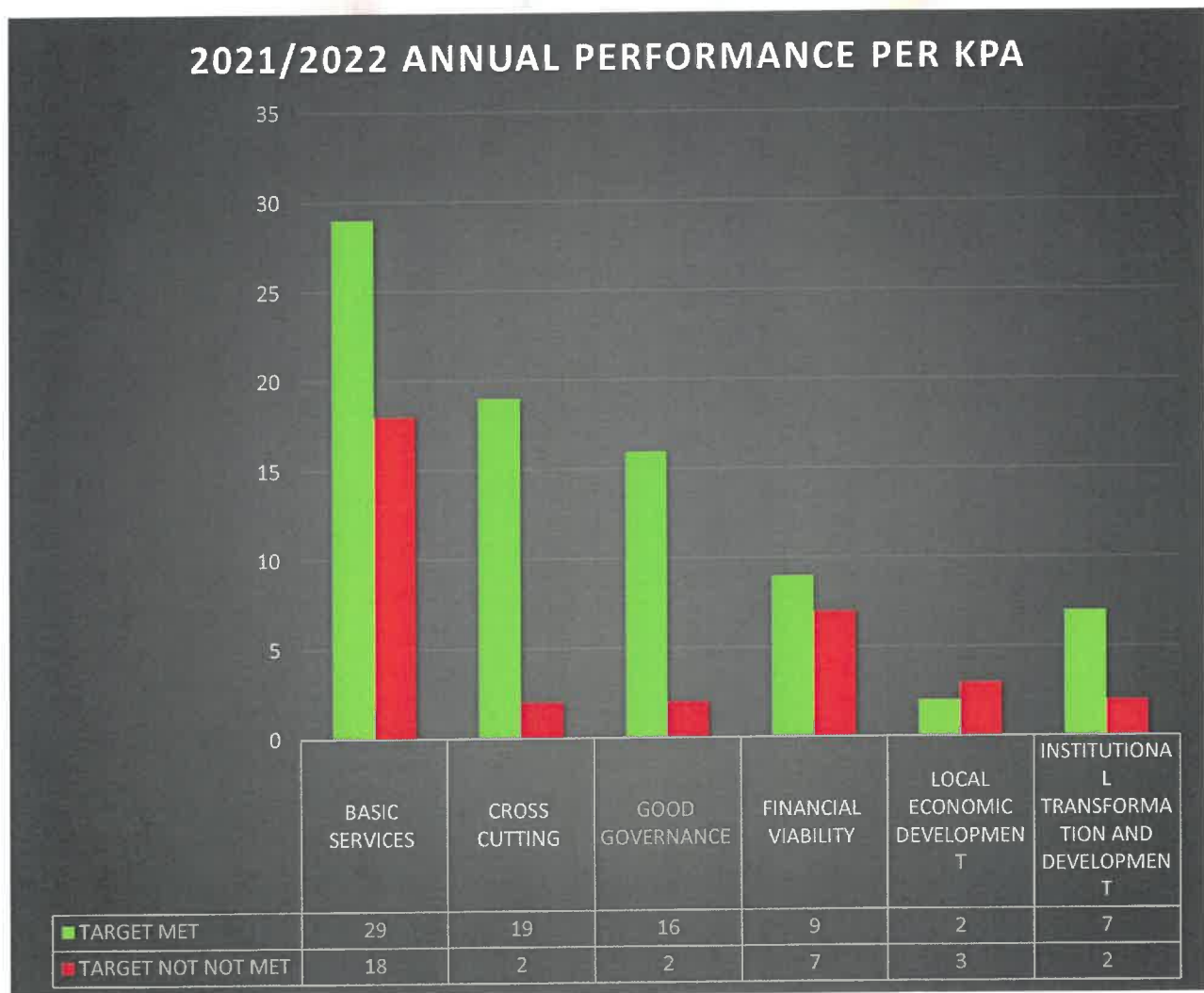


Figure 4 ANALYSIS OF THE TLSDBIP 2021/2022

NEWCASTLE MUNICIPALITY



2021/2022 DRAFT ANNUAL PERFORMANCE REPORT

PERFORMANCE PER KEY PERFORMANCE AREA

Table 4 PERFORMANCE OF THE TLSDBIP FOR 2021/2022

KEY PERFORMANCE AREA	TARGET MET	TARGET NOT MET	TOTAL NUMBER OF APPLICABLE KPI'S	PERCENTAGE
Basic Services	29	18	47	62%
Cross Cutting	19	2	21	90%
Financial Viability	9	7	16	56%
Good Governance	16	2	18	89%
Institutional Transformation & Development	6	3	9	67%
Local Economic Development	2	3	5	40%
Total	82	35	116	70%

Figure 4 and table 4 indicate that the Basic Service National Key Performance Area has achieved 66% of all the planned targets. The total number of new households connected to water, sanitation and refuse removal for the 2021/2022 financial year was 187, however this was not the planned target. The municipality has attempted to reduce water loss however due to ageing infrastructure and insufficient funding to upgrade and refurbish the existing infrastructure burst and leaking pipes

NEWCASTLE MUNICIPALITY



2021/2022 DRAFT ANNUAL PERFORMANCE REPORT

remain as a constant challenge for the municipality. Development planning and Human Settlements has been challenged in identifying a suitable landfill site thus far.

Figure 4 and table 4 illustrate that 90% of planned the targets for the Cross Cutting NKPA were achieved as at the 30th of June 2022. Community Services have addressed all disaster related incidents from the community and ensured that Newcastle remains to be a safe and clean environment for its residents.

56% of all planned targets was achieved for the Financial Viability Key Performance Area for the 2021/2022 financial year. Despite the economical challenges that South Africa is undergoing currently the Budget and Treasury Office has been making all efforts to improve financial viability by developing and implementing a Cost Containment Policy, Unauthorised Irregular Wasteful Expenditure Strategy, Revenue Action Plan and a Budget Funding plan. The financial recovery plan that was submitted to National Treasury and plan to have a funded budget by the 1st of July 2024.

Local Economic Development (LED) performance has declined, as at the 30th of June 2022 the percentage of achieved planned targets was 40%. The LED unit ensured that all business licencing applications and informal permits were processed within the statutory timeframes. 41 SMME's were trained to empower them with skills to expand and efficiently manage their businesses. Unfortunately, LED was unable to achieve the planned targets for the installation of the airport and upgrading of hawker stalls due to the National Treasury instruction In February 2022 to suspend all bid processes.

