1. INTRODUCTION

Municipalities are established in terms of the Constitution of the Republic of South Africa. The purpose and objectives of Municipalities are:

a) to provide democratic and accountable government for local communities;
b) to ensure the provision of services to communities on a sustainable manner;
c) to promote social and economic development;
d) to promote a safe and healthy environment; and
e) to encourage the involvement of communities and community organisations in the matters of local government.

A municipality must strive, within its financial and administrative capacity, to achieve the objectives set out above.

Chapter 8 of the Municipal Systems Act (Act 32 of 2000) stipulates per section 73 as follows:

A municipality must give effect to the provisions of the Constitution and –

a) give priority to the basic needs of the local community;
b) promote the development of the local community; and
c) ensure that all members of the local community have access to at least the minimum level of basic municipal services.
The municipality translated the above mentioned statutory objectives and customized it to the following municipal strategic objectives and outcomes:

<table>
<thead>
<tr>
<th>Strategic Objective</th>
<th>Strategic Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promote the welfare of the community</td>
<td>Healthy and good living conditions</td>
</tr>
<tr>
<td>Promote and encourage sustainable economic environment</td>
<td>Prosperous community</td>
</tr>
<tr>
<td>Plan for the future</td>
<td>Sustainable communities</td>
</tr>
<tr>
<td>Improve financial viability</td>
<td>Financial sustainability</td>
</tr>
<tr>
<td>Resource management of infrastructure and services</td>
<td>Increased accessibility of basic services</td>
</tr>
<tr>
<td>Improved administration and governance capacity</td>
<td>Good governance</td>
</tr>
<tr>
<td>Attract, develop and retain human capital</td>
<td>Improved employee satisfaction and increased productivity</td>
</tr>
</tbody>
</table>

The Modimolle Local Municipality is composed in such a way that both the purposes of the Constitution and the stipulations from the Systems Act are addressed.

The municipality has 3 line functions and 2 supports function departments that plan, budget and implement projects to maintain and deliver services to the communities around it.

The line function departments are the Technical, Social and Community and Strategic Planning departments. Supportive departments are Corporate Services and Financial Services.

2. **PROCESS IN COMPILING THE ANNUAL PERFORMANCE REPORT**

The process of compiling the Annual Performance Report starts each financial year in the first quarter when the Integrated Development Plan (IDP) Annual Process Plan is integrated. With this Process Plan community involvement is invited, stakeholders have the opportunity to give inputs and interested parties have the opportunity to share in the planning process of the municipality.

During the second quarter, many stakeholder meetings are held in the attempt to disseminate information.
During the third quarter the IDP gets finalised and the draft budget and the operational plans as embodied in the Service Delivery Budget Implementation Plan (SDBIP), are linked to the IDP. This linkage between the IDP, Budget and SDBIP has to be very finely aligned, which means that a project identified in the IDP, has to be both budgeted and operationally planned for.

In the third quarter of the financial year the Performance Management Systems Framework, which must be reviewed annually, gets submitted for approval by Council.

In the third and fourth quarter, the Budget and SDBIP move from draft status to final status. These draft documents are tabled to the various Council Portfolio Committees for recommendations. The next step is the tabling at Executive Committee for recommendations to Council, who approve and adopt if satisfied with the contents of the documents.

The Annual Performance Report starts off with the performance monitoring of the performance of the first quarter. The Midyear Report (or MFMA Section 72 report) takes a hard look at performance for the first 6 months of the financial year. This report gets submitted to various government departments. The third quarter report is also crucial for reporting as the fourth quarter is ideally the quarter for finishing off the projects.

The fourth quarter report indicates the final status of completion of all projects listed for the recently concluded financial year. The fourth quarter report is therefore the report that informs the Annual Performance Report with the critical information on achievement and non-achievements for the past year.

The Annual Performance Report follows the format prescribed by National Treasury, as supplemented by requests from inter-alia the Department of Local Government.

**COMMUNITY PARTICIPATION**

Community involvement in the process of mentoring, measuring and reviewing performance is important. The municipality must, after consultation with the local community, develop and implement mechanisms, systems and processes to monitor, measure and review performance.

To achieve this community involvement, and if there is no other appropriate municipal structure for community participation, the municipality must establish a forum for community participation.

In Modimolle Municipality’s case it was not necessary to establish a duplicate forum for Performance issues per se. This was done due to the fact the performance review process was part of the IDP review process, the budget review process, the service delivery implementation plan monitoring and the annual report of the municipality.

It can be noted that duplicated processes were not established and that resources and time were not wasted by setting up other forums where the existing structure met the required objectives.
3. **GENERAL KEY PERFORMANCE INDICATORS**

The following general key performance indicators are prescribed in terms of Section 43 of the Act:

a) The percentage of households with access to basic level of water, sanitation, electricity and solid waste removal: \( \frac{19,804}{22,000} = 90\% \)

b) The percentage of households earning less than R3 500 per household per month with access to free basic services: indigents: \( \frac{3,700}{22,000} = 17\% \)

c) The percentage of municipality’s capital budget actually spent on capital projects identified for a particular financial year in terms of the municipality’s integrated development plan: 84\%

d) The number of jobs created through municipality’s local economic development initiatives including capital projects: 150 jobs

e) The number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality’s approved employment equity plan: 22/24 = 91\% (4/24 female; 18/24 black male)

f) The percentage of a municipality’s budget actually spent on implementing its workplace skills plan: 40\% of the training vote of R478 643; 0.001\% out of the total budget of R307 257 683

g) Financial viability as expressed by the following ratios:

i. \( \frac{A}{B - C} = \frac{175,021,959}{2013,468.82} = 87 \)

   Where –

   ‘A’ represents debt coverage

   ‘B’ represents total operating revenue received: 239 037 662

   ‘C’ represents operating grants: 64 015 703

   ‘D’ represents debt service payment (i.e. interest + redemption) due within the financial year:

\[
(1,581,663 + 167,911.95 + 263,893.87) = 2,013,468.82
\]
ii. \[ A = \frac{B}{C} = \frac{127\,763\,260}{98\,067\,502} = 1.3 \]

'A' represents outstanding service debtors to revenue

'B' represents total outstanding service debtors: \((103\,717\,191 + 24\,046\,069) = 127\,763\,260\)

'C' represents annual revenue actually received for services: \((610\,353 - 28\,542\,851) = 98\,067\,502\)

iii. \[ A = \frac{B + C}{D} = \frac{17\,431\,021}{D} \]

'A' represents cost coverage

'B' represents all available cash at a particular time: \(6\,348\,125\)

'C' represents investments: \(7\,026\,323 + 4\,056\,573 = 11\,082\,896\)

'D' represents monthly fixed operating expenditure

4. **SDBIP TARGETS AND ACHIEVEMENTS**

4.1 **DEPARTMENTAL PERFORMANCE**

4.1.1 **DEPARTMENT: MUNICIPAL MANAGER & INTERNAL AUDIT UNIT**

The purpose of the Municipal Managers post is to act as Head of the Administration and to be the Accounting Officer for the financial affairs of the municipality as per Section 55 of the Municipal Systems Act.

The Internal Audit Unit is tasked to audit the results of the performance measurements as part of the municipality's internal auditing processes in terms of Section 41(1)(c) of the same Act.
**Purpose of the Department**

As the pinnacle department of the municipality, the Municipal Manager’s office must lead strategically and ensure that the line and staff departments fulfill their roles.

The Audit Unit must execute audits on financial and performance matters as per their Annual Audit Plan on a continuous base.

**Characteristics of the Department**

Staff functionary department of a strategic and general management nature

**Composition**

- Municipal Manager and Personal Assistant
- Head Internal Audit and support staff

**Key Performance Areas**

- Intergovernmental Relations
- Line Audits
- Audit Committee
- Auditor General Audit issues indicated

**Key Performance Indicators**

For the reporting period the KPI’s were a legacy form previous year as compiled in consultation with the appointed consultants

**Projects listed**

- No projects for the Municipal Manager’s office
- Operational projects were listed for the Audit Unit

**4.1.2 DEPARTMENT: BUDGET AND TREASURY**

**Purpose of the Department**

The purpose of the Treasury Department is tasked in terms of Section 26(h) of the Municipal Systems Act to compile a financial plan, which must include a Budget projection for at least the next three years.
**Characteristics of the Department**

This department is key support function department.

**Composition**

Divisions are: Revenue, Expenditure & Asset Management, Supply Chain Management and Budget and Reporting

**Key Performance Areas**

- All Income and Expenditure of the Municipality
- All assets and the discharge of all liabilities of the Municipality
- Proper and diligent compliance with the Municipal Finance Management Act

**Key Performance Indicators**

A total of 41 Key Performance Indicators are contained in the Department’s SDBIP

**Projects listed**

Projects in this Department are operational in nature are not listed as projects as such

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### 4.1.3 DEPARTMENT: TECHNICAL SERVICES

**Purpose of the Department**

This department is key in the provisioning of core municipal services to the communities as stipulated by the South African Constitution.

**Characteristics of the Department**

This department is a line functionary department.

**Composition**

Divisions are: Roads & Storm water, Water & Waste Water (Sanitation) and Electro-technical. The Project Management Unit (PMU) resorts under this department

**Key Performance Areas**

Focus on the construction and maintenance of roads and storm water piping, the provisioning of potable water and the installation and maintenance of a infrastructure, the processing and releasing of waste water and the installation and maintenance of a sewage network, as well as the provisioning of an interrupted supply of electricity and the installation and maintenance of an electrical distribution network

**Key Performance Indicators**

Key Performance Indicators were listed

**Projects listed**

Projects Management Unit listed 13 projects
4.1.4 DEPARTMENT: CORPORATE SERVICES

Purpose of the Department

The Corporate Services Department has to address the Municipality’s Internal transformation needs (Section 26(a)), and to provide administrative support to Council.

Characteristics of the Department

This department is a line functionary department.

Composition: Administrative, Legal, Communication and Information Technology and Human Resource Management Divisions form the Corporate Services Department

Key Performance Areas:

- To see that a well functioning administration is run, to appoint, train and discipline staff, promote sound labour relations, to advise the political office bearers, to manage communication, to carry out the decisions of the political structures, to facilitate participation by the local community in the affairs of the municipality, to access community satisfaction with municipal services, to update by-laws etc.

Key Performance Indicators:

- A total of 24 key performance indicators are listed in the SDBIP

Projects listed:

- Projects in this Department are operational in nature and are not listed as projects as such

4.1.5 DEPARTMENT: SOCIAL AND COMMUNITY SERVICES

Purpose of the Department

The purpose of the Social & Community Services Department is to assist with the municipal development of the communities, to help with access to services and to provide for an applicable Disaster Management Plan in terms of Section 26 of the Municipal Systems Act.

Characteristics of the Department

This department is a line functionary department.

Composition:

- Divisions are: Protection Services, Refuse Removal and Sport, Arts and Cultural

Key Performance Areas:

- Reflected in the vehicle and driver’s licenses, fire brigade services, cemeteries, libraries, parks, sport fields and solid waste removal

Key Performance Indicators:

- 21 Key Performance Indicators were listed
4.1.6 DEPARTMENT: STRATEGIC PLANNING AND ECONOMIC DEVELOPMENT

**Purpose of the Department**

This department must undertake developmentally-orientated planning to achieve the objects of Local Government as set in the Constitution. (Section 23 of Municipal Systems Act)

**Characteristics of the Department**

This department is a line functionary department with a strong line function element

**Composition**

Four Divisions: Integrated Development Planning, Town Planning, Local Economic Development and Organisational Performance Management

**Key Performance Areas**

The assessment of the existing level of development, spatial development and building control, local economic development, and monitoring and evaluation

**Key Performance Indicators**

29 Key Performance Indicators were listed

5. PERFORMANCE OF SERVICE SUPPLIERS TO THE MUNICIPALITY

<table>
<thead>
<tr>
<th>No</th>
<th>Name of Service Provider</th>
<th>Type of Service</th>
<th>Annual Payments</th>
<th>Disruptions</th>
<th>Corrective</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>ESKOM</td>
<td>Electricity provision</td>
<td>R70 000 000</td>
<td>Municipal account arrears</td>
<td>Load shedding</td>
</tr>
<tr>
<td>2</td>
<td>Magalies Water Board</td>
<td>Potable water provision</td>
<td>R7 300 000</td>
<td>Municipal account arrears</td>
<td>Under supply</td>
</tr>
<tr>
<td>3</td>
<td>Rakhutsetsa &amp; Modimolle Security</td>
<td>Security Services</td>
<td>R6 400 000</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>4</td>
<td>Various service providers</td>
<td>Professional Services</td>
<td>R3 574 000</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>5</td>
<td>Auditor General</td>
<td>External Audit</td>
<td>R2 800 000</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>6</td>
<td>Telkom &amp; Vodacom</td>
<td>Telephone</td>
<td>R1 970 000</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>7</td>
<td>ABSA</td>
<td>Vehicle Costs</td>
<td>R1 300 000</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>8</td>
<td>Bathathu Risk Services (Pty) Ltd</td>
<td>Insurance</td>
<td>R760 000</td>
<td>None</td>
<td>None</td>
</tr>
</tbody>
</table>
6. **ISSUES RAISED BY AUDITOR GENERAL**

   Include per separate Chapter.

7. **PERFORMANCE CHALLENGES**

   Recognised Performance Challenges are those events identified and tabled as risks that will interfere and inhibit a project to be finished by the planned and desired time, or within the allocated budget.

   The Municipal Risk unit operates under the Head Internal Audit division. It is currently understaffed and it has only one employee at its disposal.

   Other factors that impact negatively on performance were vacancies at critical posts that lasted the whole financial year, rising cost of material and consultants not staying within their tender amounts as well as insufficient monitoring, reporting and the execution of remedial actions.

8. **REMEDIAL ACTION**

   The Municipal Systems Act addresses the core components that a Performance Management System must entail. The following components need to be present:

   i. Key Performance Indicators;
   ii. Measurable Performance Target;
   iii. Monitoring and Reviewing of Performance;
   iv. Steps taken to improve Performance; and
   v. Regular process of reporting.

   In order to comply with the requirement of “steps taken to improve performance”, the quarterly reporting templates have a column at the right hand side of the table titled “remedial action”. In this column the actions to be taken to address under-performance have to be tabled and be reported to the Portfolio Committee, Audit and Performance Audit Committee, Management, Executive etc. Should it be necessary, the budget as well as the SDBIP gets adjusted at midyear to compensate for projects that have fallen behind schedule.
9. **COMPARING PREVIOUS YEAR’S PERFORMANCE**

Comparisons with the previous year’s performance outcomes were made where the Key Performance Indicators were the same. A number of indicators related to projects that were completed in the previous financial year, or were new indicators with no previous year’s connections, making comparisons not possible.

10. **ORGANOGRAM**

The Modimolle Local Municipality had a full time staff compliment of 370 employees. The approved organogram is attached as Annexure “C”.

11. **ALIGNMENT WITH IDP, BUDGET AND SDBIP**

The IDP, Budget and SDBIP alignment was discussed under the heading of “Process in Compiling the Annual Performance Report”.

The 2014/2015 SDBIP saw an improvement on the previous year’s document with regards to the alignment issue. This document did not table projects which were not listed in the IDP and not budgeted for.

The proper alignment between the three cornerstone documents assisted management in the day to day management of their projects as they knew that an issue was properly listed, budgeted and planned for.

12. **CONCLUSIONARY REMARKS**

Every municipality is tasked to have a performance management system that will contribute to the objects mentioned in the introduction, and furthermore that will bring about the outcomes and impact for the development priorities and objectives set out in it’s Integrated Development Plan.

The Monitoring and Evaluation function of Organisational Performance management aims to assist Management with project and general management, and to serve as an early warning system for non- or under performance.