

ANNUAL PERFORMANCE REPORT

PERFORMANCE TABLES

**2010 / 2011
Municipal Year**



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ORGANISATIONAL PERFORMANCE MANAGEMENT SYSTEM

1. Legislative requirements

Outlined in Section 40 of the Municipal Systems Act of 2000 (MSA), Municipalities must establish mechanisms to monitor and review its Performance Management System (PMS) so as to measure, monitor, review, evaluate and improve performance at organisational, departmental and employee levels. Section 34 of the MSA furthermore point out that the Integrated Development Plan (IDP) has to be reviewed on an annual basis, and that during the IDP review process the Key Performance Areas, Key Performance Indicators and Performance Targets be reviewed and this review will form the basis for the review of the Organisational Performance Management and Performance Contracts of Senior Managers.

The Municipal Planning and Performance Management Regulations (2001) stipulates that a “municipality’s performance management system entails a framework that describes and represents how the municipality’s cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role-players” (Chapter 3, Section 7, Municipal Planning and Performance Management Regulations, 2001).

Section 46 of the Municipal Systems Act (Act 32 of 2000), stipulates the following:-

"Annual performance reports

46. (1) 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;
 - (b) a comparison of the performances referred to in paragraph (a) with targets set for and performances in the previous financial year; and
 - (c) *measures taken to improve performance.*
- (2) ***An annual performance report must form part of the municipality's annual report in terms of Chapter 12 of the Municipal Finance Management Act."***

2. Introduction

The first performance management framework was adopted by the uMhlathuze Municipality on 28 May 2002. The framework was reviewed and amended during 2006/2007 financial year to align with the best practice guidelines suggested by the then Department of Provincial and Local Government and Traditional Affairs of Kwazulu-Natal.

The Performance Management function of uMhlathuze Municipality was previously outsourced to an external service provider and Council resolved during the 2009/2010 financial year to create an internal Performance Management Unit within the Office of the Municipal Manager. The Performance Management unit was capacitated during this financial year as from 1 October 2010 by the appointment of two permanent employees, i.e. one post of Manager: Performance Management and one post of Performance Management Specialist. During the 2010/2011 Financial year, the newly established Performance Management Unit prepared a new Performance Management Framework and Policy for adoption by Council. The Performance Management Framework Policy is available on Councils official website (www.richemp.org.za under the “Our Performance” tab).

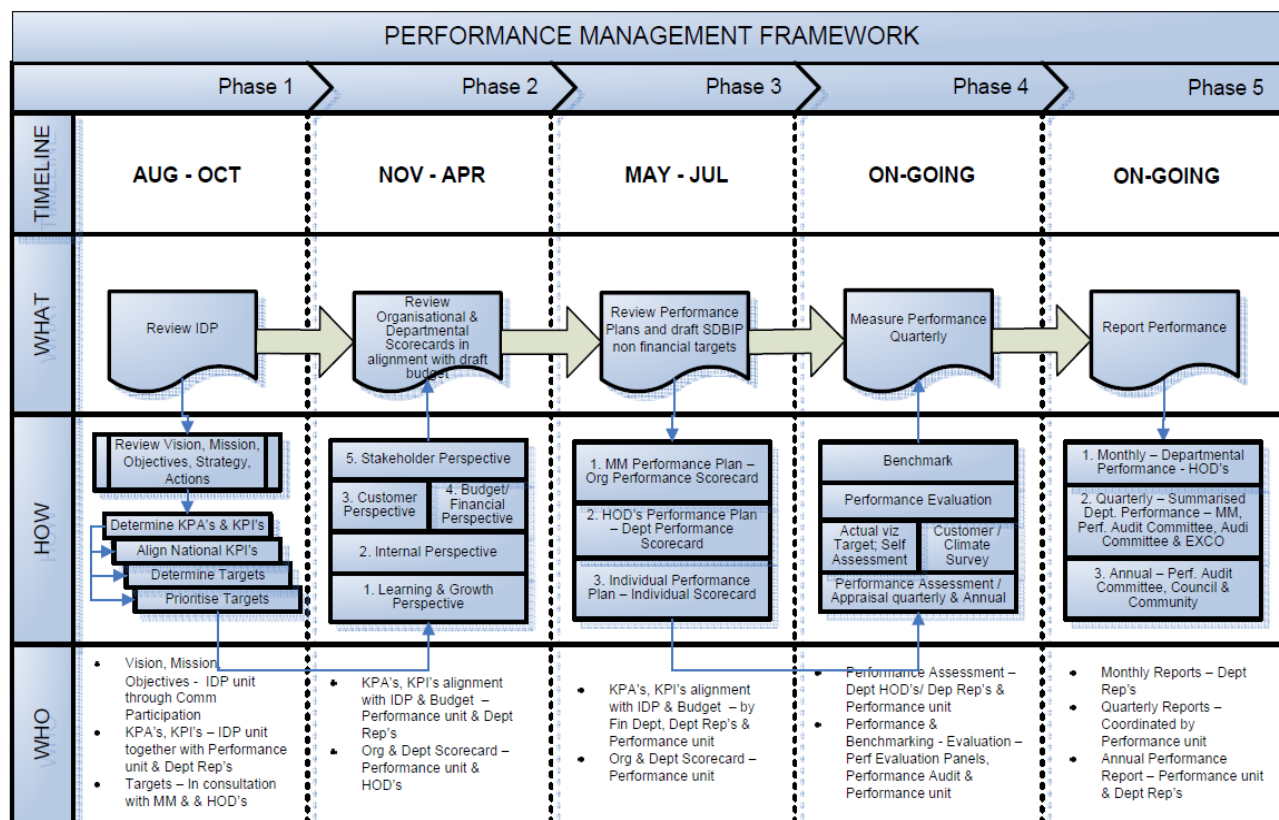
3. Organisational Performance Management Process