There has been considerate improvement in performance for the Institutional Transformation and Development Key Performance Area, the department of Corporate Services achieved 67% of all planned targets. The challenge of implementing the approved Work Skills Plan (WSP) as approved for the municipality was not implemented due to budget constraints. The Administrative Section of Corporate Services was challenged in implementing the approved annual meeting plan due to there being no quorum. Corporate Services has excelled in fling the vacant Strategic Executive Director Positions and at the end of the 2021/2022 financial year had also ensured that the vacant municipal manager position was advertised.

NEWCASTLE MUNICIPALITY



2021/2022 DRAFT ANNUAL PERFORMANCE REPORT

PERFORMANCE ACHIEVEMENTS FOR 2021/2022

- Appointed the following SEDS:
 - SED: Community Services (August 2021)
 - SED: Corporate Services (June 2022)
 - SED: DPHS (June 2022)
 - SED: Technical Services (June 2022)
 -
- The municipality constructed 187 new households including access to water, sanitation and refuse removal.
- 8387 households were provided with free basic electricity, water, refuse removal and sanitation.
- 2,8 km of road was resealed within the jurisdiction of Newcastle Municipality
- 6,5km of road was re-gravelled in Madadeni and Osizweni
- 232 houses were built to the roof level, the connection to basic services will be done in the 2022/2023 financial year.
- 25 residential sites have been identified advertised for sale.
- 424 EPWP jobs were created to tackle the high number of unemployment within this municipality.
- The municipality trained 41 SMMEs.
- 175 title deeds were transferred through the EEDBS program
- 100% of the Electricity maintenance plan was implemented with the intention of maintaining the existing infrastructure and reducing power outages
- 100% of all building plans received by the municipality were processed within the statutory timeframes
- 100% compliance with MFMA Reporting requirements for all financial reporting
- The IDP/Budget/PMS were approved by council on the 31st of May 2022
- 100% of MIG Expenditure
- 97% of WSIG Expenditure



CHALLENGES AND MEASURE TO IMPROVE PERFORMANCE

KEY PERFORMANCE AREA	SUMMARY OF CHALLENGE	MEASURE TO IMPROVE PERFORMANCE
BASIC SERVICE DELIVERY	Poor performance by service providers	Review of contracts for all service providers that have not performed as planned in terms of the bill of quantities and general conditions of contract
	High water losses due to burst pipes	A 3 year water reduction plan be developed and implemented in line with the available budget
	Vacant positions not filled	Review of the organogram
	Housing projects were not completed as planned	A recovery plan be developed for the all the housing projects that were not completed at the end of the 2021/2022 financial year and recommended corrective actions be monitored
	Landfill site has not been identified	Assistance from COGTA to identify a suitable landfill site
	Ageing infrastructure	Development of master plans for infrastructure
CROSS CUTTING	Purchase of Bulk Refuse Containers	Follow up with service provider and review of the terms and conditions of the contract.
	Construction of Zulu Umuizi and Fort Amiel Admin Building	A new PIP be developed, implemented and monitored weekly. Application for a roll-over of the budget to the 2022/2023 be submitted to BTO.
FINANCIAL VIABILITY	Low collection rate due to economic factors	Campaigns will be convened to increase consumer awareness Discounts on arrear debts Write off on deceased accounts Payment arrangements

NEWCASTLE MUNICIPALITY



2021/2022 DRAFT ANNUAL PERFORMANCE REPORT

KEY PERFORMANCE AREA	SUMMARY OF CHALLENGE	MEASURE TO IMPROVE PERFORMANCE
FINANCIAL VIABILITY	Cost coverage Outstanding service debtors Capital expenditure	Implementation of the Budget Funding Plan for Newcastle Municipality
GOOD GOVERNANCE	Approval of the Delegation's policy ICT issues addressed	Legal services to revise the current draft Delegations policy to include all applicable legislation from the LG Municipal Systems Act 32 of 2000. The Delegation's policy to be approved in the 2022/2023 financial year. Development, approval and implementation of ICT plan Monitoring of ICT plan at the ICT steering committee
INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION	Work skills plan not implemented as planned Annual meeting not implemented as planned Vacant positions not filled Cascading individual performance management (IPMS) to all employees below a section 57 and implementation of the amended staff regulations	Corporate services to identify additional funding for employee training/development Corporate services to revise the 2022/2023 KPI in line with functions and controls within the department Review of the organogram Corporate services to request assistance from SALGA, National Treasury, and COGTA for the rolling out of IPMS to all employees.
LOCAL ECONOMIC DEVELOPMENT	Number of jobs created through the municipality's EPWP Installation of 68 airport runway lights	The KPI target for the KPI on the Job creation for the 2022/2023 financial year has been aligned to the MIG projects and EPWP budget allocation.

NEWCASTLE MUNICIPALITY



2021/2022 DRAFT ANNUAL PERFORMANCE REPORT

KEY PERFORMANCE AREA	SUMMARY OF CHALLENGE	MEASURE TO IMPROVE PERFORMANCE
LOCAL ECONOMIC DEVELOPMENT	Upgrade of hawker shelters	<p>A new pip has been developed for the installation of the airport runway lights as at the end of august the briefing session was concluded</p> <p>The hawker shelters – a new pip has been developed and will be monitored accordingly.</p>