Key performance indicators have been refined in support of the municipality's development priorities and objectives as set out in the revised IDP framework and will remain for the duration of the IDP period for consistency in measuring and reporting on long terms strategies and projects. Measurable performance targets with regard to each of these development priorities and objectives were established. A process to ensure regular reporting is in place and is fed back to the Council via the Performance Audit Committee.

Individual performance agreements and performance plans were prepared in line with provisions prescribed in the Performance Regulations (Notice 805, published on 1 August 2006 in the official gazette) and signed by the Acting City Manager and Senior Managers (Heads of Department). These agreements are fully implemented and aligned with the Service Delivery and Budget Implementation Plan as required in terms of the Municipal Finance Management Act.

Performance Evaluation Panels have also been established for the assessment of performance of the Acting City Manager as well as Managers directly accountable to the City Manager per Council Resolution 4120 of 10 October 2006. These panels do meet quarterly to evaluate individual performance.

The following diagram illustrates a summary of the newly developed performance management framework for the City of uMhlathuze for performance measurement and reporting, adhering to the guidelines suggested by KwaZulu-Natal Province, Department for Cooperative Governance and Traditional Affairs:



uMhlathuze Performance Management Framework diagram

4. Performance Audit Committee

The Performance Audit Committee for the first 2 quarters of 2010/2011 financial year was re-affirmed and the members were as follow:

Mr H Oosthuizen - Chairperson
Mr S W Kunene
Ald .A Z Mnqayi. (Mayor)
Cllr C Q Madlopha (Deputy Mayor)

Since the Mayor and Deputy Mayor have resigned from the municipality, the newly elected Mayor and Deputy Mayor have replaced the vacancies on the Performance Audit Committee. The Chairperson also indicated to transfer the responsibility of Chairperson to another member of the committee. The Performance Audit Committee for the last 2 quarters of the 2010/2011 financial year was affirmed and the members are as follow:

Mr S W Kunene - Chairperson
Mr. H Oosthuizen
Cllr E F Mbatha (Mayor)
Cllr N V Gumbi (Deputy Mayor)

The Performance Audit Committee did meet bi-annually as required by legislation on 29 July 2010 and again on 24 March 2011. The minutes of meetings are available on the electronic document management system.

5. Auditing of Performance Information

The Municipal Systems Act, 2000, Section 45 requires that the results of performance measurements in terms of section 41 (1)(c), must be audited as part of the internal auditing process and annually by the Auditor-General. All auditing must comply with section 14 of the Municipal Planning and Performance Management Regulations, 2001 (Regulation 796).

PriceWaterHouseCoopers has been appointed by uMhlathuze municipality to perform the Internal Audit function within the municipality. As part of their scope, auditing of the Performance Management System and Audit of Performance Information was performed and reports received for each quarter in terms of the following:

Quarter 1

Review the functionality of the Performance Management System and management's compliance thereto.

Quarter 2:

Review scorecards on a test basis to supporting evidence on a sample basis;
Record the system/systems (electronic and/or manual) that are used to generate the performance information and perform walkthrough testing to validate (AOPI); and
Perform detailed testing on selected performance information (AOPI).

Quarter 3:

Ensure compliance with the requirements of the PMS regulations for quarter 3.

Quarter 4:

Review scorecards on a test basis to supporting evidence on a sample basis;
Perform detailed testing on selected performance information (AOPI); and

Ensure the accuracy and validity of the information included in the annual report based on the evidence inspected, on a sample basis.

6. Customer Satisfaction

The last Customer Satisfaction Survey was conducted during June/July 2009 and the results were communicated to Council via the Performance Audit Committee on 26 August 2009. The comprehensive analysis feedback report is available on Council's official website. (www.richemp.org.za under the "Our Performance" tab.) The next Customer Satisfaction Survey will be conducted during the 2011/2012 financial year.

7. Annual Organisational Performance Information

The annual performance reporting on the 2010/2011 financial year has been completed and reflected in the Organisational Performance Scorecard in a table format (as prescribed by KZN CoGTA). The Draft Organisational Performance report was presented to the Auditor General for auditing together with the Annual Financial Statements on 30 August 2011.

This Annual Performance Report (Tables) should be read in conjunction with the uMhlathuze Annual Report, including the Annual Financial Statements as well as Auditor General Report on the Annual Financial Statements and Performance Information for 2010/2011.

The following table reflects the organisational performance targets and achievements as reflected in the Integrated Development Plan, in relation to the achievements of the previous financial year as well as reflecting corrective measures to be taken in the 2011/2012 financial year in cases of under achievement:

The number of households served with basic services as reflected in the table below also includes the performance of external service providers delivering basic services to the community as contemplated in section 46(1)(a) of the Municipal Systems Act (No. 32 of 2000). Water distribution to the community by uMhlathuze is delivered through water purification by WSSA and through purified water purchased from the uMhlathuze Water Board. Electricity is distributed to communities by uMhlathuze municipality through purchasing electricity from ESKOM. The remainder of basic services to communities, i.e. solid waste removal (refuse collection) and sanitation is delivered in-house by uMhlathuze. The uMhlathuze municipality is fortunate not to be reliant on external service providers, i.e. water, sanitation, solid waste removal services delivered by the district municipality like most other local municipalities do.

The information reflected below has been subjected to the Internal Auditing process (in line with the scope of PWC) and reported via the Performance Audit Committee to the Executive Committee and Council. Reports are available for inspection.

ORGANISATIONAL PERFORMANCE SCORECARD 2010/2011

UMHLATHUZE ORGANISATIONAL PERFORMANCE SCORECARD 2010/2011									
IDP Ref	National KPA	Strategic Objective	Measurable Objective/Output	Performance Measure / Indicator (Unit of Measure)	Baseline 2009/2010		2010/2011		Planned Measures for improvement / Comments
					Annual		Annual		
					Target	Actual	Target	Actual	
1.1	Good Governance, Community Participation and Ward Committee Systems	Public Participation	Public meetings	Number of meetings	13	13	22	32	Target exceeded
1.2		Policy Development	Compliance with all legal prescripts	Percentage of compliance	100%	100%	100%	100%	100% Compliance to continue at all times
2.1	Basic Service Delivery and Infrastructure Development	Access to Water	Households with access to basic water	Number of Households	73542	71660	72260	72202	Dependant on customer applications.
2.1			% Households with access to basic water	% Households with access to basic water	96.5%	96.5%	97.30%	97.22%	Dependant on customer applications.
2.1			New Water Connections	Number of new connections	3259	1756	600	542	Dependant on customer applications.
2.1		Access to Sanitation	Households with access to basic sanitation	Number of Households	42806	44129	45113	44513	Target achieved
2.1			% Households with access to basic sanitation	% Households of with access to basic sanitation	57.6%	59.4%	59.93%	59.93%	Target achieved
2.1			New sanitation connections	Number of new connections	10506	5366	TBA	384	Target achieved
2.2		Access to Electricity	Households with access to electricity	Number of Households	34388	34110	31000	30884	Dependent on customer applications.
2.2			New Electrical Connections	Number of new connections	1512	1234	TBA	361	Dependent on customer applications.
2.4		Access to Solid Waste	Households with access to waste disposal services	Number of Households	56265	56770	58673	58562	Dependent on community members applying for the service. Joint survey between Finance and Waste management services
2.4			% Households with access to waste disposal services	% Households	75%	76.44%	80.5%	79.0%	Service delivery on target
2.4			New households with access to weekly waste disposal services	Number of new households	1 600	2 100	1686	2151	Target achieved
2.1		Free Basic Services	Households with access to free basic water	Number of Households	73242	71660	72260	72202	No major water project for reducing of Backlogs
2.1			Households with access to free basic sanitation	Number of Households	10006	11524	12508	11908	Project awarded towards the end of the financial year
2.4			Households with access to free electricity	Number of Households	300	324	TBA	511	Dependent on community members applying for "the poorest of the poor" classification.
2.3		Access to roads	Kilometres of tarred roads established	Number of km	6.4	6.4	1.2	1.2	Target on Project achieved
2.3			Kilometres of gravel roads established	Number of km	36	28.2	26.5	24.2	Annual target adjusted from 16 to 26.5 Budget re-allocated Original target over achieved Consultant appointed to source grant funding
2.3			Kilometres of roads maintained	Number of km	800	794	800	860	In process to appoint contractor to assist with general maintenance in all areas

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					Target	Actual	Target	Actual	
2.115	Basic Service Delivery and Infrastructure Development	Community and Public Facilities	New facilities provided	Number of facilities	4	3	0	0	Source sponsorship/partnership or provide budget in new financial year
2.115			Upgraded facilities provided	Number of facilities	6	4	0	0	Source sponsorship/partnership or provide budget in new financial year
2.1		Human Settlements	Number of Hostel units refurbished	Number of units	108	108	25	0	Source sponsorship/partnership or provide budget in new financial year
3.1.1	Local Economic Development	Development of Prioritised Groups	Capacity Building Initiatives undertaken	Number of Initiatives	3	15	12	32	Target exceeded
3.1.3		Promotion of Local Economy	Jobs created through the municipality's LED initiatives	Number of jobs	300	400	265	209	Figure for the first Quarter to be adjusted to 128 as per Report RPT 149583. This will mean the Annual achievement is not 296 but recalculated to 209, which is below the Annual Target. Achieving the target is dependent on the Budget available. PWC has validated the actual achievement of 210 jobs created.
3.1		Jobs created through the municipality's Capital Projects	Number of jobs	500	547	750	414	Funds provided on CAPEX for municipal capital projects in the new financial year	
4.6	Municipal Transformation and Institutional Development	Human Resources Management	Number of black staff employed in management	Number of black staff	72	49	78	57	Dependent on staff resignations. The EEP is adhered to at all times
4.6			Women employed by the municipality	Number of women	854	608	870	643	Dependent on staff resignations. The EEP is adhered to at all times
4.6			Youth employed by the municipality	Number of youth	0	141	TBA	192	Dependent on staff resignations. The EEP is adhered to at all times
4.6			Disabled staff employed by the municipality	Number of staff	0	1	TBA	2	Dependent on staff resignations. The EEP is adhered to at all times
4.6			Budget Spent on Workplace Skills Plan	Percentage Spent on budgeted amount	85.0%	94.64%	85.0%	93.03%	Target achieved
4.6			% Operating Budget spent on implementing Workplace Skills Plan	Skills levy / Salaries budget x 100 = percentage (Target 1.00% p.a.)	1.0%	0.84%	1.00%	0.80%	The underspend resulted from funds not beign made available throughout the financial year

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					Target	Actual	Target	Actual	
4.1.1	Municipal Transformation and Institutional Development	Batho Pele Principles	Community Surveys conducted	Number of surveys	0	0	0	0	Funds provided for Community Satisfaction Survey on the 2011/2012 Financial year
4.1.1		Performance Management Systems	S57 Performance Agreements	Number of agreements	7	7	6	6	Filling of vacant positions of MM and Deputy MM. Post of MM advertised in July 2011
4.5		Municipal Turn Around Strategy	Implementation of the National Municipal Turnaround Strategy	% Implemented	New	Adopted	100%	100%	Continue with focus on KPI's established in terms of MTAS
5.4	Financial Viability and Financial Management	Revenue Enhancement	Cash collected from customers	R value of revenue collected	964,000,000	952,119,367	TBA	1,177,832,738	Ongoing strict credit control procedures.
5.4			Amount invoiced/billed to customers	R value of invoices raised	985,888,926	964,699,613	1,240,000,000	1,220,762,597	Ongoing strict credit control procedures.
5.1		Financial management	Debt service payments	R value	62,527,371	62,527,371	170,205,000	165,032,000	5 Year revenue enhancement strategy in draft.
5.1			Total revenue received from grants and subsidies	R value	183,438,700	236,022,744	232,855,000	202,775,860	Non Delegated Municipalities that provide the full range of Municipal Services do not receive proportionately the correct Equitable Share allocation compared to Category A & C Municipalities. This needs to be seriously considered by Cogta
5.1			Total of grants and subsidies spent	Total grants and subsidies spent / Total grants and subsidies received x 100 = Percentage spent	100%	100%	100%	98%	Emphasis to be placed on spending according to SDBIP.
5.3		Debt Control	Debt coverage ratio	(Total operating revenue received - operating grants) / debts service payments (interest & redemption due for the year)	$\frac{(1054914000 - 174154000) / 159737000}{5.51}$	$\frac{(1222132556 - 122102991) / 153946501}{7.1}$	$\frac{(1557757000 - 156947000) / 170205000}{8.23}$	$\frac{(1390447000 - 156865000) / 165034000}{7.47}$	5 Year revenue enhancement strategy in draft.
5.3			Outstanding service debtors to revenue	Outstanding service debtors / revenue actually received for services	$\frac{90000000}{900000000} = 0.10$	$\frac{86641274}{943186501} = 0.09$	$\frac{120088721}{1271066100} = 0.09$	0.04	Ongoing strict credit control procedures.
5.3			Cost coverage ratio	(Available cash at particular time + Investments) / Monthly fixed operating expenditure	$\frac{76205000}{982126000} = 0.078$	$\frac{41190772}{243826000} = 0.20$	$\frac{(-81897000)}{116998000} = (-0.70)$	$\frac{(3714200)}{107523000} = 0.35$	5 Year revenue enhancement strategy in draft.
5.1	Budgeting and reporting		Total operating budget	R value	1,183,579,600	1,307,384,287	1,509,509,100	1,437,580,585	No need for improvement at this stage
5.1		Total Salaries and Wages budget (including benefits)	R value	330,254,400	322,178,328	360,814,200	361,199,470	No need for improvement at this stage	

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					Target	Actual	Target	Actual	
S.1	Financial Viability and Financial Management		Compliance with MFMA requirements	Percentage compliance	100%	100%	100%	100%	No need for improvement at this stage. Continue to adhere to legislation
S.1		Expenditure control	Percentage Capital Budget spent on Capital project i.t.o. IDP	Capital Budget amount spent on Capital Projects / Total Capital Budget x 100 = Percentage spent	90.00%	115.56%	90.00%	59.20%	Creation of a Capital Replacement Reserve in order to source alternate funds for capital expenditure. Greater emphasis be placed on implementing the SDBIP instead of treating same for compliance purposes only.
S.1		Total Operating expenditure	R value	1,299,766,400	1,422,542,758	1,526,102,800	1,630,785,196	Departments need to improve financial management within their own cost centres.	

KEY FOR THE MEASURABLE OBJECTIVES:

Priority (Including General KPI's)

Vuna

Additional/Department