2021/2022 DRAFT ANNUAL PERFORMANCE REPORT

COMPARISON OF TARGETS MET FOR THE LAST 4 FINANCIAL YEARS

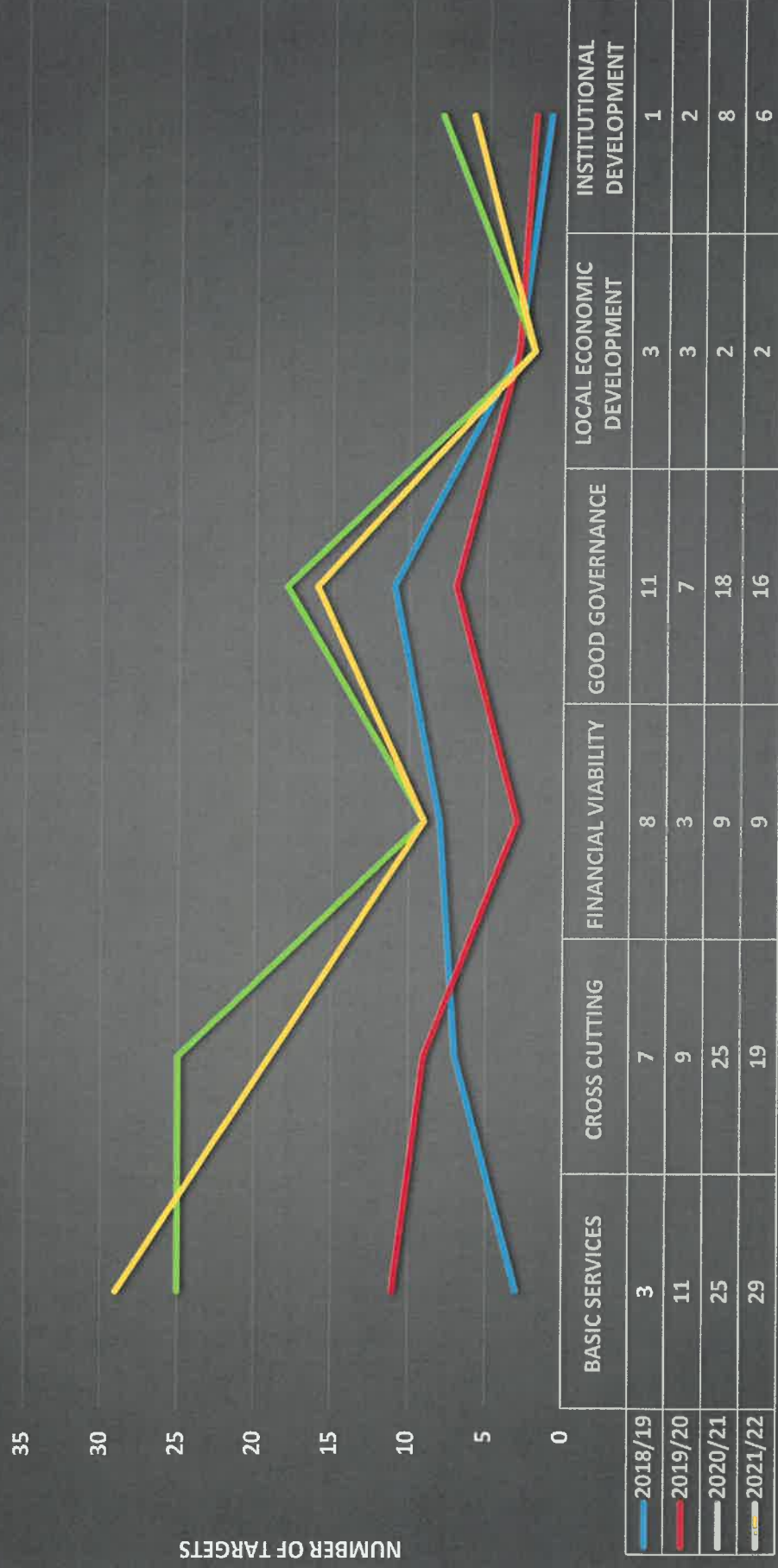


Figure 6 COMPARISON OF PERFORMANCE FOR THE LAST 4 FINANCIAL YEARS

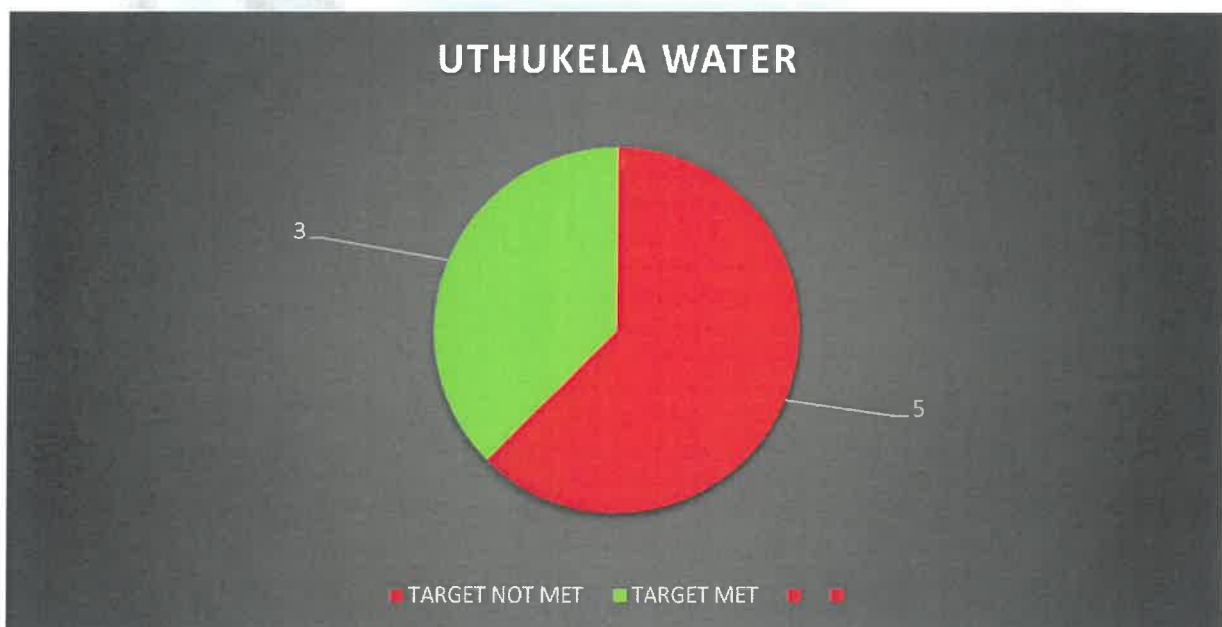


ASSESSMENT OF EXTERNAL SERVICE PROVIDER

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. UThukela Water achieved 38% of all planned targets as at the 30th of June 2022 this is a significant improvement since the 2019/2020 financial year however the the expected level of performance as planned between the municipality and the entity has still not been achieved. Newcastle Municipality has been attending meetings that Uthukela Water convened however there other municipality's that do not attend as a result there is no quorum and the matters set for discussion are not addressed in terms of strategic and operational issues. It is also noted that there is an outstanding debt owed by Newcastle municipality to Uthukela Water and as at the 30th of June 2022 there was no payment agreement between the organisations. All issues relating to Uthukela Water have been consistently reported to COGTA for intervention. Newcastle Municipality will await the from COGTA the resolutions/ way forward to address all issues raised on Uthukela Water.



NEWCASTLE MUNICIPALITY



2021/2022 DRAFT ANNUAL PERFORMANCE REPORT

CONCLUSION

Newcastle Municipality commits itself towards achieving all planned strategic objectives as specified in the Integrated Development Plan and the approved budget. As the Accounting Officer for Newcastle Municipality together with my management team the performance of the municipality will be monitored and evaluated as specified in the approved 2022/2023 Performance Management System.



ZW MCINEKA
MUNICIPAL MANAGER
NEWCASTLE MUNICIPALITY

30/08/2022

DATE: