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**CONTENTS • INHOUD***No.**Page  
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43	Local Government: Municipal Systems Act (32/2000): Report on municipal performance in respect of the 2007/2008 financial year .....	2	2166
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## PROVINCIAL NOTICE

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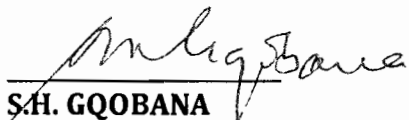
**PROVINCE OF THE EASTERN CAPE  
DEPARTMENT OF LOCAL GOVERNMENT & TRADITIONAL AFFAIRS**

**No. 43****31 July 2009**

**Provincial Notice Issued in Terms of Section 47 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000)**

**PUBLICATION OF A CONSOLIDATED REPORT ON PERFORMANCE OF MUNICIPALITIES IN THE PROVINCE FOR 2007/08 FINANCIAL YEAR**

I, Sicelo Gqobana, Member of the Executive Council responsible for Local Government in the Province of the Eastern Cape, acting in terms of Section 47 (2) (c) of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000), hereby call for the report to be published in Provincial Gazette and set 24 July 2009 as a date for the report to be published.

  
**S.H. GQOBANA****MEC FOR LOCAL GOVERNMENT & TRADITIONAL AFFAIRS****DATE:** 20/7/09

# **PROVINCE OF THE EASTERN CAPE**

## **REPORT ON MUNICIPAL PERFORMANCE IN RESPECT OF THE 2007/2008 FINANCIAL YEAR**

**COMPILED IN TERMS OF SECTION 47 OF THE LOCAL GOVERNMENT:  
MUNICIPAL SYSTEMS ACT (ACT NO 32 OF 2000)**

**VISION:**

A strong and effective department that promotes viable, sustainable, developmental municipalities and traditional institutions

**MISSION:**

To ensure an effective department that promotes the developmental municipalities and traditional institutions through hands on support, governance arrangements, refined and strengthened fiscal and regulatory framework.

**VALUES:**

Our values are people orientated and are based on Batho Pele Principles.

- We shall always consult our customers on the level, quality and choices of the services we offer.
- We shall set high standards geared towards effective and efficient service delivery.
- We shall give equal access to our services to all, with special emphasis on targeted groups.
- We believe that our customers are entitled to be treated courteously and with a high level of professionalism.
- We believe that our staff members are integral to the success of the department and we shall at all times endeavour to ensure that their organisational needs are satisfied
- We shall always maintain zero tolerance towards fraud and corruption.

## TABLE OF CONTENTS

TOPIC.....	1
<i>Vision, Mission &amp; Values</i> .....	2
<i>Table of Contents</i> .....	3-4
<i>Acronyms</i> .....	5
<i>Foreword by Mr. Sicelo Gqobana</i> .....	6-7
<i>MEC for Local Government and Traditional Affairs</i>	
<i>Message from the Superintendent General</i> .....	8-9
<i>Mr. Stanley Khanyile</i>	
1. INTRODUCTION AND BACKGROUND.....	10-11
1.1 The purpose of the report.....	11-12
1.2 Methodology followed in compiling the report.....	10-11
2. OVERVIEW OF MUNICIPAL PERFORMANCE PER KPA .....	13-14
2.1 KPA 1 : Municipal Transformation and Organisational Development.....	15
2.1.1 Introduction .....	15
2.1.2 Progress in meeting the KPI's .....	15
2.1.2.1 Vacancy rate .....	15-17
2.1.2.2 Filling of Section 57 posts .....	17-18
2.1.2.3 Employment Equity .....	18-21
2.1.2.4 Performance Management Systems (PMS) .....	21-23
2.1.3 Challenges .....	23
2.1.4 Overall performance achievement .....	23-24
2.1.5 Support Interventions .....	24
2.2 KPA 2 : Basic Service Delivery .....	25
2.2.1 Introduction .....	25
2.2.2 Progress in meeting the KPI's .....	25-26
2.2.2.1 Access to Free Basic Services .....	26-27
2.2.2.2 Access to Free Basic Sanitation .....	27-29
2.2.2.3 Access to Free Basic Electricity .....	29-30
2.2.2.4 Bucket Eradication .....	30-32
2.2.2.5 Indigent Policy Implementation .....	32-33
2.2.3 Challenges .....	33
2.2.4 Overall Performance .....	34
2.2.5 Support Interventions .....	34-35
2.3 KPA 3 : Local Economic Development .....	36
2.3.1 Introduction .....	36

2.3.2	Progress in meeting the KPI's .....	36
2.3.2.1	Number of jobs created through capital projects .....	37-38
2.3.2.2	Development of LED strategies and plans .....	38-40
2.3.2.3	Capacity for implementing LED in municipalities .....	40-42
2.3.3	Challenges .....	42
2.3.4	Overall performance achievement in LED .....	44-43
2.3.5	Support Interventions .....	43-44
2.3.5.1	Hands on Support given to Municipalities .....	44-45
2.4	KPA 4 : Municipal Financial Viability and Management .....	46
2.4.1	Introduction .....	46
2.4.2	Progress in meeting the KPI's .....	46
2.4.2.1	Financial viability .....	47-53
2.4.2.2	Capital expenditure .....	53-55
2.4.2.3	Compliance with the MFMA .....	55-59
2.4.2.4	Budgets, expenditure and revenue sources .....	59
2.4.3	Overall performance achievement in financial management viability .....	60
2.4.4	Challenges .....	61
2.4.5	Support Interventions .....	61
2.5	KPA 5 : Good Governance and Public Participation .....	62
2.5.1	Introduction .....	62
2.5.2	Progress in meeting the KPI's .....	62
2.5.2.1	Functionality of Ward committees .....	62-64
2.5.2.2	Effective Monitoring of Community Development Workers .....	64-65
2.5.2.3	Intergovernmental Relations .....	65-66
2.5.2.4	Anti-Corruption .....	66-67
2.5.2.5	Traditional Leadership .....	67
2.5.2.6	Izimbizos .....	67-68
2.5.2.7	Standard operating procedures and delegations .....	68
2.5.3	Challenges .....	68
2.5.4	Overall performance achievement .....	68-70
2.5.5	Support Interventions .....	70
2.6	KPA 6 : Cross-cutting Interventions .....	71
2.6.1.	Introduction .....	71
2.6.2	Progress in meeting the KPI's .....	71
2.6.2.1	Timely submission of the Annual Report .....	71-73
2.6.2.2	Municipalities with credible Integrated Development Plans .....	73-75
2.6.2.3	Metro & DM with developed Disaster Management Policy Framework .....	75-76
2.6.3	CHALLENGES .....	76-77
2.6.4	OVERALL PERFORMANCE ACHIEVEMENT IN CROSS CUTTING .....	77-78
2.6.5	SUPPORT AND INTERVENTION .....	78-79
3.	CONCLUSION .....	80-81

## LIST OF ACRONYMS

AFS	Annual Financial Statement
AG	Auditor General
BEP	Bucket Eradication Program
CDWs	Community Development Workers
CFO	Chief Financial Officer
CMIP	Consolidated Municipal Infrastructure Program
DCGTA	Department of Corporate Governance and Traditional Affairs
DDG	Deputy Director General
DEDEA	Department of Economic Development and Environmental Affairs
DLGTA	Department of Local Government and Traditional Affairs
DMPF	Disaster Management Policy Frameworks
DPLG	Department of Provincial Local Government
DM	District Municipality
EPWP	Extended Public Works Programme
ES	Equitable Share
FBE	Free Basic Electricity
FBS	Free Basic Services
FBW	Free Basic Water
GM	General Manager
HH	Households
ICT	Information and Communication Technology
IDP	Integrated Development Plan
IGR	Inter-Governmental Relations
IHH	Indigent House Holds
ISRDP	Integrated Sustainable Rural Development Program
KPA	Key Performance Areas
KPI	Key Performance Indicators
LED	Local Economic Development
LM	Local Municipalities
MEC	Member of Executive Council
MFMA	Municipal Financial Management Act
MIG	Municipal Infrastructure Grants
MM	Municipal Manager
MSIF	Municipal Support & Intervention Framework
MSIG	Municipal Support and Infrastructure Grants
NMBM	Nelson Mandela Bay Municipality
NSDP	National Spatial Development Perspective
OTP	Office of the Premier
PGDS	Provincial Growth and Development Strategy
PMS	Performance Management System
QS	Quality Assurance
SDBIP	Service Delivery and Budget Implementation Plan
SDF	Spatial Development Framework
SG	Superintendent General
SIU	Special Investigation Unit
URP	Urban Renewal Program
WSA	Water Service Authority
5YLGSA	5 Year Local Government Strategic Agenda



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**FOREWORD BY MR. SICELO GQOBANA – MEC FOR LOCAL GOVERNMENT  
AND TRADITIONAL AFFAIRS IN THE PROVINCE OF THE EASTERN CAPE**

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This report on the performance of municipalities in the Province of the Eastern Cape in respect of the 2007/08 Financial Year has been compiled in accordance with the provisions of s.47 of the Local Government: Municipal Systems Act (Act No. 32 of 2000). It is a consolidated report that is, to a large extent, based on the performance reports prepared by individual municipalities in terms of s.46 of the Municipal Systems Act and submitted to the department. The report further attempts to measure the progress made by local government in the province in the year under review.

The Year 2007/08 is the fourth year that municipalities have been required to submit their performance reports to departments responsible for local government in provinces. In terms of the provisions of Circular No.11 of 2003 issued by National Treasury the requirement to submit s.46 Performance Reports has been staggered in accordance with the capacity levels of municipalities. In the first two years viz. 2004/5 and 2005/6 only those municipalities classified as having a high or medium capacity to implement the provisions of the Municipal Finance Management Act (Act No.56 of 20003) respectively were required to compile and submit annual performance reports. For the Year 2006/07 all municipalities were required to compile and submit their s.46 reports. As a consequence the Year 2007/08 represents the second year in which all municipalities were required to compile and submit these reports.

It is heartening for me to be able to report that of the forty-five (45) municipalities in the Province of the Eastern Cape forty four (44) municipalities (98%) have compiled and submitted their reports to my department. The only exception is Mbizana Local Municipality. This represents an improvement of nine (9) percent compared to the 2006/07 Financial Year when only forty (40) municipalities (88.8%) submitted their s.46 reports to my department.

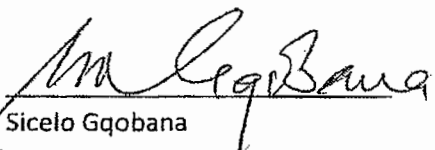
The results of the analysis of these reports will in a large measure determine how resources will be allocated to municipalities in order to ensure a “better life for all”. The failure by a municipality to provide good and accurate information in their annual performance reports (or not to submit a report at all) will severely hamper the ability of my department to correctly allocate resources (financial, human and other) in carrying out its constitutional mandate to support, build and strengthen the capacity of municipalities. I also wish to remind municipalities that the compilation and submission of s.46 reports is a statutory requirement.

This report further highlights areas of weakness and of strength in the various municipalities per each Key Performance Indicator (KPI) and proposes remedial actions to be taken. Remedial actions proposed are premised on the need to ready municipalities for the new paradigm shift that is associated with the need to integrate government planning, coordinate all public and private sector support and focus on rural development.

In the foreword to the report for the 2006/07 Financial Year my predecessor committed herself to enhancing the capacity of the department to render support to all municipalities in the province. This promise has been acted upon as the organisational structure of the department has been elevated and remarkable progress made in the filling of the most critical positions. The department further prioritises having close working relations with key stakeholders viz. Office of the Premier (OTP), Provincial Treasury, Department of Cooperative Government and Traditional Affairs (DCGTA), Salga, Provincial Treasury and other support providers to strengthen intergovernmental relations (IGR) and improve municipal capacity.

Despite the many challenges faced by the Department of Local Government and Traditional Affairs in the preparation of this report, I am proud to present the Annual Performance Report in respect of municipalities in the Province of the Eastern Cape for the 2007/08 Financial Year. This report further indicates improved performance by municipalities in many key performance areas which is very encouraging for the future.

In conclusion, I wish to extend my sincere gratitude to all municipalities who submitted their s.46 reports but in the same vein wish to encourage them to provide the information in accordance with the format presented to them for easy diagnosis of challenges and appropriate remedial actions.



Sicelo Gqobana

**MEC FOR LOCAL GOVERNMENT & TRADITIONAL AFFAIRS**

**DATE:** 14/7/09

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**MESSAGE FROM THE SUPERINTENDENT GENERAL OF THE DEPARTMENT OF LOCAL GOVERNMENT AND TRADITIONAL AFFAIRS, MR. STANLEY KHANYILE**

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In compliance with s.47 of the Local Government: Municipal Systems Act (Act 32 of 2000) the Department of Local Government and Traditional Affairs has compiled this report for the Year 2007/8 from the forty four (44) reports received from municipalities. Only one (1) municipality viz. Mbizana LM failed to submit a report (it also failed to submit a report in the previous year). Whilst the department is impressed by the high percentage of reports submitted the failure to receive all municipal performance reports is regrettable. This situation prevents the department from painting a complete picture of local government performance in the province for the year under review.

The importance of understanding the prevailing status of municipal performance in the province cannot be over-emphasised. This understanding is crucial to the creation of strong and sustainable local government institutions that can assume the role of enabling an integrated approach to government planning, coordination of support, sound intergovernmental relations, effective accountability and good and clean governance. Achieving this puts a high demand on the performance of all municipalities, the Department of Local Government and Traditional Affairs and its key strategic partners in ensuring that they play their role to the fullest.

Preparation of this report required the gathering of information from diverse sources as well as in-depth and close analysis thereof. In collecting this information the knowledge and understanding of the department has grown in respect of the areas of strength and weakness in municipalities. This knowledge will be put to use in the support which the department will be providing to municipalities. The support provided will now be more accurate and the capacity of municipalities will be enhanced.

The role the local government sphere must play in the realisation of various programmes of government has never been as clear as now. All service delivery programmes to improve the lives of communities take place in the local sphere. Municipalities cannot afford to lag behind other spheres when in fact they must play a championing role in improving service delivery within their respective areas.

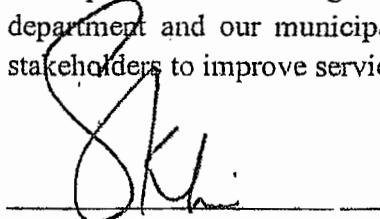
The report for the Year 2007/8 reflects a number of areas where municipalities have improved from the previous years. Key Performance Areas in which municipalities have shown noticeable progress in terms of the overall performance within a district area are as follows:-

- Nelson Mandela Bay Metropolitan Municipality in respect of KPA 1, 2, 3, 4 and Cross Cutting Issues
- Cacadu District Municipality in respect of KPA 1
- Ukhahlamba DM in respect of KPA 4 and 5

- Alfred Nzo in respect of KPA 3 and the Cross Cutting Issues and
- Chris Hani in respect of KPA 2 and 5

We, as a department, are committed to working very hard and smart in fulfilling our objectives in terms of our mandate. We will ensure that all the resources at our disposal are properly utilised and channelled to where they are needed most. We will ensure that the information at our disposal in this report is used to, *inter alia*, give meaning to our strategic and annual performance plans. We will improve our approaches and work with integrity with the aim of replicating all these at the local government level. We commit to changing the image of our department and in turn of all municipalities in the province in order to improve their credibility and creditworthiness.

Finally, I hereby express my gratitude to MEC Gqobana, who has openly shared with me and the department his willingness to fight any corrupt and fraudulent activities within both our department and our municipalities as well as to promote close working relations with all stakeholders to improve service delivery.



Stanley Khanyile

Superintendent General : DLGTA

DATE: 15/7/09

## 1. INTRODUCTION AND BACKGROUND

### 1.1 The purpose of the report

This report is compiled in terms of the legislative requirements of Chapter 6 of the Local Government: Municipal Systems Act (Act No 32 of 2000) (hereinafter referred to as the Municipal Systems Act) and Chapter 12 of the Municipal Finance Management Act (Act No.56 of 2003) (hereinafter referred to as the MFMA).

Section 46 (1) of the Municipal Systems Act requires a municipality to prepare for each financial year a performance report reflecting on the following:

- (a) The performance of the municipality and of each external stakeholder during that financial year.
- (b) A comparison of the performance referred to in (a) with targets set for and performances of the previous financial year.
- (c) Measures taken to improve performance.

In terms of Section 127 (2) of the MFMA a municipality must compile and table in the municipal council its Annual Report within a period of seven months after the end of the financial year i.e. by no later than the 31<sup>st</sup> of January each year. The Annual Performance Report that the municipalities must compile in terms of Section 46 of the Municipal Systems Act is one of the eleven (11) elements which comprise the Annual Report as is stipulated in Section 121 (3) of the MFMA.

Once the Annual Report has been tabled in the municipal council, the council must adopt an oversight report that contains council's comments on the Annual Report within a period of two months i.e. by no later than the 31<sup>st</sup> of March each year. The council's comments must include, inter alia, a statement as to whether the council has approved the annual report with or without reservations. The accounting officer is obligated in terms of section 127 (5) (b) of the MFMA to submit the annual report, immediately, to, amongst others, the department responsible for local government in the province.

The accounting officer of a municipality must, in terms of Section 129 (3) of the MFMA in accordance with section 21A of the Municipal Systems Act, make public the oversight report referred to above within seven (7) days of its adoption.

Section 47 of the Municipal Systems Act requires the MEC for local government to annually compile and submit to the relevant provincial legislature and the Minister (responsible for local government) a consolidated report on the performance of municipalities in the province. The report must:

- (a) Identify municipalities that under-performed during the year;
- (b) Propose remedial action to be taken; and

(c) Be published in the Provincial Gazette.

The MEC for Local Government must also submit a copy of the report to the National Council of Provinces.

This report has therefore been compiled in accordance with the requirements of section 47 of the Municipal Systems Act. Hence it is herein referred to as s.47 report.

## **1.2 Methodology followed in compiling the report**

The primary source of data for the compilation of this s.47 report was the individual reports compiled by municipalities in terms of s.46 of the Municipal Systems Act. In addition, the following documents were used by the department to supplement the information supplied by the individual municipalities:

- Reports compiled in terms of the Five Year Local Government Strategic Agenda for the year under review (5YLGSA).
- The audit reports of individual municipalities for the year under review.
- The annual report of the department for the corresponding year in as far as it relates to support which the department rendered to municipalities.
- Consolidated annual performance report for the 2006/07 Financial Year.
- Support rendered to municipalities by various role-players and other strategic partners in addressing specific challenges in 2009/10 Financial Year
- Information/reports obtained from sector departments

This report has been compiled in accordance to the six (6) Key Performance Areas (KPA's) of the 5YLGSA. The six (6) KPA's are:-

- Municipal Transformation And Organisational Development
- Basic Service Delivery
- Local Economic Development
- Municipal Financial Management and Viability
- Good Governance and Public Participation
- Cross Cutting Issues

Each KPA encapsulates a number of Key Performance Indicators (KPIs) which have been proposed by the then Department for Provincial and Local Government (**dplg**) currently known as the Department of Cooperative Governance and Traditional Affairs (DCGTA). The

performance of municipalities is measured against these KPIs. All municipalities were furnished with these KPIs by means of the National Treasury MFMA Circular No. 11 of 2003, workshop and physically visiting some.

The MFMA is silent as to when the Municipal Manager is to submit the Annual Performance Report except to say that it must be dealt with within a period of nine months of the end of the financial year by the municipal council.

For the year under review forty four (44) municipalities submitted their respective s.46 reports to the department on the basis of which the s.47 consolidated report on the performance of municipalities in the province has been compiled.

The department established six teams comprising officials with appropriate understanding of each of the KPAs to carry out the assessment of all s.46 reports. Each team reviewed the KPIs for the KPA assigned to it for their clarity and relevance and the KPIs were prioritised in terms of their importance. For each KPI the team identified key elements to be considered to determine the extent to which a municipality fulfils the applicable KPI. The fulfilment of each KPI has been expressed in terms of Quality Standards viz. ***“Excellent, Very Good, Good, Weak and Very Weak”***. The expression of these quality standards depended on how many of the identified elements of a KPI have or have not been met. Where there are five key elements defining a KPI ***“excellence”*** is obtained if all five elements have been met and ***“very weak”*** is reflected where only one element is met. Each quality standard is weighted in terms of a score with ***5*** the highest and ***1*** the lowest. ***1*** represents also the non-submission of information altogether. If all elements were present a municipality obtains a highest score for that particular KPI. As the number of elements present reduced the score obtained by a municipality reduces accordingly.

## 2. OVERVIEW OF MUNICIPAL PERFORMANCE PER KPA

Assessment was in accordance with various KPIs of each of the five (5) key performance areas and cross cutting issues of the SYLGSA.

- **Municipal Transformation and Development**

The overall performance assessment was based on thirteen (13) KPIs. The assessment results show a drop in performance in most DM areas including NMBMM. Cacadu and OR Tambo are the only district municipal areas who have shown a slight improvement in performance when compared with the previous year. The performance of municipalities in the Cacadu DM area and OR Tambo district areas has improved from 38% and 16% in 2006/7 to 42% and 32% in 2007/8 respectively. However, with regard to the OR Tambo DM area this may be due to the fact that most municipalities in this district did not submit their reports in the previous year. It should also be noted that this situation is not commendable.

- **Municipal Infrastructure**

Most municipalities have made progress with regard to basic service delivery in the year under review. At the same time one must acknowledge that performance is still by no means satisfactory as evidenced by the fact that not a single district area has managed to achieve an average of 50%. Nelson Mandela Bay Metropolitan Municipality has the highest average score of 70% followed by Chris Hani DM area with an average score of 44%. This is a big gap. Alfred Nzo and OR Tambo DM areas are the worst performing districts at 35% and 32% respectively.

- **Local Economic Development**

The performance of all the DM areas with regard to this KPA has improved. Although LED is a relatively new concept most municipalities have made strides in institutionalizing LED. However, many municipalities view LED as a highly prioritised area but fail to fund it or provide the necessary resources. Most municipalities rely on other partners for the implementation of their LED strategies.

Although performance has improved it is still not satisfactory. The average performance across all districts is still below 50%. Nelson Mandela Bay Municipality, Amathole and Alfred Nzo DMs are the best performing municipalities overall yet they are only scoring between 40-45%. Much work therefore lies ahead to improve performance, create employment and reduce poverty. Location also appears to play a role in performance as the best performing municipalities are all in the urban areas. Support provided to municipalities in respect of LED should therefore focus on the rural municipalities. Municipalities should also strive to mainstream LED in all their infrastructure development projects.

- **Financial Management and Viability**

The overall performance of municipalities has improved in all DM areas as well as in Nelson Mandela Bay. However, while performance has increased it is by no means satisfactory. NMBMM's overall achievement rate is 80% which is "exceptional". The next best is the Ukhahlamba DM area with an overall achievement of 62%. The gap between first and second is very big. Chris-Hani and OR Tambo district areas have performed the worst at 44% and 28%



respectively. The reason for the poor performance of the OR Tambo DM area will need to be determined so that performance can be approved.

- Good Governance and Public Participation

Districts in which the performance of municipalities has improved are Amathole, Cacadu, OR Tambo and Ukhahlamba. The performance of municipalities has regressed in Alfred Nzo, Chris Hani and Nelson Mandela Bay Metropolitan Municipality.

It is of concern that even though performance has improved in four districts their level of performance is still less than 50% indicating that intensive support will be required.

- Cross Cutting Issues

There has been progress across all district municipalities including the Nelson Mandela Bay Metropolitan Municipality. However, it is noted that the performance achievement rate in some district municipalities is not yet satisfactory. This is the case with OR Tambo (53%), Ukhahlamba (54%) and Cacadu (56%). The performance of Nelson Mandela Bay Metro is “exceptional” with an achievement rate of (85%). Medium support for all “good” performing municipalities – Amathole, Alfred Nzo and Chris Hani Districts is needed.

## **2.1 MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT (KPA 1)**

### **2.1.1 Introduction**

For effective and efficient service delivery in a municipality, there has to be committed political and administrative leadership with sound administrative and management processes in place. The performance of municipalities in meeting their IDP milestones and becoming sustainable institutions depends on their capacity to transform themselves and appropriately use the available resources. Each year, the report on KPA 1 aims at reflecting on how the organisational structures and the employment patterns of municipalities are contributing to municipal transformation and institutional development. While progress is slow in many municipalities, there are some that are striving towards meeting the expected standards.

### **2.1.2 Progress in meeting the KPIs**

The performance of municipalities on this KPA was assessed using thirteen (13) KPIs. However, this report only reflects on the performance of municipalities with regard to the four (4) KPIs as required by the national department. These are as follows:

- Vacancy rate in respect of all approved posts
- Filling of Section 57 positions
- Employment Equity
- Performance Management Systems

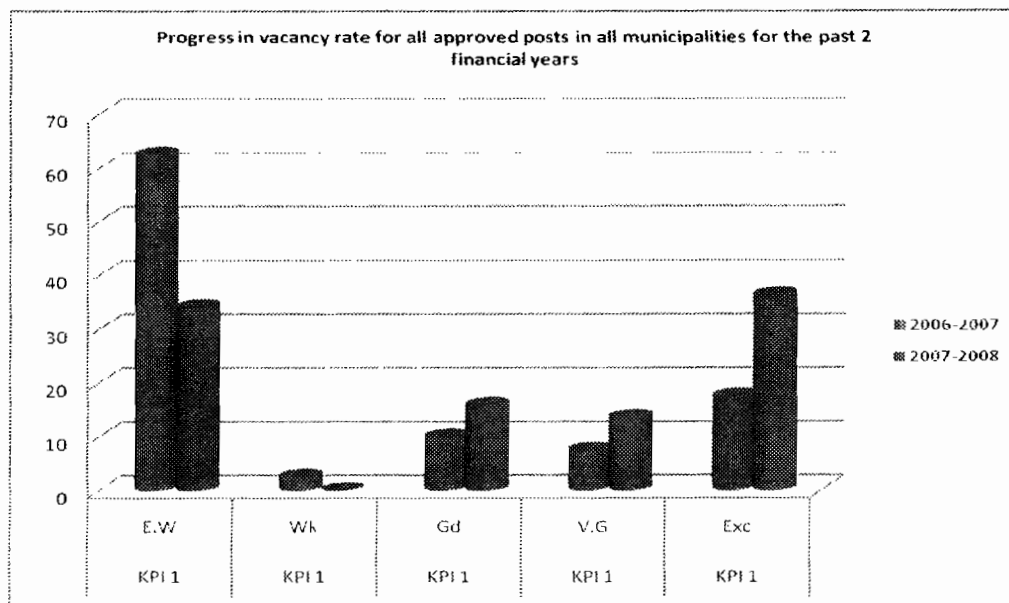
#### ***2.1.2.1 Vacancy rate in respect of approved posts***

The Municipal Systems Act, (Act No. 32 of 2000) in s.66 provides clear guidelines on the staff establishment of a municipality. After approval of the staff establishment by the council, the Municipal Manager is expected to ensure that all approved post are filled. Considering the challenges faced by the municipalities in the province to recruit competent personnel, the Department of Local Government and Traditional Affairs has determined that a 15% vacancy rate is acceptable. Despite the efforts to improve on the vacancy rate over the past years the situation remains a major concern.

The performance of municipalities in relation to this KPI was assessed based on the following standards:

- **Excellent achievement:** If 85% and more of approved and funded posts are filled;
- **Very good achievement:** If 70-84% of approved and funded post are filled;
- **Good achievement:** If 55-69% of approved and funded posts are filled;
- **Weak achievement:** If 40-54% of approved and funded posts are filled;
- **Extremely weak achievement:** If less than 40% of approved and funded post are filled.

The performance assessment result for the year under review is reflected in the graph below:



The graph reflects that there has been an improvement in the filling of vacant posts in the year under review as compared to 2006/07. In the 2007/08 Financial Year sixteen (16) municipalities (36%) reported an “**excellent**” achievement as compared to seven (7) municipalities (17.5%) in the 2006/07 Financial Year. There is also a significant reduction in the number of “**extremely weak**” municipalities from twenty seven (27) (61%) in the 2006/07 Financial Year to fifteen (15) (34%) in the 2007/08 Financial Year. While the performance of municipalities with regard to this KPI still does not measure up to the Department’s expectation, one should however appreciate the positive move by municipalities to try and fill their vacant posts.

The ten (10) best performing municipalities this year which form part of the sixteen (16) that have obtained “**excellent**” performance are:

- Nelson Mandela Bay Municipality : 100% of approved posts filled;
- Makana : 100% of approved posts filled;
- Sundays Rivers Valley : 100% of approved posts filled;
- Baviaans : 100% of approved posts filled;
- Inxuba Yethemba : 100% of approved posts filled;
- Engcobo : 100% of approved posts filled;
- Amathole DM : 90% of approved posts filled;
- Ndlambe : 90% of approved posts filled;
- Kouga : 90% of approved posts filled;
- OR Tambo DM : 90% of approved posts filled.

Of the sixteen (16) municipalities with “**excellent**” performance seven (7) fall within the jurisdiction of Cacadu DM, four (3) are under Chris Hani DM, two (2) under Amathole DM, two (2) under OR Tambo DM, one (1) under Ukhahlamba DM and Nelson Mandela Bay Municipality.

In 2007/8 Financial Year fifteen (15) municipalities failed to provide relevant information in relation to their vacancy rate. Consequently their performance was all assessed to be “**extremely weak**”. Of the fifteen “**extremely weak**” municipalities five (5) fall within the Chris Hani DM, three (3) within OR Tambo DM, two (2) within Alfred Nzo DM, two (2) within Amathole DM and one (1) within Cacadu DM and two (2) within Ukhahlamba DM.

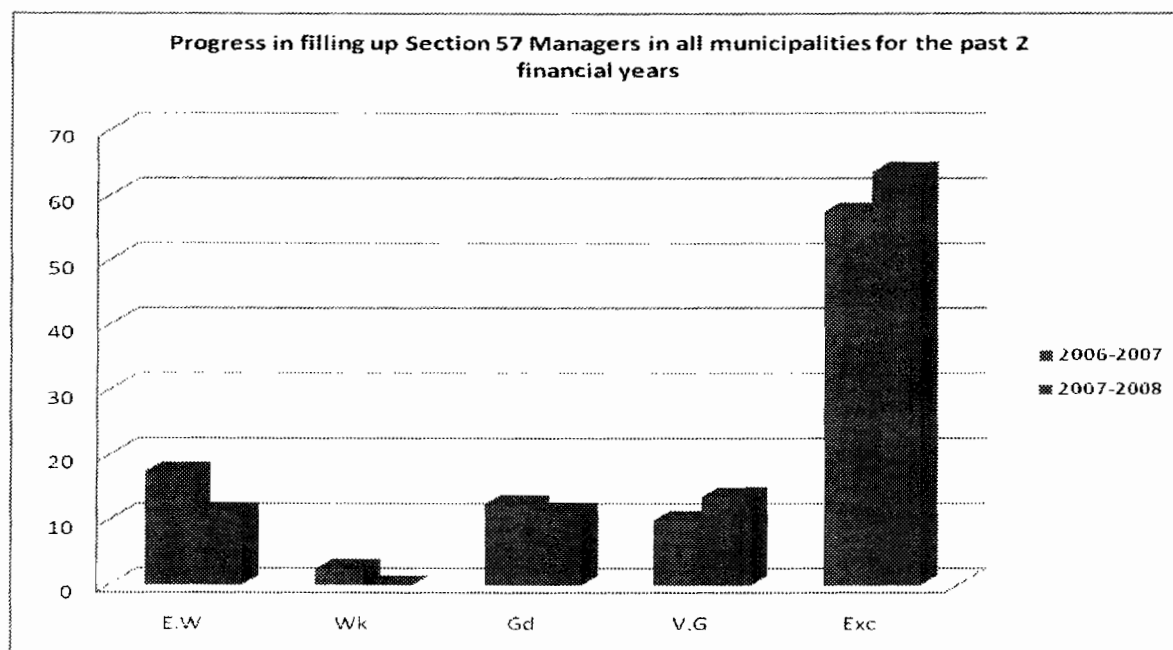
#### ***2.1.2.2 Filling of Section 57 Manager’s posts***

The Filling of s.57 Managers posts is critical for a stable and effective municipality. To meet municipal strategic objectives a municipality need to be led by competent officials. The appointment of competent s.57 Managers in municipalities has been one of the major challenges in the past years. Remarkable efforts have been made by municipalities in filling their vacant s.57 Managers’ posts in the 2007/08 Financial Year. All municipalities are encouraged to ensure that skilled personnel are appointed and that performance agreements are signed and submitted to the department on time.

The assessment of the performance of municipalities in the filling of s.57 Managers’ posts was based on the following performance standards:

- ***Excellent achievement:*** If the municipality reports 100% appointment of MM and Sec. 57 Managers;
- ***Very good achievement:*** If the municipality reports 85-99% appointment of MM and Sec. 57 Managers;
- ***Good achievement:*** If the municipality reports 70-84% appointment of MM and Sec. 57 Managers;
- ***Weak achievement:*** If the municipality reports 55-69% appointment of MM and Sec. 57 Managers;
- ***Extremely weak achievement:*** If the municipality reports less than 55% appointment of MM and Sec. 57 Managers.

The performance assessment result for the year under review is reflected in the graph below:



The graph indicates that during the year under review, thirty nine (39) municipalities (89%) have managed to fill at least 70% of their s.57 positions – these are municipalities that have achieved “**good, very good and excellent**” performance. Twenty eight (28) (64%) of these municipalities reported that all their s.57 positions were filled and therefore obtained “**excellent**” performance. The number of municipalities whose performance has been assessed to be “**extremely weak**” has also declined. In the 2006/07 Financial Year 17% of all municipalities were assessed as being “**extremely weak**” as compared to five (5) (11%) of all municipalities in the 2007/08 Financial Year. It should however, be noted that most of the municipalities assessed to be “**extremely weak**” failed to provide the required information in their annual report.

The extremely weak municipalities are:

- Umzimvubu : No information provided in the report;
- Alfred-Nzo DM : No information provided in the report;
- Intsika Yethu : No information provided in the report;
- Nyandeni : No information provided in the report;
- Gariep : No information provided in the report.

### **2.1.2.3 Employment Equity**

In an effort to rectify the employment imbalances of the past the government has introduced the Employment Equity Act, (Act No. 55 of 1998). In terms of this Act municipalities are expected to develop plans with clear targets on how they intend implementing the provisions of the Act. These plans must reflect on the employment of the youth, people with disabilities gender and race. This year, the assessment of performance in implementing employment equity plans looked at the following target groups:

- Percentage of staff complement with a disability;
- Percentage of female employees;
- Percentage of employees that are aged 35 or younger.

This indicator was not used in last year's assessment and therefore no comparison can be made.

The performance assessment in respect of each of the above indicators was based on the following performance standards:

**Percentage of staff complement with a disability;**

- *Excellent performance achievement:* if at least 2% disabled staff members against the total number of staff;
- *Very good performance achievement:* if at least 1.5% disabled staff members against the total number of staff;
- *Good performance achievement:* if at least 1% disabled staff members against the total number of staff;
- *Weak performance achievement:* if at least 0.5% disabled staff members against the total number of staff.
- *Very Weak performance:* if a municipality reports that less than 0.5% are disabled as against total number of staff

**Percentage of female employees;**

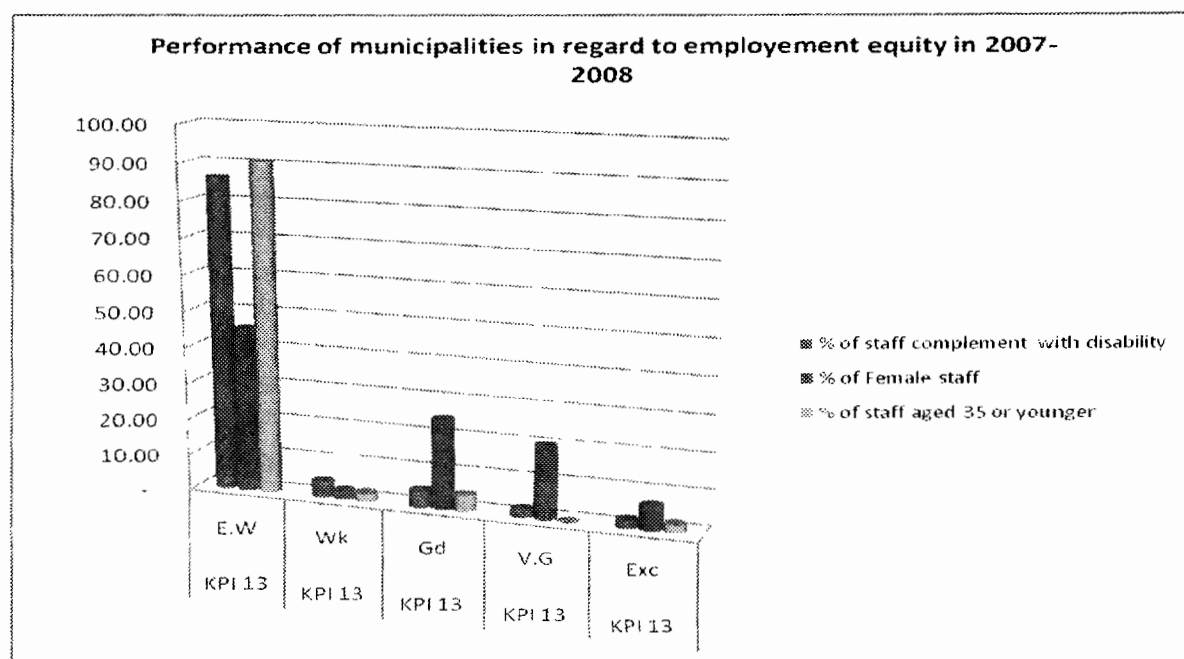
- *Excellent performance achievement:* if the municipality reports at least 50% or more of employees are female;
- *Very good performance achievement:* if the municipality reports at least 40% of employees are female;
- *Good performance achievement:* if the municipality reports at least 30% of employees are female;
- *Weak performance achievement:* if the municipality reports at least 20% of employees are female;
- *Extremely Weak performance achievement:* if the municipality reports that less than 20% of employees are female.

**Percentage of employees that are aged 35 or younger;**

- *Excellent performance achievement:* if the municipality reports at least 20% of employees are aged 35 or younger;
- *Very good performance achievement:* if the municipality reports at least 15% of employees are aged 35 or younger;
- *Good performance achievement:* if the municipality reports at least 10% of employees are aged 35 or younger;
- *Weak performance achievement:* if the municipality reports at least 5% of employees are aged 35 or younger;

- **Extremely weak performance achievement:** if the municipality reports that less than 5% of employees are aged 35 or younger

The performance assessment result of municipalities for the year under review is reflected in the graph below:



Of the three indicators used to assess the performance of municipalities with regard to Employment Equity the graph shows that the employment of the youth remains the most challenging as it reflects that thirty nine (39) municipalities (89%) have been assessed as “**extremely weak**”. Thirty eight (38) municipalities (86%) were assessed as being “**extremely weak**” in the employment of people with disabilities and twenty (20) municipalities (45 %) were assessed to be “**extremely weak**” with regard to the employment of female staff.

It must however, be born in mind that this sorry state of affairs with regard to these important matters may simply be as a result of many municipalities failing to include this information in their annual reports and being assessed as extremely weak as a consequence. It is, however, interesting to note that 52% of municipalities have managed to have a staff complement in which at least 30% of their staff complement is female – this refers to municipalities that have obtained “**good, very good and excellent**” performance. Included in these municipalities are three (3) municipalities that have achieved the desired national ratio of having at least 50% representation of women in the workplace.

The best performing municipalities per indicator are:

**Gender representation**

- Sakhisizwe : 64% of staff complement is female;
- Ndlambe : 76% of staff complement is female;
- Great Kei : 53% of staff complement is female.

**Employment of disabled persons**

- Inkwanca : 4% of staff complement is disabled.

**Employment of youth**

- Elundini : 22% of staff complement is aged 35 or younger.

**2.1.2.5 Performance Management System (PMS)**

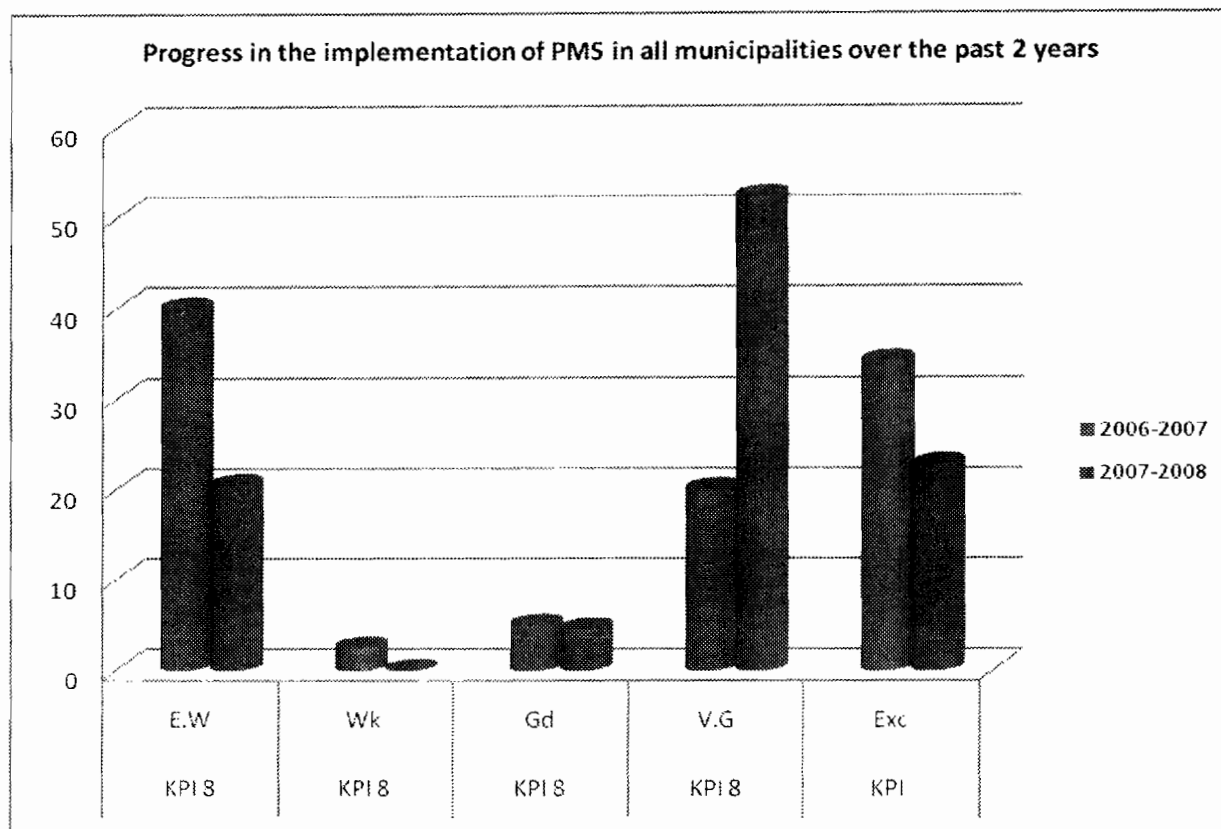
In s.38 the Municipal Systems Act requires each municipality to establish a PMS that promotes a culture of performance management among its political and administrative structures. A municipality must develop a PMS commensurate with its resources, best suited to its circumstances and in line with its IDP. In terms of s.57(1) of the Systems Act a person appointed to the position of Municipal Manager and a person reporting directly to the Municipal Manager may only be appointed to that position in terms of an employment contract and subject to a separate performance agreement being concluded.

The performance assessment of municipalities in implementing a PMS was this year based on the following performance standards:

- ***Excellent performance achievement:*** If the municipality reports that the PMS has been developed, adopted by the council and is fully implemented (institutional and individual PMS);
- ***Very good performance achievement:*** If the municipality reports that the PMS has been developed, adopted by the council and but is partially implemented (institutional and individual PMS);
- ***Good performance achievement:*** If the municipality reports that the PMS has been developed, adopted by the council but not yet being implemented (neither institutional nor individual PMS);
- ***Weak performance achievement:*** If the municipality reports that the PMS has been developed, tabled but not yet adopted by the council;
- ***Extremely weak performance achievement:*** If the municipality reports that the PMS has not yet been finalized;

The result of the performance assessment for the 2007/08 financial year is reflected in the graph below





The graph above shows a remarkable improvement in terms of the implementation of PMS in municipalities in the 2007/08 Financial Year as compared to the previous financial year. There is a significant drop (20%) in the number of municipalities with “**extremely weak**” performance in PMS implementation from sixteen (16) municipalities (40%) in 2006/07 to nine (9) municipalities (20%) in 2007/08. There is also a notable improvement in the number of municipalities with “**very good and excellent**” performance. In the 2007/08 Financial Year thirty three (33) municipalities (75%) have developed and begun implementing their PMS as compared to only 52% in 2006/07. This improvement is largely attributed to the support which the department has been rendering to municipalities in this regard during the past two years.

The best performing municipalities in PMS implementation in the 2007/08 Financial Year are:

- Nelson Mandela Bay Municipality;
- Amathole DM;
- Nxuba;
- Amahlati;
- Great Kei;
- Nkonkobe;
- Ngqushwa;

- Inxuba Yethemba;
- Inkwanca;
- Ikwezi;
- Tsolwana.

The worst performing municipalities (most did not provide the required information) are:

- Matatiele;
- Maletswai;
- Blue Crane Route.
- Gariep;
- Nyandeni;
- Lukhanji;
- KSD;
- Mhlontlo;
- OR Tambo DM.

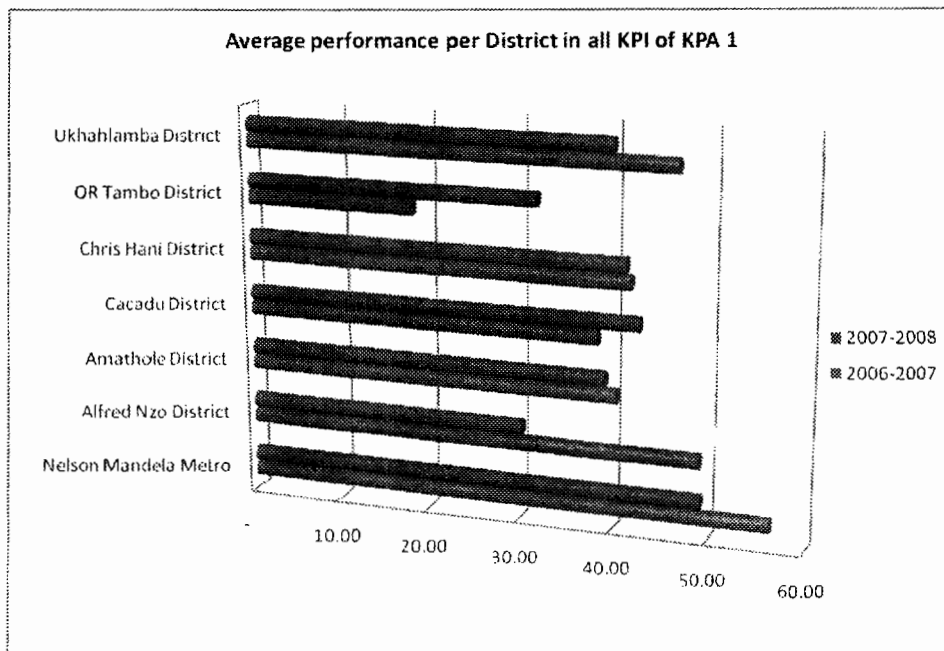
### **2.1.3 Challenges**

The performance assessment of municipalities with regard to this KPA in the 2007/08 Financial Year has highlighted the following challenges that municipalities face in as far as municipal transformation and organization development is concerned:

- Firstly, the vacancy rate is still too high in many municipalities. This is an indication of the difficulties that some municipalities especially those in the rural areas are facing in attracting and retaining competent staff. There is therefore a need for the Provincial Department to develop special strategies to assist those municipalities mostly affected by the high vacancy rate.
- Secondly, the employment of youth seems not to be a priority for many municipalities. Municipalities are still not reporting on this KPI making it very difficult to determine the true extent of the problem and propose solutions. With the increase in the number of graduates in the job market, municipalities in the Eastern Cape will definitely have to improve their performance in employing young people.

### **2.1.4 Overall performance achievement**

The provincial department is using thirteen (13) key performance indicators to measure the performance of municipalities in Transformation and Organizational Development. In this report the department has only focused on those indicators on which DCGTA requires the department to report. However, it is important for the department to get a complete picture of the performance of municipalities in all thirteen (13) indicators so as to be able to design effective support programs. The assessment results showing the average performance per DM area in regard to all thirteen (13) KPIs used is represented in the graph below:



The graph above reflects a drop in performance in most districts including the Nelson Mandela Bay Municipality. Cacadu and OR Tambo are the only DM areas which show a slight improvement in performance with regard to this KPA when compared with the previous year. The performance of municipalities in the Cacadu DM area is only 42% while the OR Tambo district has improved its performance to 32% as compared to 16% in 2006/07. It should also be noted that this situation is not commendable.

Cacadu DM is the only municipality which has achieved 42% in the overall achievement. The overall performance for OR Tambo has also improved with 32% as compared with 16% achieved in 2006/07 Financial Year. However, this may be due to the fact that most municipalities under OR Tambo DM did not submit their reports in the previous year. Although these municipalities have shown an improvement their performance still leaves much to be desired. Alfred Nzo DM area has the weakest performance at 29% and, together with the OR Tambo DM, will require special attention to address the challenges causing its poor performance.

### 2.1.5 Support Interventions

The Department has engaged the services of the Department of Cooperative Governance and Traditional Affairs, formerly known as dplg, to conduct workshops in municipalities on employment contracts and performance agreements for s.57 Managers.

GTZ has provided a support on the institutionalisation of PMS in Emalahleni, Blue Crane Route, Ndlambe, Baviaans, Ikhwezi and Amathole DM.

The Department of Local Government and Traditional Affairs transferred a sum of R3 600 000 to the six (6) District Municipalities for the development and implementation of Performance Management Systems within their areas of jurisdiction.

## **2.2 BASIC SERVICE DELIVERY: KPA 2**

### **2.2.1 Introduction**

The provision of infrastructure is crucial for the delivery of basic services and central to the functional responsibilities of municipalities. The scale and pace upon which infrastructure is provided has to be sufficient in addressing the needs of communities within the Province of the Eastern Cape. Municipalities in the province are faced with a combination of challenges in the delivery of infrastructure and basic services such as for example growing urbanisation, how to service undeveloped predominantly rural communities and a historical backlog in the provision of infrastructure.

The results of apartheid planning is a lack of water and sewer connections, tarred roads, electricity connections, sports and social facilities in residential areas of historically disadvantaged individuals. Coupled with this, public housing provision has failed to keep pace with the growing demand for houses caused by the increase in population.

This report on Basic Service Delivery (KPA 2) provides information on how municipalities have performed in the 2007/08 Financial Year in relation to their core mandate which is the provision of basic services such as water, electricity, sanitation, refuse removal and community facilities. The department has also tried to establish which municipalities have approved a Spatial Development Framework (SDF), Land Use Management System, an Indigent Policy, are providing Free Basic Services (FBSs) and the situation with regard to formal and informal housing.

### **2.2.2. Progress in meeting the KPIs**

In analysing the performance of municipalities with regard to this KPA, the Department of Local Government and Traditional Affairs has identified twenty three (23) KPIs which are regarded as very critical to addressing service delivery challenges in the municipalities.

For the purpose of meeting with the DCGTA's requirements in reporting on progress in this KPA, only three (3) KPIs are however dealt with in this report and they are as follows:

- Access to Free Basis Services
- Bucket System Eradication
- Indigent Policy Implementation

Access to free basic services includes the access to the following services delivered by the municipalities (depending on their powers and functions as determined by the MEC):

- Access to free basic water
- Access to free basic sanitation services
- Access to free basic electricity

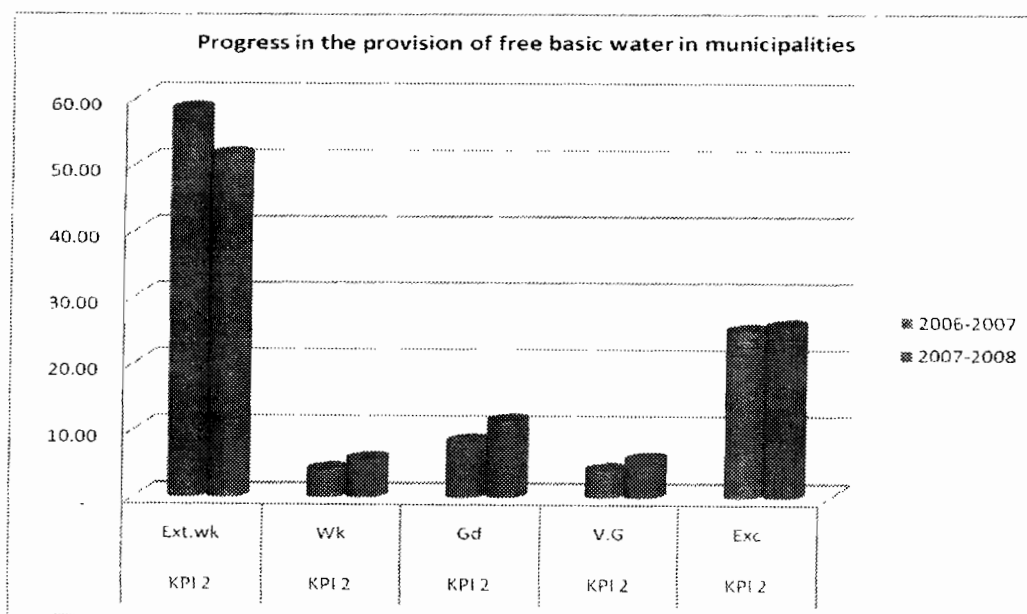
The performance of municipalities for each free basic service type was assessed according to the following performance standards:

- **Excellent performance:** If the municipality reports at least 90% achievement of their yearly target;
- **Very good performance:** If the municipality reports between 70%-89% achievement of their yearly target;
- **Good performance:** If the municipality reports between 60%-69% achievement of their yearly target;
- **Weak performance:** If the municipality reports between 40%-59% achievement of their yearly target;
- **Extremely weak:** If the municipality reports less than 40% achievement of their yearly target;

### 2.2.2.1 Access to Free Basic Water

The national government has determined that all households must be provided with a minimum of 6KLs of free basic water per month. Municipalities who cannot afford this are only required to provide free basic water to their indigent households.

The graph below reflects the performance of municipalities in the 2007/08 financial year in relation to this KPI.



The above graph indicates that there has been no improvement in performance in the year under review as compared to 2006/07 Financial Year. It is however encouraging that the number of “**extremely weak**” municipalities has declined from twenty (20) municipalities (58%) in the 2006/07 Financial Year to the seventeen (17) municipalities (51%) who are still performing “**extremely weak**” in the year under review.

Municipalities who have managed to achieve the performance standard of “**very good**” account for only 10% of the total.

It is of concern that only eight (8) of municipalities (26%) have managed to achieve the performance standard of “**excellent**” in providing free basic water in the year under review. This confirms the general perception that municipalities within the province are poor when it comes to basic service delivery. It has been observed that some municipalities did not report on the provision of free basic water claiming not to be Water Service Authorities (WSA) or Water Service Providers (WSP). It is the Department’s opinion that all municipalities regardless of their being WSAs or WSPs have to take responsibility for accounting for and reporting on the provision of free basic water to their local communities. This will ensure a clear picture of the state of provision of free basic water in the province.

The best performing municipalities in regard to provision of free basic water include:

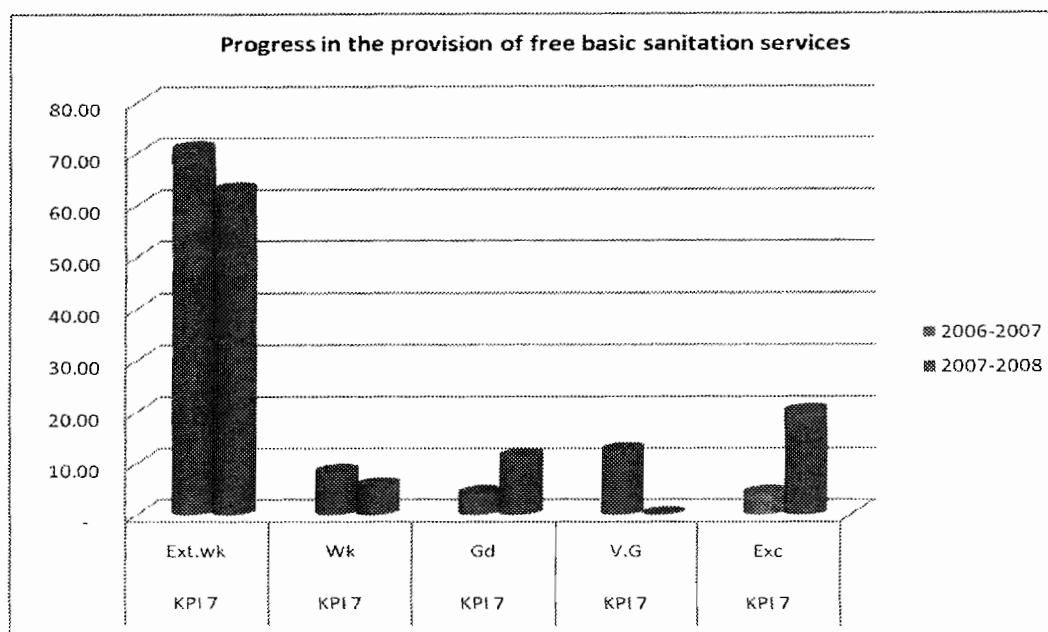
- Nelson Mandela Bay Municipality : All qualifying households receive free basic water
- Buffalo City : All indigent households are provided with free basic water
- Kouga : All indigent households are provided with free basic water
- Blue Crane Route : All indigent households are provided with free basic water
- Lukhanji : All indigent households are provided with free basic water
- Inkwanca : All indigent households are provided with free basic water
- Tsolwana : All indigent households are provided with free basic water
- Inxuba Yethemba : 98% of indigent households are provide with free basic water

The worst performing municipalities per DM area (most of whom did not provide the required information) are:

- Alfred Nzo DM : one (1) municipality;
- Ukhahlamba DM : two (2) municipalities including the DM itself;
- Amathole DM : five (5) municipalities;
- Chris Hani DM: : four (4) municipalities including the DM itself;
- Cacadu DM : five (5) municipalities

#### ***2.2.2.2 Assess to Free Basic Sanitation***

Access to water and sanitation is fundamental to life, food production and hygiene. Sanitation services are generally funded through the water and sanitation portion of the Equitable Share (ES) and the basic services component of the Municipal Infrastructure Grant (MIG). An analysis of the municipal performance reports reflect that there is too little that is being done by municipalities in ensuring that they provide proper sanitation facilities to their communities as shown in the graph below.



With regards to provision of free sanitation unsatisfactory progress has been made from the 2006/07 Financial Year. The graph above reveals that twenty two (22) municipalities (63%) are performing **“extremely weak”** in the year under review as compared to twenty five (25) (70%) of municipalities in the 2006/07 Financial Year – a reduction of 7%.

Only three (3) municipalities (10%) have managed to achieve the performance standard of **“good”** in the 2007/08 Financial Year.

There has been a slight increase in the number of municipalities who have managed to achieve the performance standard of **“excellent”**. In the year under review seven(7) municipalities (20%) performed **“excellently”** as compared to only one (1) municipality (2%) in the 2006/07 Financial Year. Although this represents an increase of eighteen percent (18%) it still reflects very poorly on the state of service delivery in the province. The rate at which municipalities address the provision of this service needs more attention as the progress is very slow. Municipalities were also expected to disclose their backlog on sanitation and also their plans on sanitation maintainance and upgrades but most municipalities failed to report on this.

The best performing municipalities in regard to provision of free basic sanitation are:

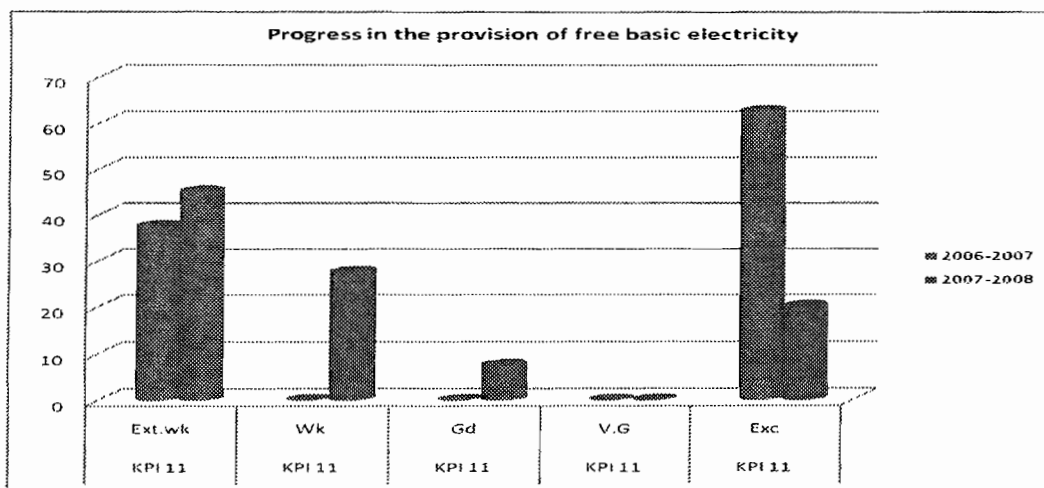
- |                                   |  |
|-----------------------------------|--|
| • Nelson Mandela Bay Municipality | : All qualifying households receive FBS; |
| • Buffalo City Municipality       | : All qualifying households receive FBS; |
| • Nxuba                           | : All qualifying households receive FBS; |
| • Kouga                           | : All qualifying households receive FBS; |
| • Blue Crane Route                | : All qualifying households receive FBS; |
| • Inkwanca                        | : All qualifying households receive FBS; |
| • Inxuba Yethemba                 | : All qualifying households receive FBS. |

The worst performing municipalities per DM area (most of whom did not provide the required information):

- Alfred Nzo DM : one (1) municipality;
- Ukhahlamba DM : five (5) municipalities including the DM itself;
- Amathole DM : seven (7) municipalities;
- Chris Hani DM : five (5) municipalities including the DM itself;
- Cacadu DM : four (4) municipalities

### 2.2.2.3 Access to Free Basic Electricity

Access to electricity is essential for improvements in people's lives and is a driving force for economic growth. Local government plays a central role in electricity provision. In view of the problems experienced with the generation of electricity, municipalities across the country have been encouraged to focus on developing efforts to reduce demand and save on energy.



The provision of free basic electricity is of serious concern. The graph reflects that in the year under review the percentage of municipalities who managed to achieve the performance standard of being “**excellent**” has drastically declined from twenty four (24) municipalities (60%) in 2006/07 to eight (8) municipalities (19%) now.

Further, it is noted with concern that there is an increase in the number of municipalities who have performed “**extremely weak**” from fourteen (14) (39%) in 2006/07 Financial Year to eighteen (18) (42%) in the year under review. To make matters even worse there are no municipalities who fell into the performance category of “**weak**” in the 2006/07 Financial Year while this year there are municipalities who fall into this category.

The only conclusion that can be drawn from the above is that municipalities who performed “**excellently**” in 2006/07 have drastically dropped in performance and are now either performing “**extremely weak or weak**”. This indicates that service delivery with regard to the provision of free basic electricity is declining and demands urgent interventions.



It was also noted from the performance reports that municipalities stated that electricity provision was the prerogative of Eskom as it was the power distribution authority. Municipalities do not appear to be taking responsibility for ensuring that their communities receive the services to which they are entitled and the need for them to do so cannot be over-emphasised.

The best performing municipalities in regard to provision of free basic electricity include:

- |                                   |  |
|-----------------------------------|--|
| • Nelson Mandela Bay Municipality | : All qualifying households receive FBE; |
| • Buffalo City Municipality       | : All qualifying households receive FBE; |
| • Baviaans                        | : All qualifying households receive FBE; |
| • Kouga                           | : All qualifying households receive FBE; |
| • Blue Crane Route                | : All qualifying households receive FBE; |
| • Elundini                        | : All qualifying households receive FBE; |
| • Inxuba Yethemba                 | : All qualifying households receive FBE. |

The worst performing municipalities per DM area (most of whom did not provide the required information):

- |                 |                             |
|-----------------|-----------------------------|
| • Alfred Nzo DM | : two (2) municipalities;   |
| • OR Tambo DM   | : three (3) municipalities  |
| • Amathole DM   | : five (5) municipalities;  |
| • Chris Hani DM | : five (5) municipalities;  |
| • Cacadu DM     | : three (3) municipalities. |

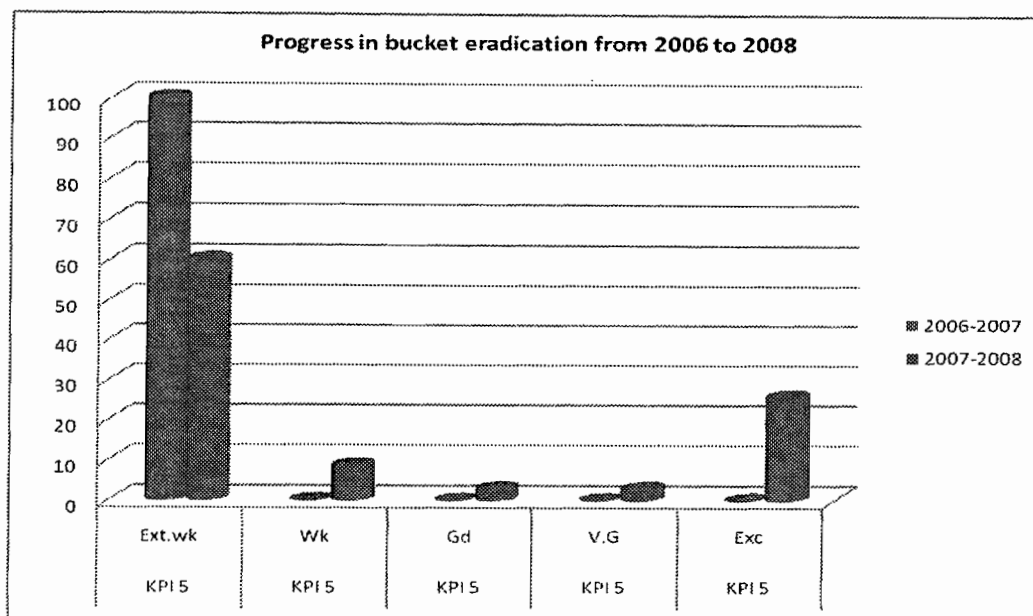
#### 2.2.2.4 *Bucket Eradication*

Municipalities are faced with the reality of having to establish bulk infrastructure prior to the actual eradication of buckets. Bucket eradication will therefore remain a challenge for sometime to come. Of particular importance to the process of bucket eradication is for municipalities to set themselves targets for eradicating buckets as this process requires huge capital budgets.

In order to measure the performance of municipalities in bucket eradication the following performance standards were set.

- **Excellent performance:** If the municipality reports at least 90% achievement of their yearly target;
- **Very good performance:** If the municipality reports between 70%-89% achievement of their yearly target;
- **Good performance:** If the municipality reports between 60%-69% achievement of their yearly target;
- **Weak performance:** If the municipality reports between 40%-59% achievement of their yearly target;
- **Extremely weak:** If the municipality reports less than 40% achievement of their yearly target;

One important point that needs to be taken into consideration is that bucket toilet system was targetted for full by December 2007 in the formal sector.



An analysis of the performance reports of municipalities reveals that municipalities have taken strides in ensuring that they eradicate buckets in their localities. The graph above is evidence to this as it reflects that in 2006/007 Financial Year 99% of municipalities were performing extremely weak but in the year under review the percentage has been reduced to 60% or twenty one (21) municipalities.

A further indication of the strides made with regard to bucket eradication is that in the year under review nine (9) municipalities (25%) have performed “**excellently**” whereas in the 2006/07 Financial Year there was not even a single municipality who fell within the “**excellent**” category.

It is a concern that municipalities when reporting on bucket eradication have only stated the number of buckets eradicated as against a set target without indicating the extent of the backlog.

The best performing municipalities in bucket eradication are:

- Nelson Mandela Bay Municipality : 100% of target achieved;
- Buffalo City Municipality : 100% of target achieved;
- Amathole DM : 100% of target achieved;
- Ikwezi : 100% of target achieved;
- Lukhanji : 100% of target achieved;
- Inkwanca : 100% of target achieved;
- Inxuba Yethemba : 100% of target achieved;
- OR Tambo DM : 100% of target achieved;
- Ukhahlamba DM : 100% of target achieved

The worst performing municipalities per DM area (most of whom did not provide the required information):

- Alfred Nzo DM : one (1) municipality;
- UKhahlamba DM : three (3) municipalities

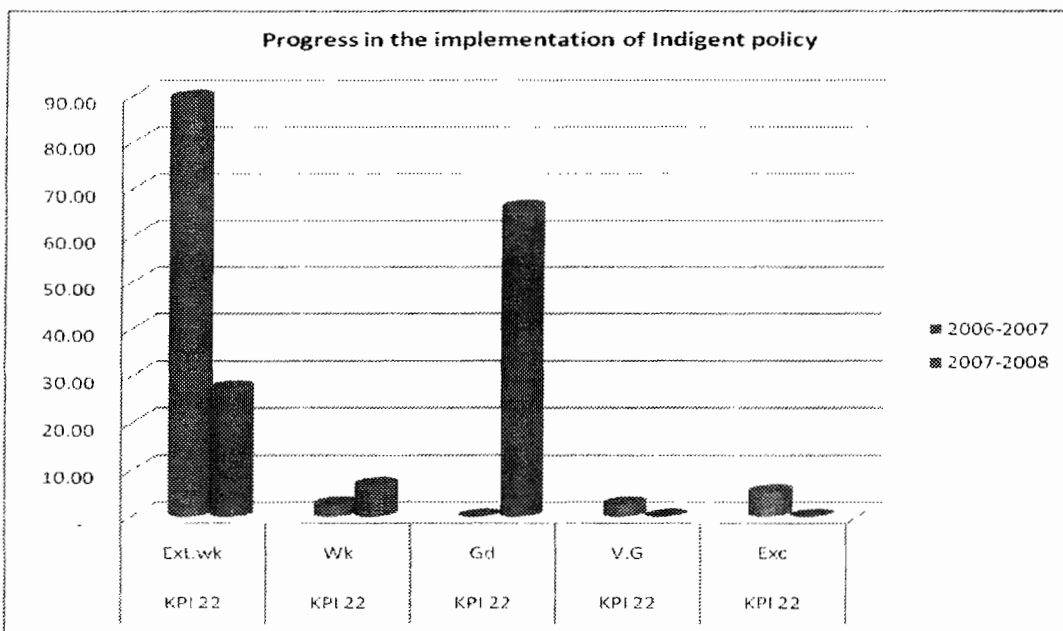
- Amathole DM : six (6) municipalities;
- Chris Hani DM : six (6) municipalities;
- Cacadu DM : three (3) municipalities.

#### 2.2.2.5 *Indigent Policy Implementation*

It has been observed with great concern that no municipality has managed to achieve either the performed standard of “**very good or excellent**” in the implementation of the Indigent Policy. Hence only three performance standards have been used to assess this KPI viz.

- **Good performance:** The Municipality indicates that an indigent policy has been adopted by the council and they provide information on some details of the policy;
- **Weak performance:** The Municipality indicates that an indigent policy has been adopted by the council but does not provide information on the policy;
- **Extremely weak:** An indigent policy has been developed but not yet adopted by the council.

Most performance reports of municipalities reflect that municipalities have developed their indigent policies and have indigent registers. Municipalities differ in the size of their revenue base and also in their financial capacity thus causing the approaches and processes followed by municipalities in registering and supporting indigent households in the province to vary greatly. Given the fact that most municipalities experience challenges in as far as their revenue base is concerned, a number of alternative approaches that are aimed at providing poor households with alternative sources of energy needs to be debated and finalised.



The above graph reveals that in the year under review twenty seven (27) municipalities 64% fall within the “**good**” category of performance whereas there was not even a single municipality falling in this category in the 2006/07 Financial Year. This situation is commendable as it reflects that municipalities are making an effort to implement their indigent policies.

It is also encouraging that while in the 2006/07 financial year 99% of municipalities were “**extremely weak**” with regard to this KPI this figure has reduced to twelve (12) municipalities (25%) in the year under review.

From the above comparative analysis it is clear that there has been a great improvement by municipalities in ensuring that they implement their indigent policies but there is still much work to be done.

The best performing municipalities per DM area in implementation of indigent policy are:

- Nelson Mandela Bay Municipality : one(1) municipality
- Alfred Nzo DM : three (3) municipalities including the DM;
- UKhalamba DM : four (4) municipalities;
- Amathole DM : four (4) municipalities;
- Chris Hani DM : six (6) municipalities;
- Cacadu DM : nine (9) municipalities including the DM

The worst performing municipalities per DM area (most of whom did not provide the required information):

- OR Tambo DM : four (4) municipalities
- Amathole DM : five (5) municipalities;
- Chris Hani DM : two (2) municipalities including the DM;
- Cacadu DM : one (1) municipality.

### 2.2.3 Challenges

#### 2.2.3.1 Access to Free Basic services

- A major challenge that has been encountered when analysing the reports from the municipalities is that most municipalities have failed to supply relevant information. The tendency of municipalities is not to supply information on the provision of services for which they are not responsible. A typical example of this will be municipalities who are not WSAs / WSPs not reporting on provision of free basic water and free basic sanitation. Again municipalities who do not distribute electricity were silent on provision of free basic electricity. This hinders attempts to paint a true picture of the state of basic service delivery in the province.

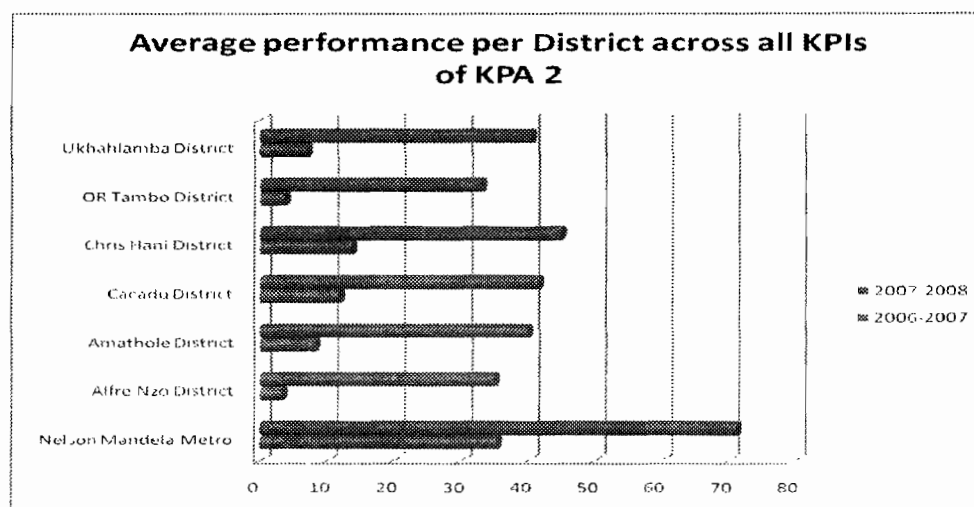
#### 2.2.3.2 Bucket System Eradication

- Reports from the municipalities have failed to disclose information on backlogs with regard to all basic services and this is problematic as it makes it difficult to plan properly. Whilst MIG funding is succeeding in providing infrastructure, municipalities have been slow in ensuring actual access to the established bulk infrastructure.

### 2.2.4 Overall Performance: Basic Service Delivery

The provincial department is using twenty three (23) Key Performance Indicators to monitor the performance of municipalities with regard to basic service delivery. Some of the indicators have not been presented in this report as stated above. However, to give a complete picture of performance with regard to service delivery and also to ensure the design of effective support programmes it is necessary to reflect on all twenty three indicators.

The assessment results showing the average performance per DM area in regard to all the twenty three (23) KPIs used is presented in the graph below:



From the graph it is clearly evident that in all DM areas municipalities have made progress with regard to basic service delivery in the year under review. At the same time one must acknowledge that performance is still by no means satisfactory as evidenced by the fact that not a single district managed to achieve an average of 50%. Nelson Mandela Bay Metropolitan Municipality has the highest average score of 70% followed by Chris Hani DM area with an average score of 44%. This is a big gap. Alfred Nzo and OR Tambo DM areas are the worst performing districts at 35% and 32% respectively. OR Tambo DM area may need special attention as the largest rural areas in this province are located in this district. As a result of its historical legacy the district is also largely undeveloped.

### 2.2.5 Support Interventions Provided To Municipalities

The department of Local Government and Traditional Affairs has provided a total sum of **R22 751 000** as funding to assist municipalities with the provision and development of infrastructure as indicated hereunder.

Municipality	Project Description	Budget
Chris Hani District Municipality	Appointment of Free Basic Service (FBS) experts in the DM to implement FBS strategies and conduct baseline studies	R396 000
Alfred Nzo District Municipality	Appointment of FBS experts in the DM to implement FBS strategies and conduct baseline studies	R440 000
OR Tambo District	Appointment of FBS experts in the DM to implement FBS strategies and conduct	R495 000

Municipality	Project Description	Budget
Municipality	baseline studies	
Amathole District Municipality	Appointment of FBS experts in the DM to implement FBS strategies and conduct baseline studies	R300 000
Cacadu District Municipality	Appointment of FBS experts in the DM the to implement FBS strategies and conduct baseline studies	R300 000
Ukhahlamba DM	Construction of a Waste Water Treatment Plant at Aliwal North	R2,700,000
Koukamma LM	Refurbishment of Water Treatment Plants around Kareedouw and Tsitsikamma area	R 700,000
KSD LM	Installation of street lights at Mthatha	R 600,000
O R Tambo DM	Rehabilitation of sewerage system at KSD LM	R 10,600,000
Lukhanji	Construction of roads and stormwater channels for Whittlesea.	R 5,000,000
Nkonkobe LM	Enhancement of technical services	R 400,000
KSD LM	Enhancement of technical services	R 420,000
Great Kei LM	Enhancement of technical services	R 400,000

## 2.3 LOCAL ECONOMIC DEVELOPMENT: KPA 3

### 2.3.1 Introduction

Local Economic Development (LED) is a relatively new framework concept that Municipalities are trying to implement so as to ensure growth in the local economy, to promote the second economy and ensure socio economic development. LED is a legislative requirement for municipalities using the limited resources at their disposal. In order to overcome the legacy of uneven development in the country, the national government has prioritised rural development and urban renewal as key strategies towards addressing unemployment and poverty alleviation. This will be achieved by promoting the local economy with the establishment of small enterprises and creating job opportunities in the second economy.

The intended outcome is the creation of viable and sustainable businesses/projects that will grow the local economy, create jobs and provide an income for individual entrepreneurs, workers and their families. LED is based on local initiatives and driven by local stakeholders. It requires co-operation between government, civil society, local businesses and higher learning institutions.

Community involvement plays a critical role in affording the poor and unemployed an opportunity to influence local decision-making in priority setting and capital investments aimed at poverty reduction. However, it must be stated that LED and the generation of employment require many actions, many of which are outside the direct control of municipalities.

### 2.3.2. Progress in addressing the KPA

The assessment of this KPA has been conducted against the backdrop of the following LED strategies as identified in the LED Policy paper:

- Developing and maintaining infrastructure and services;
- Retaining and expanding existing businesses;
- Preventing a drain of resources from the local economy;
- Developing human capital and productivity;
- Focusing on community-based economic development;
- Linking profitable growth to redistributive development and financing.

The assessment of this KPA was based on six (6) KPIs. However, for the purpose of this report and in line with DCGTA formerly known as *dplg* requirements only three (3) KPIs are being reported on. These are the following:

- Number of jobs created through the infrastructure capital projects of EPWP(Extended Public Works Programme) and PPP(Private Public Partnership);
- Development and implementation of LED strategies and plans;
- Capacity for implementing LED in municipalities through an effective LED Unit.

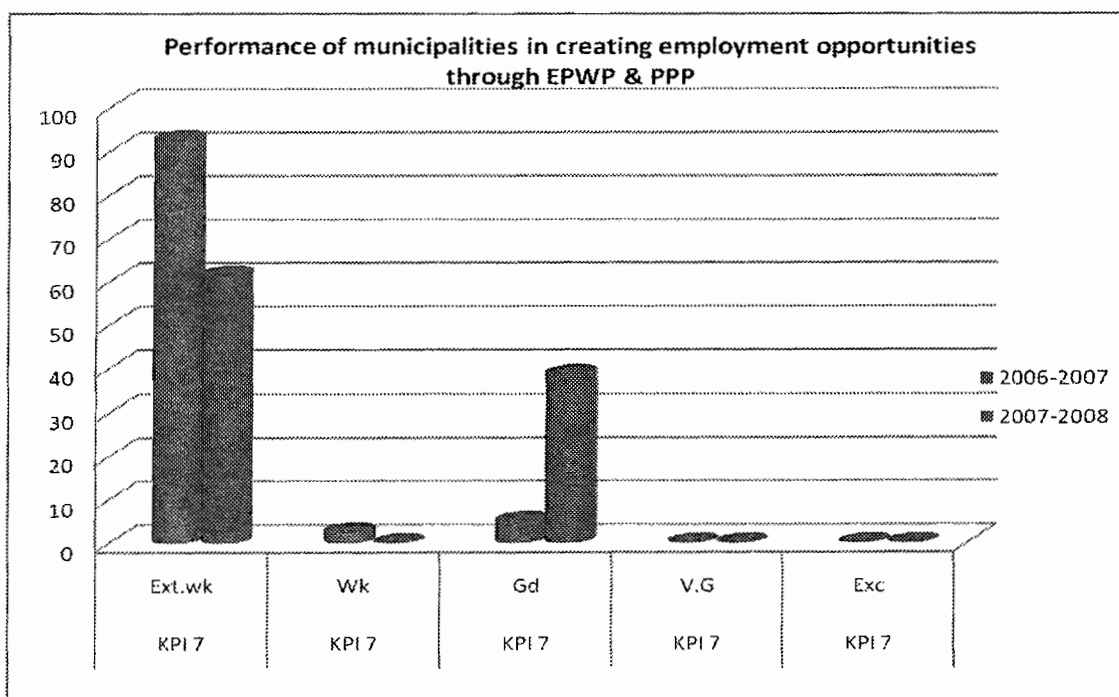
### 2.3.2.1 Number of jobs created through infrastructure capital projects (EPWP/PPP)

The intention of this indicator is to assess the extent to which municipalities contribute to and facilitate in the creation of jobs through the implementation of the Expanded Public Works Programme and Private Public Partnerships initiatives.

In assessing how well municipalities have performed in creating job opportunities, the assessment team observed that the department is not yet in a position to confirm “**excellent or very good**” performance. There is need to develop more sophisticated data collection methods to determine the performance of municipalities with regard to this KPI. Therefore there were only two performance quality standards that were used to assess the municipalities. These are:

- **Good performance** if the municipality indicates the number of jobs created through EPWP and PPP during the year under review;
- **Extremely weak performance** if the municipal fails to provide information on job creation.

The result of the performance assessment for the year under review is presented in the graph below:



In respect of the year under review some municipalities have reported on the number of jobs created through EPWP and PPP's projects within their municipalities and the number of employment opportunities created as a result of initiatives started by their LED units.

Seventeen (17) municipalities (39%) managed to obtain the performance standard of “**good**” in the year under review compared to only two (2) municipalities (5%) in the 2006/07 Financial Year which represents a definite improvement. These municipalities are Nelson Mandela Bay Municipality,



Matatiele, Umzimvubu, Alfred Nzo DM, Buffalo City, Amathole DM, Nxuba, Amahlathi, Nkonkobe, Ndlambe, Ikhwezi, Sundays River Valley, Chris Hani DM, Emalahleni, King Sabata Dalindyebo, Nyandeni, and Gariep.

In most instances municipalities reported on the number of the partnerships and LED projects that they initiated during the year under review, however the number of jobs created by these initiatives was not reported on.

The assessment also reveals an improvement in the number of “**extremely weak**” municipalities as they have dropped from thirty seven (37) (93%) in the previous year to twenty seven (27) (61%) in the year under review.

There is an urgent need to provide intensive support to the twenty seven (27) municipalities that are classified as being “**very weak**”. They are:

District Municipality	Number of Municipality
Ukhahlamba DM	four (4) out of five (5) municipalities including DD
Amathole DM	four (4) out of nine (9) municipalities
Chris Hani DM	seven (7) out of nine (9) municipalities
Cacadu DM	seven (7) out of 10 municipalities including the DM
OR Tambo	five (5) out of eight (8) municipalities including the DM

### 2.3.2.2 Development and implementation of LED strategies and plans

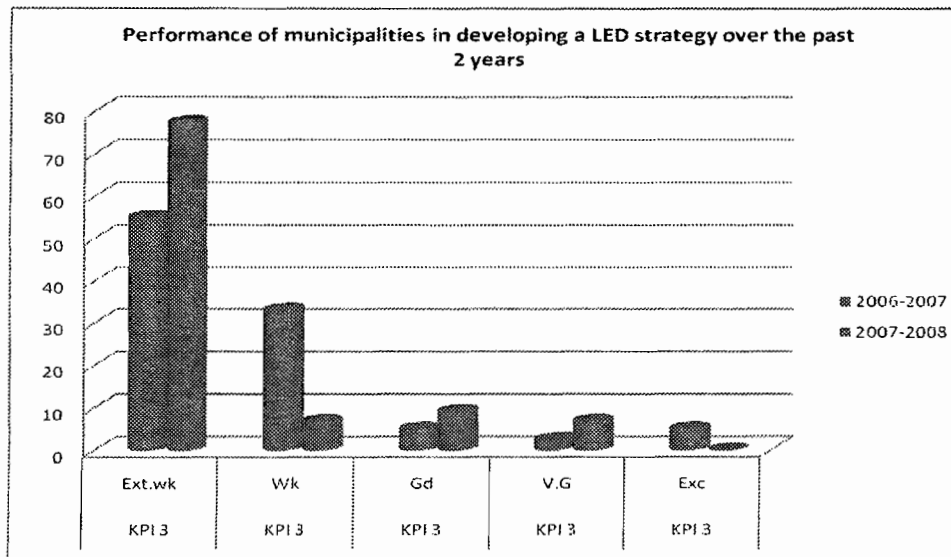
An effective LED strategy requires that each municipality first do a swot analysis on the prevailing economic situation in the municipality in order draft a credible LED strategy and plan. An effective LED strategy further requires proper consultation with local communities so as to be able to identify and prioritise LED projects. The annual performance reports for the year under review are silent on whether such analyses have been done and whether or not proper consultation with the locals has taken place as this is the basis of any successful LED strategy.

In assessing how well municipalities have performed in developing LED strategies and plans, the assessment team observed that the department is not yet in a position to confirm excellent performance based on the information provided in the annual reports. There is need to develop more sophisticated data collection methods to determine the performance of municipalities with regard to this KPI. Therefore there were only four performance quality standards that were used to assess the performance of municipalities. These are:

- **Very Good performance:** if the Municipality indicates that the LED strategy has been developed and adopted by the council. The Municipality also reports on some LED activities carried out during the year under review;

- **Good performance:** if the Municipality indicates that the LED strategy has been developed and adopted by the council but do not report on some LED activities carried out during the year under review;
- **Weak performance:** if the Municipality indicates that the LED strategy has been developed but it is not yet adopted by the council;
- **Extremely weak performance:** if no information on LED strategy/plan or the LED strategy is still in a draft form.

The performance of municipalities in relation to this KPI is illustrated in the table below.



There has been a slight improvement in the performance of municipalities in the year under review. Though the number of “**extremely weak**” municipalities has increased from twenty two (22) (55%) in 2006/07 to thirty four (34) (77%) in 2007/08 there is a drop in the number of weak performing municipalities from thirteen (13) (33%) in the previous year to three (3) (11%) now.

Four (4) municipalities have been assessed to be “**good**” during the year under review as compared to two (2) municipalities in 2006/07 – an improvement of 50%.

There is also a remarkable improvement in the number of municipalities assessed to have reached the performance standard of “**very good**” which has risen from three (3) to seven (7) municipalities compared to the previous year (2006/07).

The seven (7) best performing municipalities are:

- Elundini,
- Lukhanji,
- Intsika Yethu.

- Kouga,
- Cacadu,
- Amathole DM
- Ntabankulu.

The thirty seven (37) municipalities who are “**weak or very weak**” per DM area are:

- Alfred Nzo DM : all three(3) municipalities;
- Amathole DM : all nine (9) municipalities;
- Chris Hani DM : seven (7) out of nine (9) municipalities including the DM;
- Cacadu DM : seven (7) out of 10 municipalities;
- OR Tambo DM : six (6) out of eight (8) municipalities including the DM;
- Ukhahlamba DM : four (4) out of five (5) municipalities including the DM;
- Nelson Mandela Bay

There is an urgent need to provide intensive support to these thirty seven (37) municipalities.

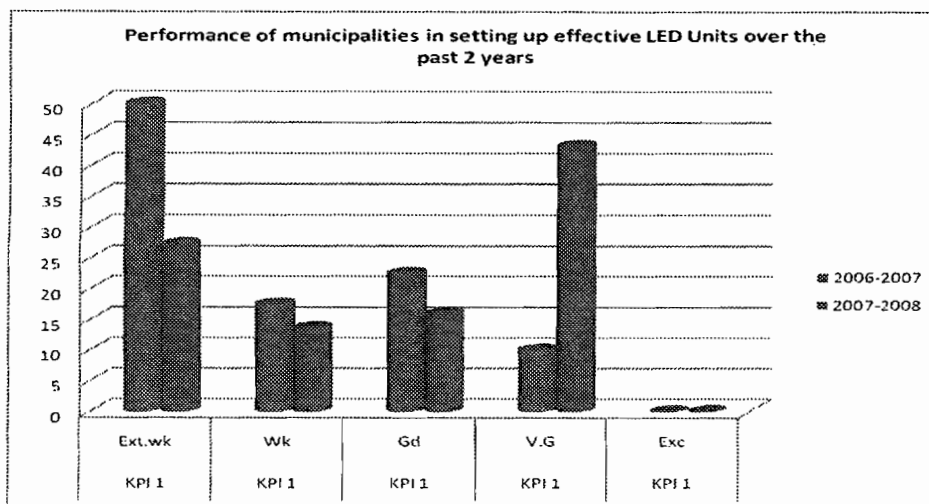
#### ***2.3.2.3 Capacity for implementing LED in municipalities***

The institutional capacity to lead and manage LED is a critical component of success in the implementation of LED strategies. Municipalities are building this capacity in a variety of ways including establishing dedicated LED units and appointing LED managers. A number of municipalities in the Province of the Eastern Cape have gone further than this and have established Local Economic Development Agencies (LEDA). Examples in this regard are the Nelson Mandela Bay Development Agency, Kouga Development Agency and the Blue Crane Route Development Agency and the Ntinga Development Agency in the OR Tambo District Municipality.

In assessing how well municipalities have performed in establishing LED Units, the assessment team observed that the department is not yet in a position to confirm excellent performance based only on information provided in the annual reports. There is need to develop more sophisticated data collection methods to determine the performance of municipalities with regard to this KPI. Therefore only the four (4) performance standards below were used to assess the municipalities. These are:

- ***Very Good performance:*** if the municipality indicates that a LED Unit is in place and that at least two (2) LED professionals have been appointed;
- ***Good performance:*** if the municipality indicates that a LED Unit is in place and that only one (1) LED professional has been appointed;
- ***Weak performance:*** if the municipality indicates that a LED Unit is in place but no dedicated LED professionals are appointed;
- ***Extremely weak:*** if no LED Unit is in place or there is no information in the report.

The performance of municipalities in relation to this KPI is illustrated in the graph below.



The assessment result presented in the above graph indicates that municipalities have made remarkable progress in the year under review in setting up LED units and recruiting professional staff to drive LED activities. The number of “**extremely weak**” municipalities has dropped significantly from twenty (20) (50%) in 2006/07 to twelve (12) (27%) in 2007/08. There is also a drop in the number of “**weak**” performing municipalities from seven (7)(18%) in the previous year to six (6) (14%) now.

However, the number of municipalities who achieved the performance standard of “**good**” has dropped from nine (9) municipalities last year to seven (7) in 2007/8. This drop is too insignificant to imply negative performance by municipalities. Some of these municipalities are now also in the category of “**very good**”.

There is a remarkable and appreciable improvement in the number of “**very good**” performing municipalities which has gone up from four (4) (10%) in 2006/07 to nineteen (19) of municipalities (43%) in 2007/08

The best performing municipalities per DM area are:

- Alfred Nzo DM : two (2) out of three municipalities including the DM;
- Amathole DM : six (6) of nine (9) municipalities including the DM;
- Chris Hani DM : six (6) out of nine (9) municipalities;
- Cacadu DM : three (3) out of 10 municipalities including the DM;
- OR Tambo DM : two (2) out of eight (8) municipalities.

The eighteen (18) municipalities who are “**weak or very weak**” per DM area are:

- Nelson Mandela Bay;

- Ukhahlamba DM : all five (5) municipalities including the DM;
- Amathole DM : three (3) out of eight (8) municipalities;
- Chris Hani DM : two (2) out of nine (9) municipalities;
- Cacadu DM : four (4) out of ten (10) municipalities;
- OR Tambo DM :three (3) out of eight (8) municipalities;

There is a clear need to provide intensive support to the eighteen (18) “**weak or very weak**” performing municipalities.

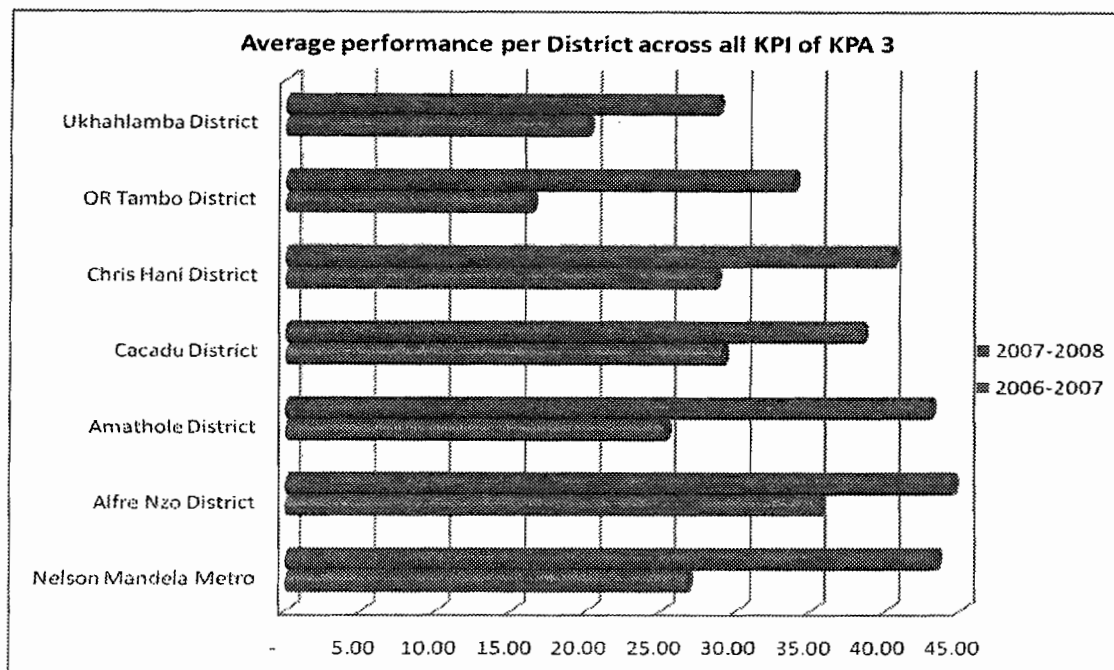
### **2.3.3. Challenges**

The performance assessment of municipalities in 2007/8 has revealed three main areas where there are still challenges in as far as LED implementation is concerned.

- Firstly, there is the positioning of the LED unit within municipalities. It has been observed that many municipalities have been inconsistent in creating a dedicated unit with LED professionals to drive the LED activities.
- Secondly, municipalities are not providing information on the number of jobs created through EPWP and PPPs, though they mention LED projects that generate jobs within the municipality. However, it is difficult to assess the number of jobs created through their LED initiatives.
- Thirdly, the municipalities are struggling to produce comprehensive LED strategies though many municipalities are proceeding with LED activities and projects. This proves that most municipalities do not plan properly or budget properly for LED projects.

### **2.3.4. Overall performance achievement in LED**

The provincial department is using (6) Key Performance Indicators to assess the performance of municipalities with regard to this KPA. Some of the indicators have not been presented in this report as this report only focuses on the indicators DCGTA requires the department to report on.



The above graph shows the performance in respect of all the KPIs per DM area. It is clear that performance has improved in all the DM areas with regard to this KPA. Although LED is a relatively new concept most municipalities have made strides in institutionalizing LED. Many municipalities view LED as an unfunded mandate but fail to prioritise it or provide the necessary infrastructure. Most municipalities rely on other partners for the implementation of their LED strategies.

Although performance has improved it is still not satisfactory. The average performance across all districts is still below 50%. Nelson Mandela Bay Municipality, Amathole and Alfred Nzo DMs are the best performing municipalities overall yet they are only scoring between 40-45%. Much work therefore lies ahead to improve performance, create employment and reduce poverty. Location also appears to play a role in performance as the best performing municipalities are all in the urban areas. Support provided to municipalities in respect of LED should therefore focus on the rural municipalities. Municipalities should also strive to mainstream LED in all their infrastructure development projects.

### 2.3.5 Support Interventions

- Five (5) District Municipalities were granted funding to the amount of (R2 332 000) for the appointment of LED experts (capacity);
- Three (3) District Municipalities were granted funding to the amount of (R1 110 000) to develop and/or review their LED strategy;
- The sum of R1 000 000 from Integrated Sustainable Rural Development Programme supported Knowledge Management in the OR Tambo District;

- The sum of R264 000 from the Urban Renewal Programme supported the reduction of crime in King Sabata Dalindyebo;
- The sum of R1 425 000 from Urban Renewal Programme supported economic mainstreaming in the Nelson Mandela Metro;
- R1 000 000 from the Integrated Sustainable Rural Development Programme supported Forestry Development in Chris Hani DM.

#### **2.3.5.1 *Hands on Support given to Municipalities***

##### **Institutional capabilities: Financial year: 2007**

- Department of Economic Development and Environmental Affairs (DEDEA and the Department of Local Government and Traditional Affairs (DLGTA), supported by the Technical Unit of Thina Sinako, intensified the process of establishing greater convergence in the way in which human and financial resources are deployed in support of LED. Feedback on this process was given at the inaugural Provincial LED Conference that was held in Mthatha in November 2007. A first draft of the Memorandum of Understanding between these departments was tabled at the final meeting for 2007 of the Programme Coordination Group (PCG) on 29 November 2007, which was finalised in 31 January 2008. The PCG agreed that the inclusion of the Department of Agriculture in this Memorandum of Understanding be pursued.
- The DLGTA and DEDEA, supported by the Technical Unit of Thina Sinako, initiated a process aimed at the finalisation of guidelines for the development of LED strategies by municipalities during the course of 2007. This was followed by a number of engagements, including a workshop with municipalities in September 2007. the Guidelines was written up and printed for use.

#### **2.3.5.2 *Institutional capabilities: Financial year: 2008***

Key institutional development milestones reached during the course of 2008 included the following:

- The development of three initial drafts of an exit and consolidation strategy, and the appointment, by the Department of Economic Development and Environmental Affairs (DEDEA), of a short-term expert team to support the finalisation of the strategy.
- District-based consultative planning workshops were held under the leadership of DEDEA and the Department of Local Government and Traditional Affairs (DLGTA). These workshops were aimed at identifying concrete suggestions for the establishment of greater convergence between the work of different LED support agencies in the Province.
- The initial establishment of district support teams through which the LED support work of officials from the following departments and public entities are to be coordinated: DEDEA, DLGTA, Eastern Cape Development Corporation (ECDC), the Department of Agriculture (DoA) and District Municipalities. A draft operational framework was developed through

which these teams are to be formalised, supported by a memorandum of understanding signed by the participating institutions. Training of members of these emergent district support teams commenced in 2008, and included training on the project development and implementation support systems and tools developed and refined under the Thina Sinako Programme, as well as socio-economic research and profiling and cost-benefit analysis.

- The development of two modules of a LED facilitators' handbook in which the project development and implementation support systems and tools developed and refined under this Programme were captured. These modules were to be refined further based on the experience of a range of support agents in using them, and have been used to kick-start the training of member of district support teams.

#### **2.3.5.3 *Learning & networking: Financial year: 2007***

- The learning and networking focus area saw intensive activity during the course of 2007, carried out through a number of learning encounters, study trips and commencement of lessons identification during project monitoring visits. This led to learning encounters focusing on finance for enterprises, municipalities and LED. Partnerships for LED were held during the year under review. All these culminated to the inaugural Provincial LED conference that was held on 8-9 November 2007 in Mthatha.

#### **2.3.5.4 *Learning & networking: Financial year: 2008***

Six LED Learning Encounters were held during 2008:

- An LED Learning Encounter on Cooperatives was held in Port Elizabeth on 18 September 2008.
- An LED Learning Encounter on Aquaculture was held in East London on 2 October 2008.
- An LED Learning Encounter on Forestry was held in Queenstown on 9 October 2008.
- An LED Learning Encounter on Participatory Planning was held in Aliwal North on 14 October 2008.
- An LED Learning Encounter on Community Investment Funding Models was held on Mthatha on 21 October 2008.
- An LED Learning Encounter on Sustainable Village Economies was held in Matatiele on 27 October 2008.

The above provides an overview of particular interventions that have been employed to address numerous social and economic ills in various municipalities. This demonstrates that LED interventions rarely rely on one strategy alone. Instead various techniques and instruments should be combined to tackle a range of problems and thus promote economic growth, job creation and improvement of social and economic conditions. These examples rely heavily on partnerships and local ideas to promote poverty reduction.



## **2.4 MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT : KPA 4**

### **2.4.1 Introduction**

The Municipal Finance Management Act (Act No.56 of 2003) (MFMA) was introduced in 2004 to provide municipalities with guidelines for effective systems to maximise their revenue potential and to enable them to effectively and transparently manage their finances. This Act is aimed at ensuring that municipalities are more accountable, more financially stable and thus better capable of delivering services.

Financial Viability is;

- the ability of a municipality to maintain and sustain itself by collecting revenue due to it for services rendered for which the community has been billed;
- the ability of a municipality to provide improved living conditions to grow a happy, healthy and secure community
- the extent to which citizens can access quality education so as to reach their dreams for the futures for generations to come.

The annual report of municipalities is expected to provide evidence that the municipality is striving to reach these goals by utilizing the revenue entrusted to the council and officials as planned each year. Some municipalities have been successful in this regard while others have not made any progress from the previous year.

### **2.4.2 Progress with meeting the KPI's**

The performance assessment undertaken in respect of the 2006/07 Financial Year shows an overall improvement in the financial management of municipalities. Though the performance of the vast majority of municipalities is still far from being “**excellent**” or even “**very good**”, the outstanding performance of the Nelson Mandela Metropolitan Municipality who achieved an overall score of 80% with regard to this KPA is noted with great satisfaction. This municipality obtained an unqualified AG report in the 2007/08 financial year without any matter of emphasis.

The Key Performance Indicators (KPIs) used to measure the performance of municipalities with regard to this KPA in the 2006/07 Financial Year were again used to measure the performance of municipalities in the 2007/08 financial year. These KPIs are as follows:

- Financial viability;
- Capital expenditure;
- Budget, expenditure and revenue sources;
- Compliance with the MFMA

#### **2.4.2.1 Financial viability**

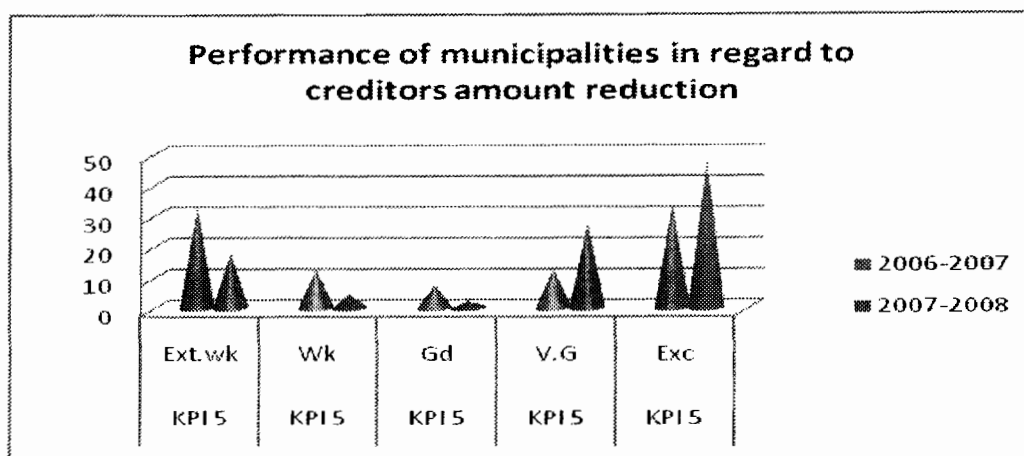
Three (3) components for this KPI were used to assess municipal financial viability in the year under review. They are:

- **Total amount of actual trade creditors as a percentage of total actual revenue.**

This indicator measures the reduction in trade creditors from 2006/2007 to 2007/2008 from municipalities' total revenue within the financial year. The actual total trade creditors' amount against revenue is a key indication of the capacity of a municipality to operate effectively while paying its creditors within the prescribe time frame. The following performance standards were set:

- **Excellent performance:** if the total actual amount of trade creditors represents less than 20% of the total municipal own revenue at the end of the financial year.
- **Very good performance:** if the total actual amount of trade creditors represents 20% and more but less than 40% of the total municipal own revenue at the end of the financial year.
- **Good performance:** if the total actual amount of trade creditors represents 40% and more but less than 60% of the total municipal own revenue at the end of the financial year.
- **Weak performance:** if the total actual amount of trade creditors represents 60% and more but less than 80% of the total municipal own revenue at the end of the financial year.
- **Extremely weak performance:** if the total actual amount of trade creditors represents 80% or more of the total municipal own revenue at the end of the financial year.

The performance of municipalities this year compared to last year with regard to this indicator is summarised below.



The graph above clearly indicates an increase in the number of municipalities that achieved either an **“excellent or very good”** standard of performance in trade creditors’ payment during the 2007/08 Financial Year.

The number of municipalities with **“excellent”** standard of performance has increased from thirteen (13) (33%) in 2006/07 to twenty one (21) (48%) in 2007/08 showing a 15% progress rate. In the same way, the number of municipalities with **“very good”** standard of performance has also increased from five (5) (13%) in 2006/07 to twelve (12) (27%) in 2007/08. All together, both categories of municipalities constitute 75% of municipalities compared to 46% the previous year. This progress is highly appreciable.

Only one (1) municipality (2%) managed to achieve a **“good”** standard of performance. Although this represents a decrease of 6% as compared to the previous year the actual situation has improved as some of the municipalities who fell in this category in the previous year have now improved their performance to be either **“very good or excellent”**

The number of municipalities with an **“extremely weak and weak”** standard of performance in trade creditors’ payment has significantly dropped this year from 46% in the 2006/07 Financial Year to ten (10) municipalities (23%) in the 2007/08 Financial Year – an overall improvement of 23%. This improvement should lead to a general improvement in municipal cash flow in 2007/08.

Among the best performing municipalities per DM area are:

- Nelson Mandela Metropolitan Municipality;
- Alfred Nzo DM area where all the municipalities achieved an excellent standard of performance;
- Ukhahlamba DM where four (4) out of five (5) municipalities including the DM achieved an excellent standard of performance;
- Amathole DM where five (5) out of nine (9) municipalities including the DM achieved an excellent standard of performance;
- Chris Hani DM where four (4) out of nine (9) municipalities including the DM achieved an excellent standard of performance;

- Cacadu DM where three (3) out of ten (10) municipalities including the DM achieved an excellent standard of performance;
- OR Tambo DM where only one (1) out of eight (8) municipalities achieved an excellent standard of performance.

The municipalities assessed as being “**extremely weak**” because of the high percentage of trade creditors compared to their own revenue this year include:

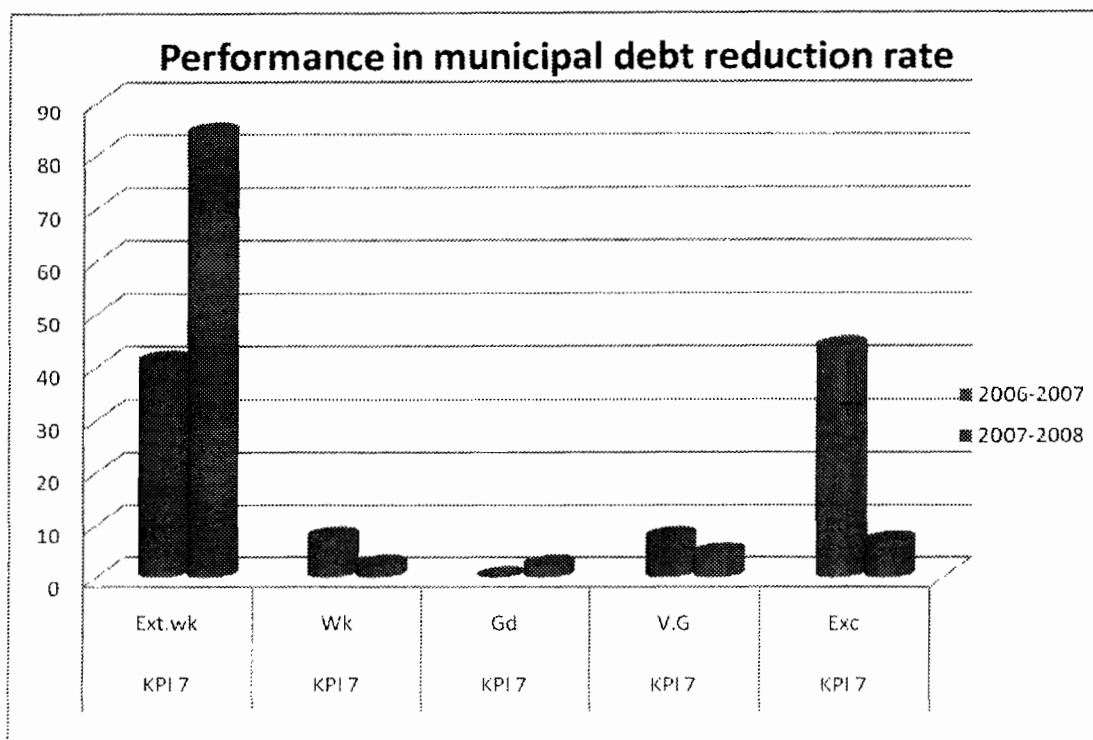
- Mnquma : 95% of revenue;
- Mbashe : Inaccurate amounts;
- Camdeboo : Figures not disclosed;
- Emalaheni : Figures not disclosed;
- OR Tambo DM : A/G could not verify the amounts as accurate;
- Ingquza Hill : Figures not disclosed;
- Nyandeni : Figures not disclosed;
- Gariep : Trade creditors represent 84% of total budget.

- **The rate of municipal debt reduction.**

This indicator measures the level of reduction in consumer debtors from 2006/2007 to 2007/2008 and is an indication of the capacity of the municipality to collect outstanding consumer debtors during the financial year under review. For this indicator the following performance standards were set:

- **Excellent performance:** if the municipality reports 50% or more of the total municipal debt reduced by the end of the financial year.
- **Very good performance:** if the municipality reports at least 40% of the total municipal debt reduced by the end of the financial year.
- **Good performance:** if the municipality reports at least 30% of the total municipal debt reduced by the end of the financial year.
- **Weak performance:** if the municipality reports at least 20% of the total municipal debt reduced by the end of the financial year.
- **Extremely weak performance:** if the municipality reports less than 20% of the total municipal debt reduced by the end of the financial year.

The performance of municipalities this year compared to last year for this indicator is shown in the graph below:



Performance in this KPI has not been good in the year under review. The graph indicates that the number of **“weak and extremely weak”** municipalities in the reduction of consumers’ debt has unfortunately shown an increase in the 2007/08 Financial Year as compared to the 2006/07. In 2006/07 Financial Year 49% of municipalities ( 19) performed **“extremely weakly and weakly”** as compared to thirty eight (38) municipalities (87%) in the 2007/08 Financial Year. This represents a negative growth of 38%.

The number of municipalities who achieved a **“good”** standard of performance in the 2007/08 **“Financial Year”** rose from nought municipalities in the 2006/07 Financial Year to one (1) municipality (2%). This however, does not represent an improvement in performance given the large increase in the number of municipalities who performed **“extremely weakly and weakly”** in the 2007/08 Financial Year.

Similarly the number of municipalities that achieved an **“excellent and very good”** standard of performance in the 2007/08 Financial Year dropped to five (5) municipalities (11%) from 20 municipalities (52%) in the 2006/07 Financial Year. This is a drop of 41%.

This statistics indicates that municipalities are experiencing serious difficulties in municipal debt collection in the province. It is also disturbing to note that some municipalities reported an increase in their total consumer debt amount while others failed to disclose their consumer debt amount in their annual report. In both instances the performance of municipalities was considered to be **“extremely weak”** by the assessors.

The best performing municipalities in municipal consumer debt reduction include:

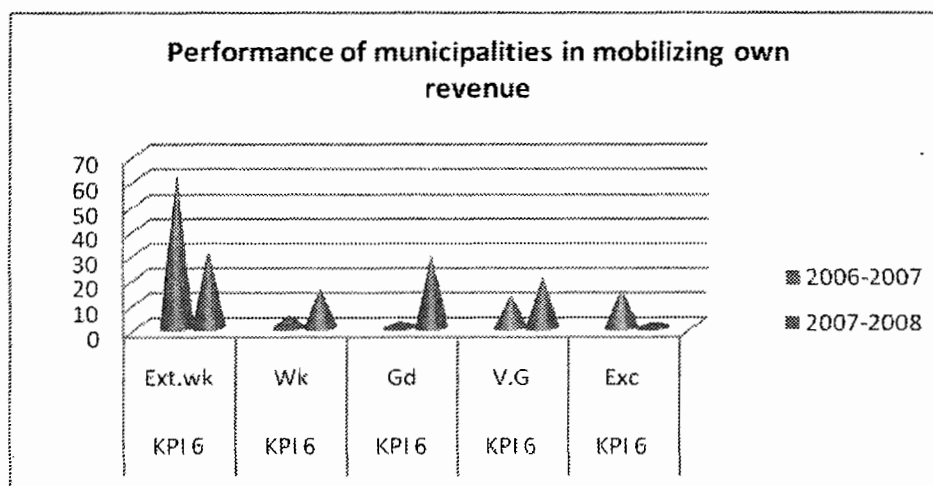
- Chris Hani DM : The municipality reported 100% consumer debts clearance
- Lukhaji : 95% debt reduction rate;
- Blue Crane Route : 53% debt reduction rate.

#### **Total municipal own revenue as a percentage of the total budget:**

This indicator measures the extent of municipal own revenue in the municipal total budget. This indicator provides information on the cash flow situation within the municipality. Municipalities were assessed according to the following standards of performance:

- **Excellent performance:** if the municipality own revenue pays for 80% or more of the total municipal actual budget figure;
- **Very good performance:** if the municipality own revenue pays for at least 60% of the total municipal actual budget figure;
- **Good performance:** if the municipality own revenue pays for at least 40% of the total municipal actual budget figure;
- **Weak performance:** if the municipality own revenue pays for at least 20% of the total municipal actual budget figure;
- **Extremely weak performance:** if the municipality own revenue pays for less than 20%;

The performance of municipalities this year compared to last year for this indicator is summarised below



The graph indicates a slight improvement in the performance of municipalities with regard to revenue collection in the 2007/08 Financial Year. The number of municipalities classified as **“extremely weak or weak”** in the 2007/08 Financial Year has dropped significantly from 68% in 2006/07 to twenty one (21) (48%) now. This represents a reduction of 20%.

The number of municipalities who achieved a **“good”** standard of performance in the 2007/08 Financial Year was thirteen (13) municipalities (30%) as compared to 3% in 2006/07, once again indicating that overall performance with regard to this KPI has improved in the year under review.

The number of municipalities with **“excellent or very good”** performance has however, declined. In the 2006/07 Financial Year 29% of municipalities achieved these performance standards as against only ten (10) municipalities (23%) in the 2007/08 Financial Year. It is of concern that while a number of municipalities improved their performance from being **“extremely weak or weak”** the performance of a number of municipalities who previously achieved **“excellent or very good”** performance standards has dropped.

A striking fact to emerge from this year’s performance assessment is that 78% of municipalities in the province still rely on government grants and other type of funding to pay for more than 60% of their annual budget.

The only municipality who achieved an **“excellent”** standard of performance in the 2007/08 Financial Year in the area of revenue collection is **Kouga Municipality** in the Cacadu DM area. This municipality is also the only municipality that was able to maintain its **“excellent”** standard of performance in revenue collection from the previous financial year. It is obvious that its experience could be used as best practice for other municipalities.

The **“extremely weak”** municipalities are classified per DM area as follows:

- OR Tambo DM : Five (5) out of eight (8) municipalities including the DM itself;
- Chris Hani DM : Two (2) out of nine (9) municipalities;
- Cacadu DM : Three (3) out of ten (10) municipalities;
- Alfred Nzo DM : Two (2) out of three (3) municipalities including the DM itself;
- Ukhahlamba DM : one (1) out of five (5) municipalities including DM itself;
- Amathole DM : One (1) out of nine (9) municipalities.

The performance of the following municipalities dropped from being **“excellent”** in 2006/07 to being **“weak”** in 2007/08:

- Ikwezi

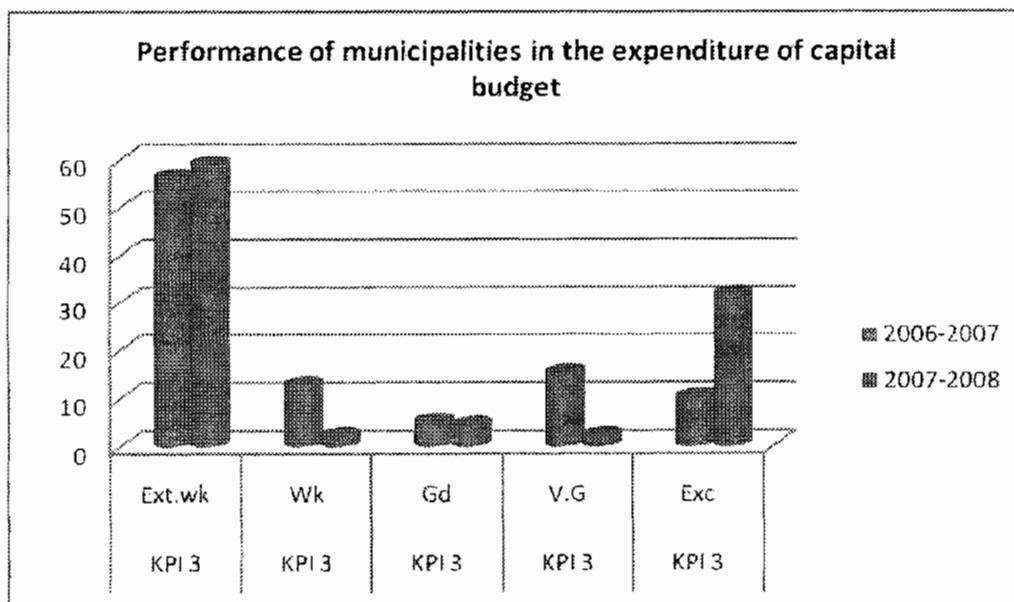
- Amathole DM
- Great Kei

#### 2.4.2.2 Capital expenditure

This indicator measures the extent to which municipalities spent their capital budget. In the year under review as in the previous financial year many municipalities made mention of their capital expenditure without providing information on their actual capital budget. The absence of budget information negatively affected the assessment as it was not possible for the assessment team to determine the extent to which many municipalities had spent their capital budget and hence municipalities who have failed to provide complete information have been assessed as “**weak or extremely weak**” with regard to this KPI. However, where the capital budget and the expenditure amounts were disclosed, the following standards were used to measure the performance:

- **Excellent performance:** if the municipality reports 90 to 100% of capital budget utilised;
- **Very good performance:** if the municipality reports 80-89% of capital budget utilised;
- **Good performance:** if the municipality reports 70-79% of capital budget utilised;
- **Weak performance:** if the municipality reports 60-69% of capital budget utilised;
- **Extremely weak performance:** if the municipality reports less than 60% of capital budget utilised.

The performance of municipalities this year compared to last year for capital expenditure is presented in the graph below





The graph above indicates a wide disparity among municipalities in their capacity to spend their capital budget in 2007/08 Financial Year and does not show great changes compared to the previous year.

The number of municipalities that performed "**extremely weakly**" has slightly increased from 23 (57.5%) in 2006/07 to 26 (59%) in 2007/08 Financial Year. The number of "**weak**" municipalities decreased from five (5) in 2006/07 to only one (1) in 2007/08. However, despite the decrease in the number of weak municipalities, the "**extremely weak and weak**" all together constitute the vast majority of the municipalities (61%) against 69% in 2006/07. This situation literally says that during the year under review, 61% of municipalities in the province reported having not spent up to 60% (standard performance) of their capital budget.

The number of municipalities that achieved a "**good**" standard of performance remained static in the 2007/08 Financial Year at 5% or two (2) municipalities in comparison to the same number in 2006/07 Financial Year.

The graph also shows a decrease in the number of municipalities that have achieved "**very good**" performance from six (6) (15%) in 2006/07 to only one (1) (2%) in 2007/08. However, this reduction is not alarming compared to the significant increase in the number of municipalities that have achieved an "**excellent**" performance standard from 4 in 2006/07 to fourteen (14) (32%) in 2007/08. The "**very good and excellent**" performing municipalities all together constitute 34% in 2007/08 as against 25% in 2006/07.

The "**extremely weak**" municipalities per DM area are as follows:

- OR Tambo DM : All eight (8) municipalities
- Ukhahlamba DM : Three (3) out of five (5) municipalities;
- Chris Hani DM : Seven (7) out of nine (9) municipalities;
- Cacadu DM : Three (3) out of ten (10) municipalities
- Alfred Nzo DM : One (1) out of three (3) municipalities
- Amathole DM : Five (5) out of nine (9) municipalities

The following municipalities performed "**exceptionally**" well in spending their capital budget during the year under review:

- Nkonkobe : over 100% expenditure
- Amahlathi : over 100% expenditure
- Engcobo : over 100% expenditure
- Cacadu DM : over 100% expenditure
- Ikwezi : over 100% expenditure
- Umzimvubu : 99% expenditure
- NMBM : 99% expenditure
- Amathole DM : 96% expenditure

It is regrettable to note that all four (4) municipalities that performed exceptionally well last year (2006/07) are this year all among the list of “extremely weak”. They are Makana, Matatiele, Mhlontlo and OR Tambo DM.

#### ***2.4.2.3 Compliance with the MFMA***

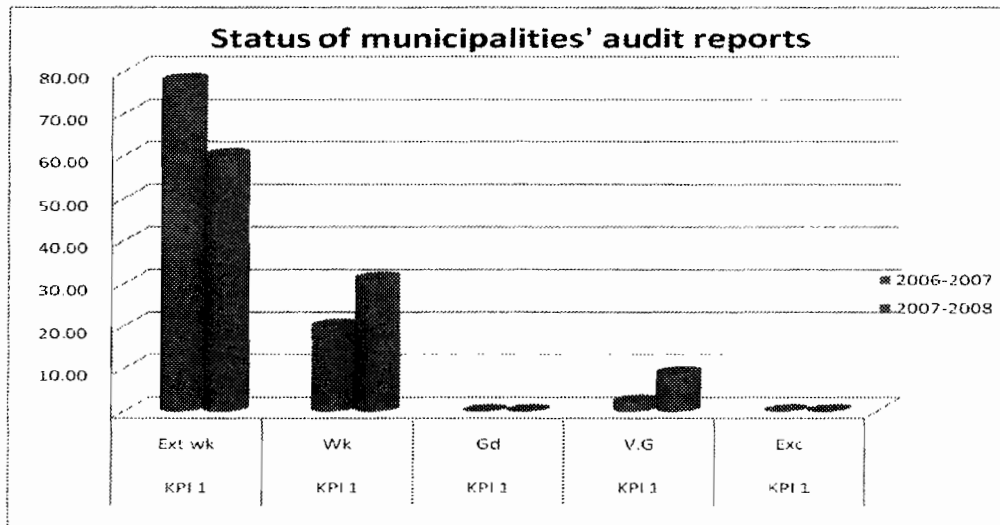
The implementation of the MFMA began in July 2004 and there is widespread awareness of its significance throughout government. Three components of this KPI (3) were used to assess compliance with the MFMA by municipalities:

- **Municipalities that have been audited on time:**

Section 126 1 (a) of the MFMA states “ The accounting officer of a municipality must prepare the annual financial statements of the municipality and, within two months after the end of the financial year to which those statements relate, submit the statements to the Auditor General for auditing”. Besides the issue compliance, assessors also looked at the status of the audit report. The following standards of performance were set:

- ***Excellent performance:*** if the municipality reports having obtained an unqualified audit report without any matter of emphasis;
- ***Very good performance:*** if the municipality reports having obtained an unqualified audit report with matters of emphasis and with an action plan to address issues raised by AG;
- ***Good performance:*** if the municipality reports having obtained an unqualified audit report with matters of emphasis but fails to include the action plan to address issues raised by the AG;
- ***Weak performance:*** if the municipality reports having obtained a qualified audit report with or without an action plan to address issues raised by the AG;
- ***Extremely weak performance:*** if the municipality reports having obtained a disclaimer or an adverse audit opinion.

The situation of municipalities this year compared to last year in regard to the quality of audit reports is presented in the graph below



The graph above shows a slight improvement in the status of audit reports in the year under review. There is a decrease in the number of **“extremely weak”** municipalities from 35 (78%) in 2006-2007 to 27 (60%) in 2007-2008. The number of municipalities with **“weak”** performance has however increased from 9 (20%) in 2006/07 to 14(31%) in 2007/08. The **“extremely weak and weak”** performing municipalities represent all together 91% of the total number of municipalities during the year under review against 98% in 2006/07. The progress is very insignificant (7%).

No municipality managed to achieve a **“good”** standard of performance in either the 2006/07 or 2007/08 financial years.

The number of municipalities that achieved a **“very good”** standard of performance has increased from one (1) (2%) in 2006/07 Financial Year to 4 (9%) in 2007/08 Financial Year. This year again, no municipality got a clean audit report under category **“excellent”**.

The best performing municipalities with regard to this KPI are:

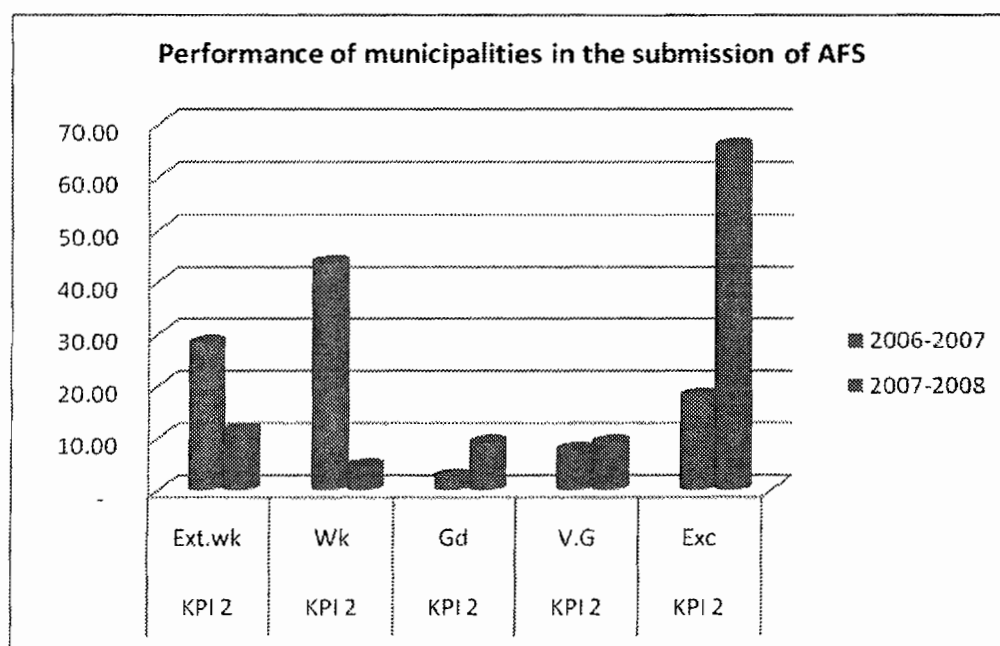
- Nelson Mandela Bay Municipality that was able to progress from a qualified report last Financial Year to Unqualified report with a few matters of emphasis in 2007/08 Financial Year;
- Cacadu DM was able to maintain its standard of obtaining an unqualified audit opinion with a few matters of emphasis in 2006-2007 and 2007-2008;
- Matatiele who have gone from a qualified audit opinion in 2006-2007 to an unqualified audit opinion with a few matters of emphasis in 2007-2008;
- Camdeboo who have gone from a qualified audit opinion in 2006-2007 to an unqualified audit opinion with a few matters of emphasis in 2007-2008.

#### • **Timely submission of Annual Financial Statements (AFS)**

S. 122 of the MFMA clearly states the legislative requirements with regards to AFS. To assess the performance of municipalities in complying with the Act, the following performance standards were set:

- **Excellent performance:** if AFSs are submitted by 31 August or end of September for consolidated AFSs and signed by CFO and MM;
- **Very good performance:** if AFSs are submitted one (1) later than the due date which is end September or end October for consolidated AFS
- **Good performance:** if AFSs are submitted to AG not later than two (2) months after the due date;
- **Weak performance:** if AFSs are submitted to AG 3 months after due date;
- **Extremely weak performance:** if AFSs are submitted to AG more than 3 months after due date.

The situation with regard to the timely submission of AFS by municipalities is reflected in the graph below:



The graph above indicates that there has been a big improvement in the submission of AFS to the AG during the year under review as compared to the previous year (2006/07). The number of municipalities that achieved the performance standards of “**excellent or very good**” improved from 26% in 2006/07 to thirty three (33) municipalities (73)% in 2007/08.

The number of municipalities who achieved the performance standard of “**good**” increased from 3% in 2006/07 to four municipalities (9%) in 2007/08.

The number of municipalities that are classified as “**extremely weak or weak**” also dropped significantly from 72% in 2006/07 to seven (7) municipalities (16%) in the 2007/08 Financial Year. This progress is highly encouraging and demonstrates that municipalities are increasingly developing their capacity to prepare and submit their AFS.

The five extremely weak municipalities are:

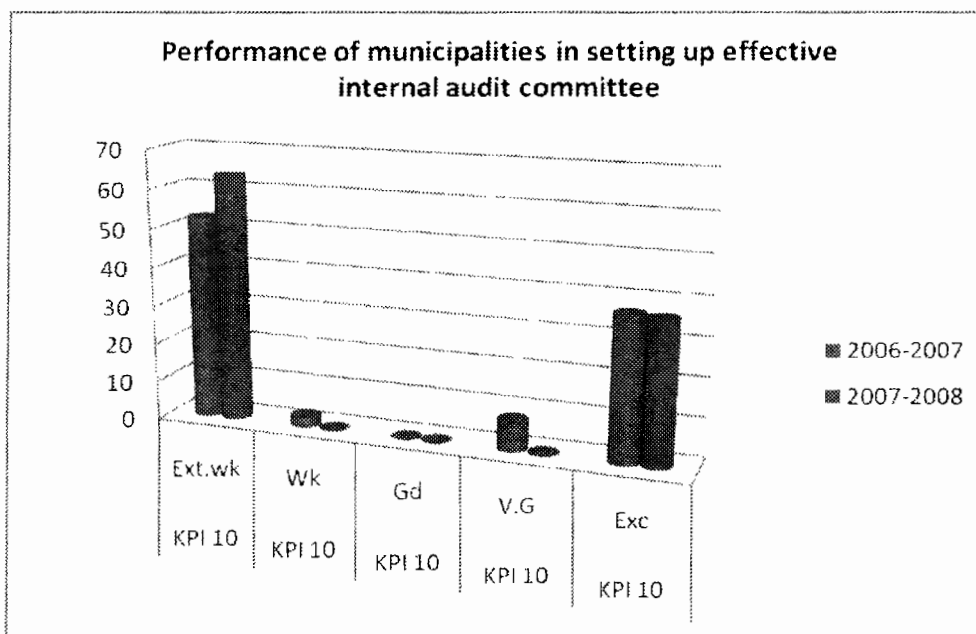
- Emalahleni
- Sunday River Valley
- Kou-kamma
- Mbashe
- Alfred Nzo DM

- **Effective Internal Audit Committee**

In terms of the Municipal Systems Act, each municipality must have an Internal Audit Committee. Section 166 of the MFMA prescribes how the audit committee is to be established in each municipality. This year for assessing the performance of municipalities in complying with this legislation only two performance standards were set as follows:

- **Excellent performance:** if the municipality reports the existence of an Internal Audit Committee and includes a report from the Audit Committee in the Annual Report;
- **Extremely weak:** if no Internal Audit Committee report is included in the Annual Report as proof of its existence and functionality.

The result of the assessment is shown in the graph below



It is clearly evident from the above graph that the vast majority of municipalities in the province do not have effective internal audit committees. The number of “**extremely weak**” municipalities increased from twenty one (21) (56%) in the 2006 -2007 Financial Year to twenty eight (28) (64%) in the 2007-2008 Financial Year.

The number of municipalities who achieved a “good” performance standard in the 2007/08 Financial Year declined from 6% in the 2006/07 Financial Year to two (2) municipalities (5%) now.

The number of municipalities who achieved a “very good or excellent” performance standard in relation to this KPI improved from 17% in the 2006/07 financial year to eleven (11) (25%) in the 2007/08 Financial Year.

The absence or inefficient functioning of audit committees in municipalities may be the main reason for the “extremely poor” performance by many municipalities as far as their audit opinions are concerned.

The performance by municipalities per DM area as far as this KPI is concerned is as follows:

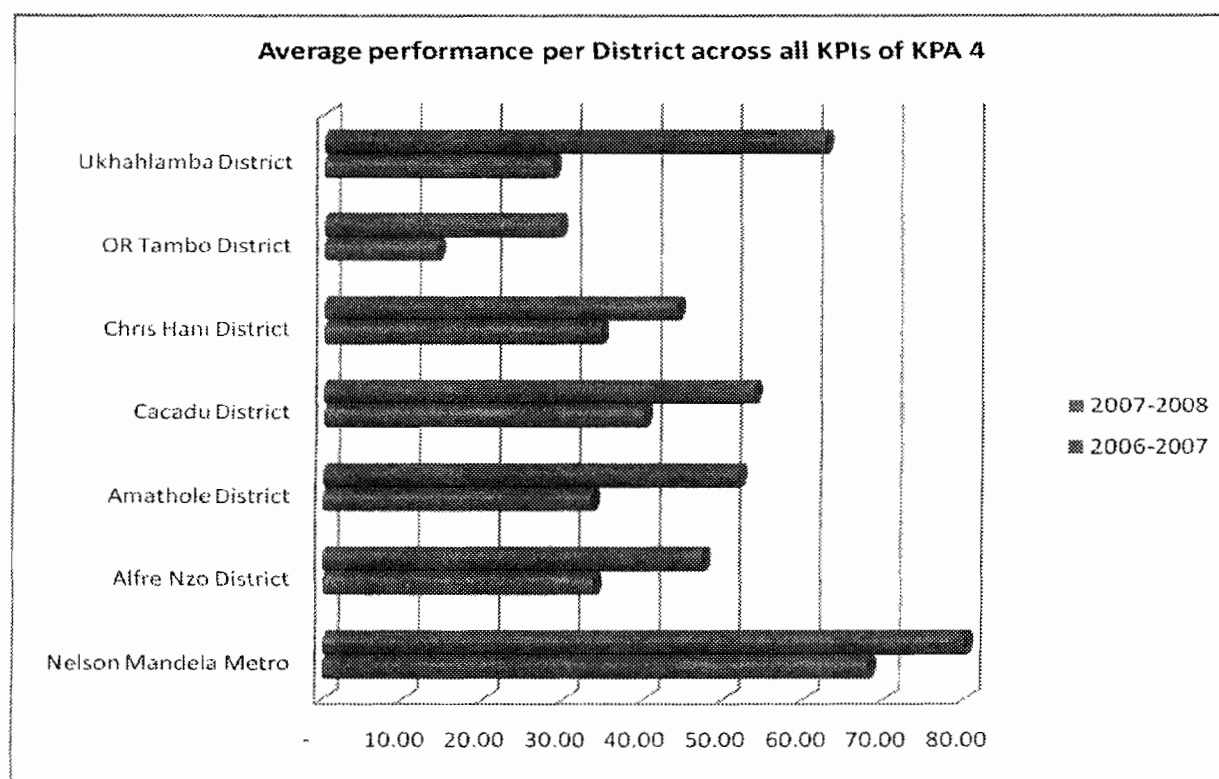
- NMBM : Have an effective and functioning internal audit committee;
- Ukhahlamba DM : Three (3) out of five (5) municipalities have effective and functioning audit committees;
- Amathole DM : Five (5) out of nine (9) municipalities have effective and functioning audit committees;
- Cacadu DM : Five (5) out of ten (10) municipalities have effective and functioning audit committees;
- Chris Hani DM : Two (2) out of nine (9) municipalities have effective and functioning audit committees;
- Alfred Nzo DM : Nought (0) out of three (3) municipalities have effective and functioning audit committees;
- OR Tambo DM : Nought (0) out of eight (8) municipalities have effective and functioning audit committees;

#### ***2.4.2.4 Budgets, expenditure and revenue sources***

It is encouraging to note that more municipalities as compared to last year managed to provide reliable financial information in this regard which facilitated the performance assessment. However, fifteen (15) municipalities (34%) still either failed to disclose their total budget figure or provided very unrealistic financial statistics. The above analysis has shown that despite a slight improvement, the expenditure of the capital budget remains very low in the majority of municipalities. This year’s assessment has also shown that municipalities have improved their revenue collection. Also, there is an increase in the number of municipalities that have reported that 40% or more of their budget is funded from their own revenue. It is worrying that 78% of municipalities are still hugely reliant on government grants to enable them to fulfil their constitutional mandate. An effort should be made by municipalities to learn from those who are performing well in this regard.

### 2.4.3 Overall performance achievement in financial management and viability

The Department of Local Government and Traditional Affairs is using ten (10) Key Performance Indicators to monitor the performance of municipalities in financial management and viability. The performance of municipalities with regard to some of these indicators has not been dealt with in this report. However, the department regards it very important to get a complete picture of performance across all indicators so as to be able to design effective support programs. The assessment results for the 2007/08 Financial Year showing the average performance per DM area in regard to all the ten (10) KPIs used is represented in the graph below:



The above graph clearly shows that the overall performance of municipalities with regard to financial management and viability progress has improved in all DM areas as well as in Nelson Mandela Bay.

However, while performance has increased it is by no means satisfactory. Nelson Mandela Bay's overall achievement rate is 80% which is **"exceptional"**. The next best is the Ukahlamba DM area with an overall achievement of 62%. The gap between first and second is very big. Chris-Hani and OR Tambo districts have performed the poorest at 44% and 28% respectively. The reason for the poor performance of the OR Tambo DM area will need to be determined so that performance can be approved.

#### 2.4.4 Challenges

Among the persistent problems raised by the Office of the Auditor-General and which are common to most municipalities are the following:

- Debt management
- Weaknesses in internal control
- Poor asset management
- Non-compliance with various laws and regulations
- Poor supply chain management

In addition to the above mentioned general observations by the AG, this year's assessment has revealed that more than 50% of the municipalities are affected by the following challenges that need urgent attention:

- Low level of expenditure of capital budget;
- Low level of expenditure of MIG and MSIG
- Low cash flow (though not affecting up to 50% of the municipalities)

#### 2.4.5 Support Intervention

The department supported the following municipalities with an amount of R13 535 000 for capacity building projects in the 2007/08 financial year.

Cacadu DM	R 1 505 500
Amathole DM	R 4 645 168
Chris Hani DM	R 2 362 000
Ukhahlamba DM	R 683 332
OR Tambo DM	<u>R 4 339 000</u>
<b>Total</b>	<b>R13 535 000</b>
Projects included:	
ICT	R 2 400 000
Update Books & Accounts	R 1 050 000
Compilation of AFS	R 3 399 500
Mentorship	R 1 495 000
Internal Controls	R 2 235 500
Audit Based Risk Plan	R 1 000 000
Policies	R 115 000
Asset Registers	<u>R 1 840 000</u>
<b>Total</b>	<b>R13 535 000</b>



## 2.5. GOOD GOVERNANCE AND PUBLIC PARTICIPATION: KPA 5

### 2.5.1 INTRODUCTION

The main focus of this Key Performance Area is to promote a seamless, open, ethical, professional and accountable system of governance. Municipal Councils are required to play an oversight role in ensuring high level of community participation, democratic, transparent and accountable system of governance. Furthermore, this KPA forms the basis of ensuring maximum public participation by creating an enabling environment through the introduction of Ward committees, Community Development Workers (CDWs), Presidential Imbizos and Houses of Traditional Leaders.

### 2.5.2 Progress in meeting KPIs

The performance of municipalities on this KPA was assessed using eight (8) KPIs. However, this report only reflects on the performance of municipalities with regard to the four (4) KPIs as required by the national department

These are the following:

- Functionality of Ward Committees
- Effective monitoring of Community Development Workers (CDWs)
- Implementation of Intergovernmental Relations Policy;
- Anti Corruption;

The focus areas listed below were not used to assess municipalities. Information included in this report was sourced within the Department:

- Traditional Leadership (Existence of communication strategy)
- Presidential and Ministerial, Premier / MEC and or Mayoral Izimbizos (Number of Mayoral *Izimbizos* held)
- Standard operating procedures and delegations (Corruption prevention mechanisms)

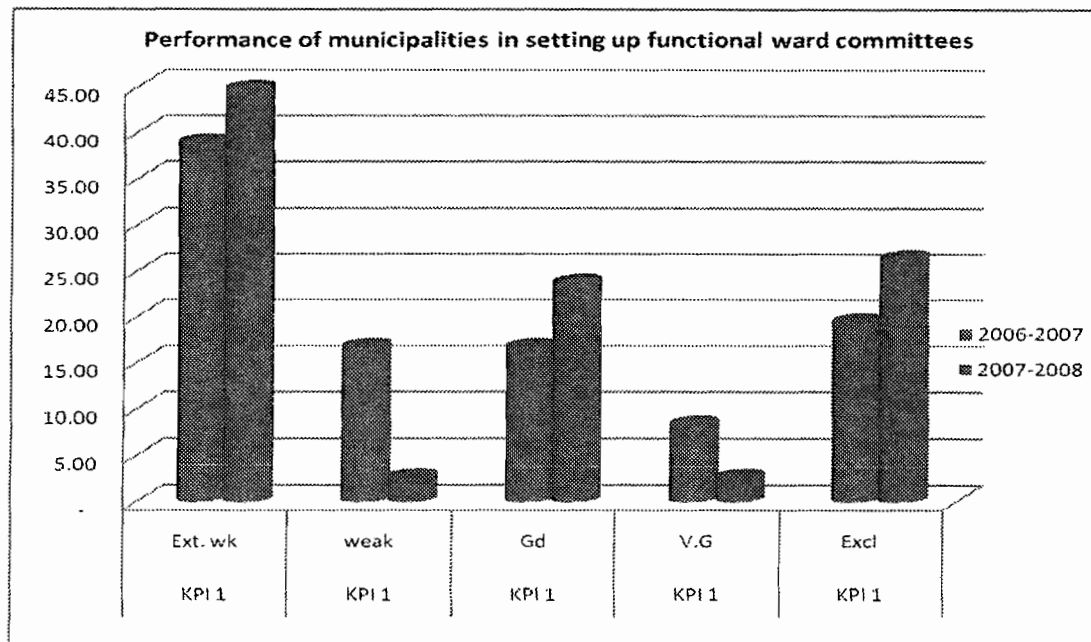
#### 2.5.2.1 *Functionality of Ward Committees*

Ward committees are established in terms of Section 16 of the Municipal Systems Act, 2000 and Section 72 of Municipal Structures Act, 1998. They serve as a vehicle for community participation in municipal affairs. The ward committee system was designed to ensure that people's inputs are taken into account in planning and decision making processes at municipal level.

Five performance quality standards were used to assess this KPI:

- **Excellence:** 100% of ward committees are established

- **Very good:** 90% of ward committees are established
- **Good:** 80% of ward committees are established
- **Weak:** 70% of ward committees are established
- **Extremely weak:** less than 70% of ward committees are established



Performance in this KPI has not been good in the year under review. The graph indicates that the number of “**extremely weak**” municipalities in establishing functional ward committees has unfortunately shown an increase in the 2007/08 Financial Year as compared to the 2006/07 Financial Year. In the 2006/07 Financial Year 16 municipalities (39%) performed “**extremely weak**” as compared to twenty (20) municipalities (45%) in the 2007/08 Financial Year. This represents a negative growth of 6%.

The number of municipalities that achieved a “**good**” standard of performance in the 2007/08 Financial Year rose from seven (7) (17%) in the 2006/07 Financial Year to ten (10) (24%).

Similarly the number of municipalities that achieved an “**excellent and very good**” standard of performance in the 2007/08 Financial Year increased slightly from 11 (28%) in 2006/07 to 13 (29%). The progress while considering both category of performing municipalities is very insignificant (1%). However, the number of municipalities with excellent performance has increased remarkably as compared to 2006/07 Financial Year from 8 (19%) to 12 (26%) in 2007/08.

The best performing municipalities in establishing functional ward committees include:

- Alfred Nzo: ( 2 municipalities)
- Amathole: (1 municipality)

- Chris Hani: (5 municipalities)
- Ukhahlamba: (2 municipalities)

The worst performing municipalities mostly because of none provision of required information include:

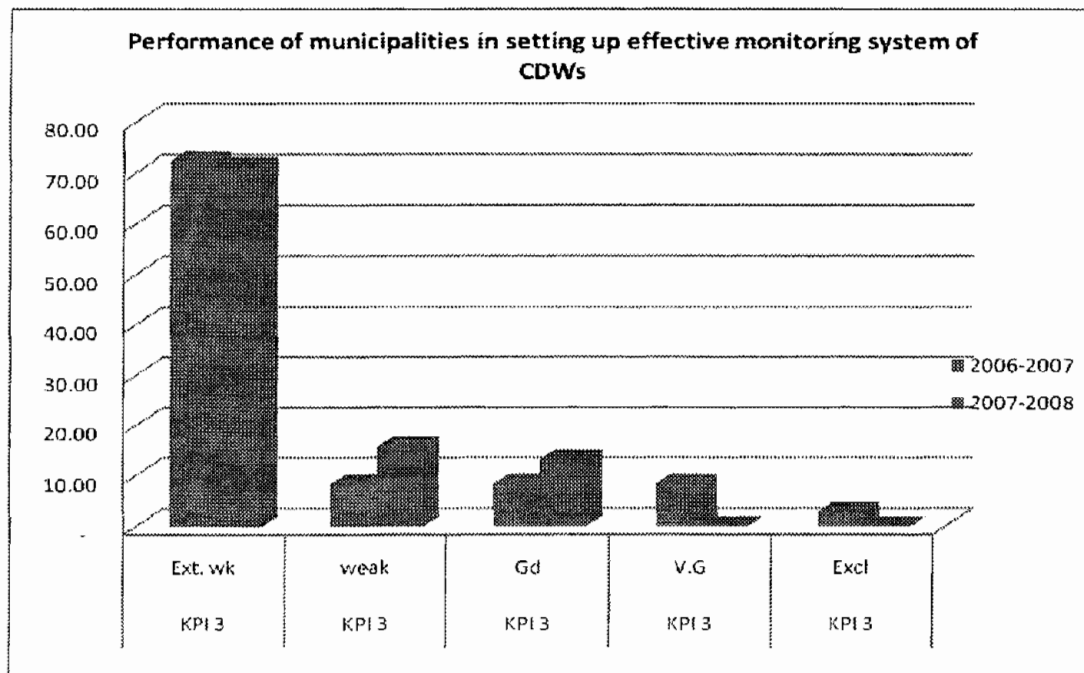
- Amathole: (5 municipalities)
- Cacadu: (7 municipalities)
- Chris Hani: (2 municipalities)
- OR Tambo: (3 municipalities)

#### ***2.5.2.2 Effective Monitoring of Community Development Workers (CDWs)***

Community Development Workers (CDWs) serve as a channel for the provision of integrated information on government services and provide a channel for ensuring that community issues are brought to the attention of government. In general, the nature of the relationship between CDWs and ward councillors should always be conducive to allowing proper communication that will lead in turn lead to maximum utilisation of government resources.

The assessment of this KPI was based on four quality standards:

- ***Very good performance:*** the municipality provides information on the number of deployed CDWs, indicates that reports are received and that they have appointed officials to attend to public participation matters;
- ***Good performance:*** the municipality provides information on the number of deployed CDWs, indicates that reports are received but no dedicated officials have been appointed to attend to public participation matters;
- ***Weak performance:*** the Municipality only provides information on the number of deployed CDWs;
- ***Extremely weak performance:*** no information on CDWs in the municipal performance report.



The graph above reflects that municipalities have performed poorly in as far as setting up effective systems to monitor CDWs. It is of great concern that 86% of municipalities fall within the “**extremely weak and weak**” category in both the 2006/07 financial year as well as the year under review.

It is furthermore of serious concern that not even a single municipality has performed “**excellently**” with regard to this KPI in the 2007/08 financial year. This situation can no longer be tolerated given the important role played by CDWs as the link between government and communities. Intensive support will have to be provided to municipalities with regard to setting up effective systems to monitor CDWs.

A list of best performing municipalities cannot be provided with regard to this KPI due to the fact that no municipalities are performing well as attested to by the graph above.

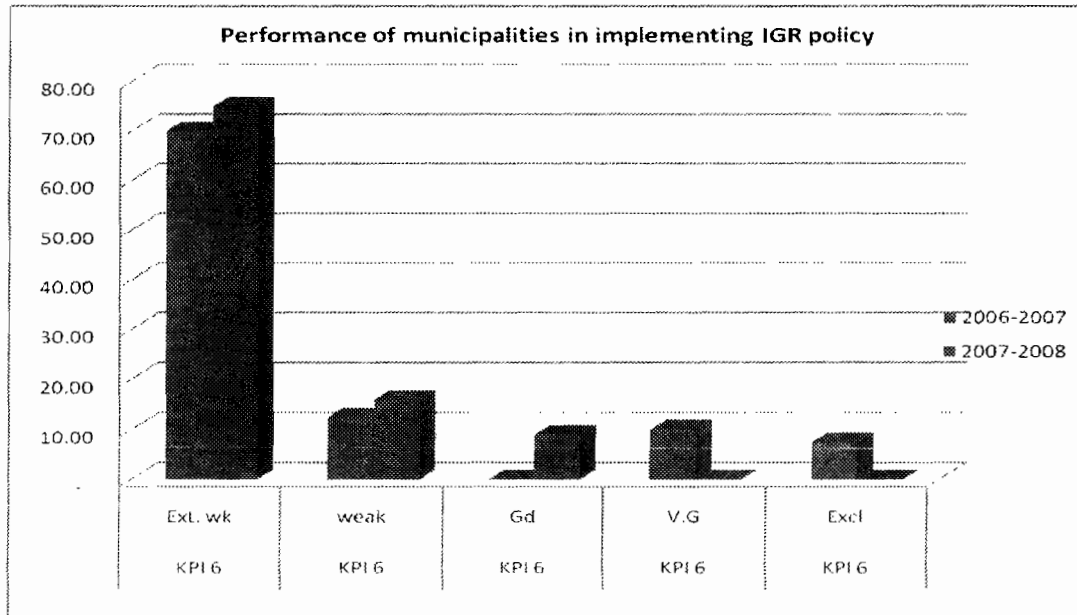
### 2.5.2.3 Intergovernmental Relations (IGR)

The objective of IGR is to promote and facilitate co-ordination in decision-making and to make sure the policies and activities across all spheres of government contribute to service delivery and meeting the needs of citizens in an effective way. The IGR Act established provisions to guide the three spheres of governance in terms of implementing policy, establishing intergovernmental structures, managing the conduct of IGR, settling disputes and monitoring and reporting to Parliament. IGR further promotes the alignment of planning, budgeting, implementation and accountability.

The assessment of the performance of municipalities in regard to IGR is based on the following performance quality standards:

- **Excellent performance:** if an IGR strategy is developed, adopted by council and an IGR unit is in place with adequate human and financial resources;
- **Good performance:** if an IGR strategy is developed, adopted by council but an IGR unit is not yet in place;

- **Weak performance:** if an IGR strategy is developed but it has not yet been adopted by the council;
- **Extremely weak performance:** if an IGR strategy has not been developed or the annual report does not contain any relevant information.



The graph above reflects that the municipal performance with regard to this KPI has deteriorated in the 2007/08 Financial Year when compared to 2006/07. In the 2006/07 Financial Year 78% of municipalities fell in the “**extremely weak or weak**” category of performance whilst in the year under review this figure has risen to 85%.

In the 2006/07 Financial Year there were municipalities who managed to achieve the performance standard of “**excellent**” while in the year under review not a single municipality has managed to achieve this performance standard. Intensive support will have to be rendered to most municipalities with regard to IGR in order to improve their performance.

A list of best performing municipalities again cannot be provided in this KPI due to the fact that all municipalities are not performing well as the graph above attest to this.

#### 2.5.2.4 Anti – Corruption

Anti-corruption initiatives and the conducting of appropriate risk analyses are deemed an essential element of the overall governance process. Specific attention has been focused on establishing anti-corruption strategies in all municipalities. In addition, municipalities are expected to adopt fraud prevention and risk assessment plans.

Since the adoption of the Provincial Local Government Anti-Corruption Strategy in October 2006, **dplg/DCOGTA** has been assisting the department with a roll-out programme wherein the strategy has been introduced to each municipality. In March 2008 the department organised district – wide workshops where municipalities were trained on how to develop fraud prevention plans.

By the end of the year under review, the following municipalities were leading the way:

- Nelson Mandela Bay Metropolitan Municipality;
- Buffalo City;
- Amathole DM;
- Cacadu DM;
- Makana;
- Ndlambe;
- Amahlathi.

#### **2.5.2.5 Traditional Leadership**

Local municipalities by virtue of their proximity to communities are constantly inter-acting with local communities. The role played by traditional leaders in local government affairs is of critical importance as they are an integral part of these local communities. During the year under review, consultations were held with traditional leaders and municipalities in ten regions in order to explain the processes of transformation of Tribal Authorities and their participation in Municipal Councils. Further consultations were also held with six kings on the afore-mentioned issues. The outcome of these consultations was a decision to prioritise and fast track the process of enabling traditional leaders to participate in municipalities.

With the support of **dplg/DCOGTA**, the department's finalisation of the turn-around plan in this regard resulted in the formulation of a new organogram for the Traditional Affairs Branch of the department which would enable the branch to address the peculiarities of traditional leadership in order to provide better services to the institutions of traditional leadership.

The following interventions were undertaken upon the initiative of the need to support the Traditional Affairs Branch:

- Intervention in partnership with the Department of Health and other relevant stakeholders to curb the death of initiates;
- Hosting of Heritage celebrations in Grahamstown;
- Tenth Anniversary Celebrations of the House of Traditional Leaders;
- Initiation of Imbumba Yamakhosikazi Akomkhulu (IYA) projects.

#### **2.5.2.6 Presidential, Ministerial, Premier/MEC and /or Mayoral Izimbizos**

One of the priorities of government is to take government closer to the people by means of meaningful engagements. Izimbizos are one of the forms which these meaningful engagements take. Izimbizos are useful strategies for raising community awareness of critical social issues and also the activities of municipalities. The following are some of the Izimbizos that took place in the year under review:

- Presidential Izimbizos : At Alfred Nzo DM; Ukhahlamba DM and Buffalo City;
- The People's Parliament : At Mbizana Local Municipality;
- Deputy Minister & MEC Izimbizos : Mbashe Local Municipality and Nelson Mandela Bay Municipality.

#### **2.5.2.7 Standard Operating Procedures and Delegations**

S.59 of the Municipal Systems Act (Act No.32 of 2000) requires municipalities to develop and implement standard operating procedures and delegations as an element of good governance. The department managed to assess twenty nine (29) municipalities for compliance with this section of the Act. The following seventeen (17) municipalities per DM area were found to be in compliance with the provisions of section 59:

- Amathole DM : 4 Municipalities
- Alfred Nzo DM : 1 Municipality
- O.R.Tambo DM : 3 Municipalities
- Chris Hani DM : 5 Municipalities
- Ukhahlamba DM : 4 Municipalities

The remaining ten (10) were not found to be compliant. The department is to verify the state of compliance of the remaining sixteen (16) municipalities and provide intensive support to those municipalities found not to be compliant.

#### **2.5.3 Challenges**

Generally, performance in respect of this KPA is the worst across all municipalities and across all KPIs. Specific challenges are:

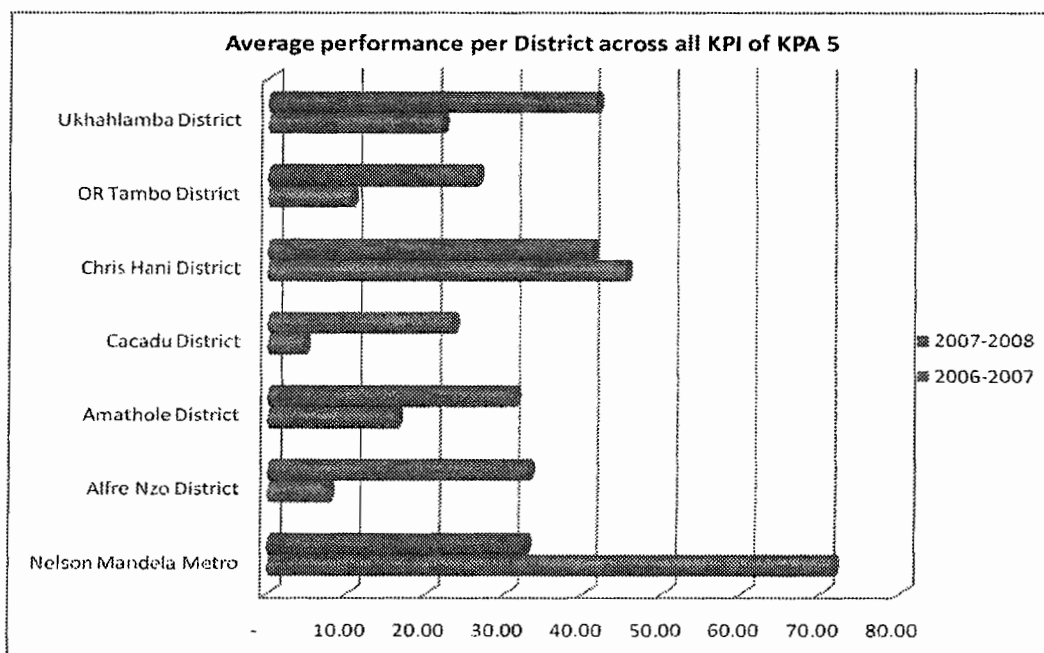
- Poor functionality of ward committees;
- Poor monitoring of CDWs;
- Poor implementation of IGR policy

#### **2.5.4 Overall performance achievement in good governance and public participation**

The provincial department has used eight (8) Key Performance Indicators to assess the performance of municipalities with regard to this KPA. One of the indicators used to assess municipalities has not been reflected on in this report. This report only reflects on those indicators which national government requires the department to report on. In addition to this there are four indicators that were not assessed by means of performance quality standards viz.

- Anti corruption;
- Traditional Leadership;
- Presidential, Ministerial, Premier/MEC and or Mayoral Izimbizo;
- Standard operating procedures and delegations.

The graph below reflects the overall performance of municipalities per DM area with regard to this KPA.



Districts in which the performance of municipalities has improved are:

- Amathole DM;
- Cacadu DM;
- OR Tambo DM;
- UKhahlamba DM.

The performance of municipalities has regressed in the following districts:

- Alfred Nzo DM;
- Chris Hani DM;
- Nelson Mandela Bay Metropolitan Municipality.



It is of concern that even though performance has improved in four districts their level of performance is still less than 50% indicating that intensive support will be required.

#### **2.5.5 Support Interventions**

In an attempt to address some of the challenges mentioned above the department has assisted municipalities as follows during the period under review (2007/08 financial year):

- Deployment of 252 CDWs across all the districts;
- Provided R15 000.00 funding for purposes of public participation per ward per annum;
- Assisted municipalities with the disestablishment and establishment of ward committees;
- Facilitated accredited training courses for ward committee members and CDWs;
- Monitored the functionality of ward committees and CDWs;
- Assisted in the creation of sound relations between ward councillors, ward committees, CDWs and Traditional Leaders;
- Funding of voting station infrastructure;
- Supported municipalities in handling of petitions.

In addition to the above the department carried out the following activities in relation fraud prevention:

- During the year under review the MEC approved fifteen (15) investigations at various municipalities within the province. The matters to be investigated ranged from service related concerns to more serious allegations of corruption;
- Three (3) investigations were referred to the Office of the Auditor General for investigation and one (1) was referred to the Special Investigating Unit (SIU) for further action;
- Eleven (11) investigations were handled by the department.

Municipalities play a vital role in the fight against corruption and it is important that they implement the remedial actions which are contained in these investigation reports.

## 2.6 CROSS-CUTTING ISSUES : KPA 6

### 2.6.1 Introduction

The cross-cutting Key Performance Area deals with issues that impact either positively or negatively on the effective delivery of services by municipalities. These issues include Integrated Development Plan (IDP) implementation and reporting, special programs such as HIV/AIDS, Disaster Management and Municipal Performance Excellence Awards. Municipalities are required to devote adequate financial and human resources to these issues in order to boost performance in respect of all five other KPAs. Disaster Management is the competency of District and Metropolitan Municipalities in terms of the Disaster Management Act of 2002 (Act 57 of 2002).

### 2.6.2 Progress in meeting the KPIs

The four (4) Key Performance Indicators mentioned below were used to assess the performance of municipalities during the year under review. This report only focuses on the first three KPIs mentioned as required by **dplg** guidelines:

- Timely submission of the Annual Report for the 2007/2008 Financial Year;
- Effective IDP process for the period under review;
- Metro and District Municipalities with developed Disaster Management Policy Frameworks and Plans;
- Existence of an HIV/Aids Strategy. (Findings not analysed for the purposes of this report).

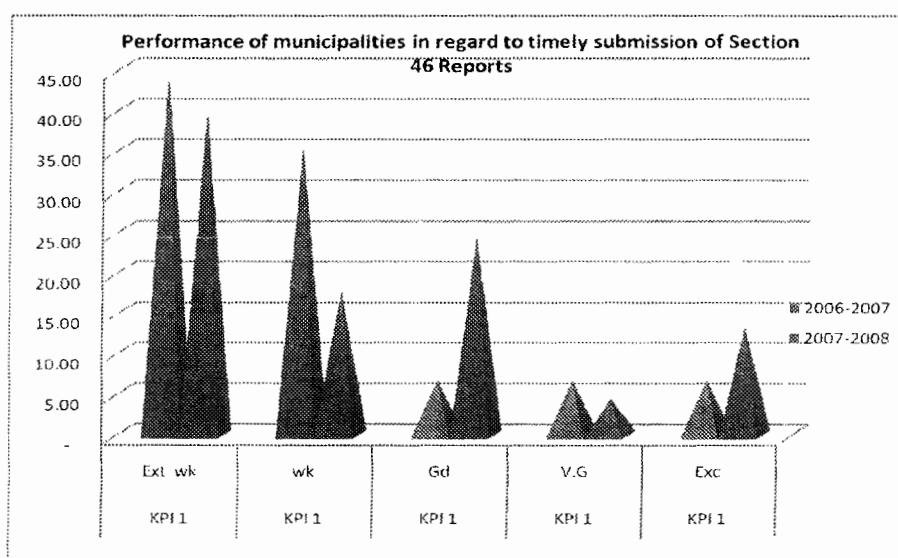
#### 2.6.2.1 *Timely submission of the Annual Report*

Municipalities are required to prepare an Annual Performance Report, which must reflect on its performance, including measures taken to improve performance. The Annual Performance Report forms part of municipalities' Annual Report package, in terms of Chapter 12 of the MFMA. The performance quality standards used to assess the performance of municipalities in respect of this KPI are as follows:

- **Excellent performance:** If the annual report was tabled to council by January 31<sup>st</sup>; if draft copies were sent to the Department for comments by 28<sup>th</sup> February; if the report was adopted by Council by no later than 31<sup>st</sup> March and if final copies were sent to the department by April 30<sup>th</sup> at the latest;
- **Very good performance:** If the annual report was tabled to council by January 31<sup>st</sup> ; if draft copies were sent to the Department for comments by 28<sup>th</sup> February; if the report was adopted by Council by no later than 31<sup>st</sup> March and if final copies were sent to the department by no later than 10<sup>th</sup> May;
- **Good performance:** If the annual report was tabled to council by 31<sup>st</sup> January ; if draft copies were sent to the Department for comments by 28<sup>th</sup> February; if the report was adopted by Council by no later than 31 March and if final copies were sent to the department by no later than 31<sup>st</sup> May;

- **Weak performance:** If the annual report was tabled to council by January 31st; if draft copies were sent to the Department for comments after 31<sup>st</sup> March; if the report was adopted by Council by 31<sup>st</sup> May and if final copies were sent to the department by 30 June;
- **Extremely weak performance:** If the annual report was tabled to council after 31<sup>st</sup> January; if the report was adopted by Council by 30<sup>th</sup> June and if the final copies were sent to the department by 30<sup>th</sup> June and sent to the department thereafter.

The result of the assessment in respect of this KPI is represented in the graph below:



The above graph reflects that municipalities have improved their performance in respect of the timely submission of annual reports. The number of municipalities classified as “**extremely weak**” and “**weak**” has dropped from twenty (20) (44%) in 2006/07 to eighteen (18) (40%) in 2007/08. The largest drop is in the number of “**weak**” municipalities from sixteen (16) (36%) in the previous year to eight (8) (18%) in the current year. This is an indication that 50% of the municipalities who fell in this category in 2006/07 have now improved their performance.

The most impressive improvement is among those municipalities who are now in the performance category of “**good**”. The number of municipalities who have met this performance standard has increased from three (3) (7%) in 2006/07 to eleven (11) (24%) in 2007/08.

The number of “**excellent**” performing municipalities has also increased from three (3) (6%) to six (6) (13%). The slight progress is still far from meeting the expectation of the Department.

The best performing municipalities are :

- Matatiele;
- Umzimvubu;
- Nxuba;
- Great Kei;
- Ngqushwa;
- Maletswai;

The worst performing municipalities per DM area are:

- Alfred Nzo DM : The DM itself;
- Ukhahlamba DM : The DM itself;
- Amathole DM : One (1) out of nine (9) municipalities;
- Chris Hani DM : Seven (7) out of nine (9) municipalities including the DM;
- Cacadu DM : Five (5) out of ten (10) municipalities;
- OR Tambo DM : Seven (7) out of eight (8) municipalities

#### 2.6.2.2 *Municipalities with credible Integrated Development Plans*

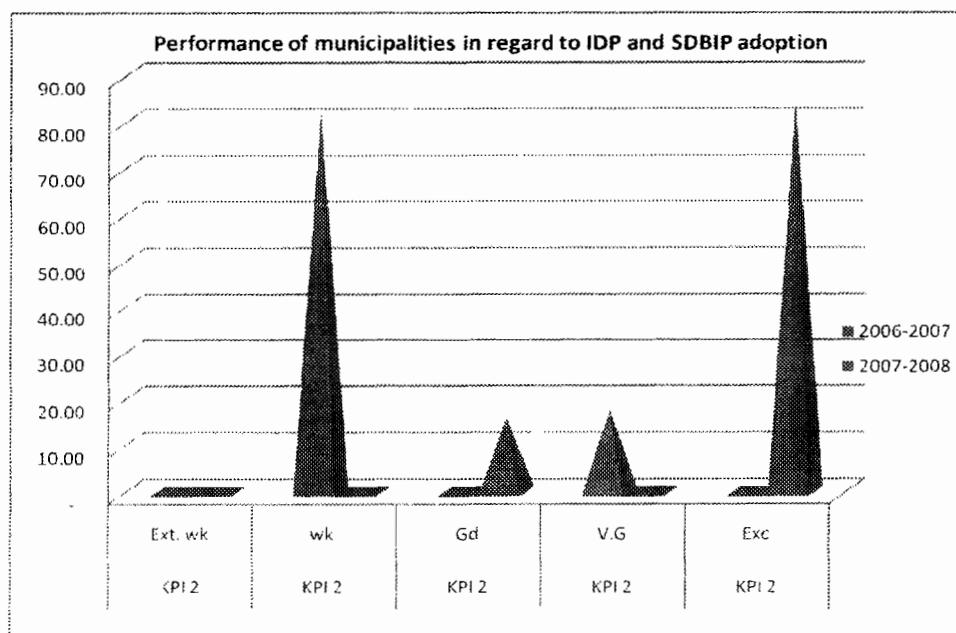
Municipalities are required to adopt a five-year Integrated Development Plan (IDP) which must be reviewed annually in terms of Section 34 of the Local Government: Municipal Systems Act 32 of 2000. The adopted IDP is the principal strategic planning instrument which guides and informs all planning and development and all decisions with regard to planning, management and development in the municipality. The IDP contains the municipality's development priorities and strategic objectives. The integrated context strives to create a planning environment that allows for the integration and alignment of government's delivery priorities and objectives and is geared towards eliminating the development legacy of the past.

The Service Delivery and Budget Implementation Plan (SDBIP) gives effect to the IDP and budget. The SDBIP is the management, implementation and monitoring tool which enables the assessment of the performance of the municipality.

The assessment of the performance of municipalities during the year under review was based on the following quality standards:

- ***Excellent performance:*** If the municipality reports that the council adopted a revised and credible IDP and the SDBIP before 31 July 2008;
- ***Good performance:*** If the municipality indicates that the council adopted a revised and credible IDP and the SDBIP without indicating the adoption date;
- ***Extremely weak performance:*** If the Municipality does not provide any information on the IDP process;

The graph below reflects on the performance of municipalities with regard to this KPI in the 2007/08 financial year.



The graph indicates that the performance of municipalities with regard to the timely development and adoption of Integrated Development Plans in the 2007/08 Financial Year as compared to the 2006/07 Financial Year. In the year under review no less than thirty seven (37) of municipalities (84%) managed to achieve the performance standard of “**excellent**” as compared to zero (0) municipalities in 2006/07. This is an indication that the IDP process is now being taken very seriously by municipalities. There was no “**very good**” performance standard set this year hence no municipality is found in this category in the 2007/08 Financial Year.

As for the “**good**” performing municipalities are concerned there is an increase compared to last year from zero (0) to seven (7) municipalities (16%) now.

Interestingly, no municipalities was found to be “**extremely weak**” or “**weak**” this year as compared to thirty three (33) (83%) in 2006/07. It should be noted however that virtually no municipality provided the required information on the IDP and SDBIP process in their annual report. However, the relevant division within the Department provided the assessment team with the relevant information to enable it to assess the municipalities for the year under review.

The thirty seven (37) best performing municipalities per DM area are:

- Nelson Mandela Bay Municipality
- Amathole DM : six (6) municipalities including the DM;

- Alfred Nzo DM : three (3) municipalities including the DM;
- Cacadu DM : nine (9) municipalities including the DM;
- Chris Hani DM : nine (9) municipalities including the DM;
- OR Tambo DM : six (6) municipalities including the DM;
- Ukhahlamba DM : three (3) municipalities including the DM.

As mentioned above there are no “**extremely weak**” or “**weak**” performing municipalities with regard to this KPI.

It is recommended that light to medium support be provided to all municipalities in order to ensure that they maintain their level of performance and do not regress.

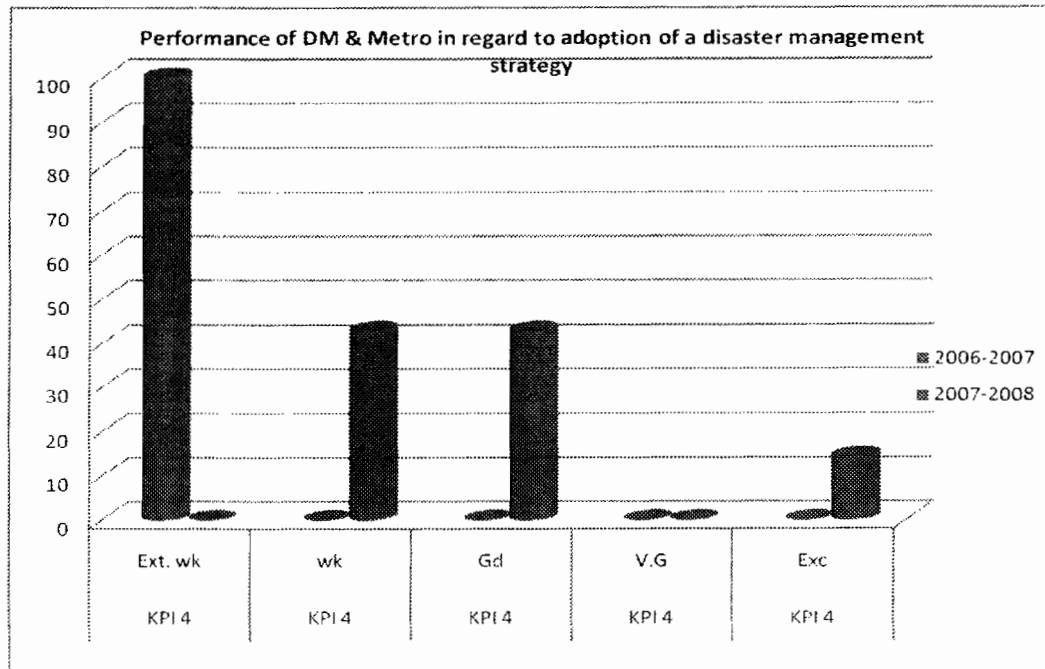
#### **2.6.2.3 Metro and District Municipalities with developed Disaster Management Policy Frameworks (DMPF)**

The main objective of the Disaster Management Act (Act No.57 of 2002) is to ensure a uniform approach to disaster risk management in each sphere of government. To facilitate provincial uniformity it is necessary for a DMPF to be developed at Metropolitan and District Municipality level. The process of development involves consultative workshops before final adoption by Council. DMPF will set the tone for functional Metropolitan and District municipal disaster management and approaches.

The performance quality standards which were set to assess the performance of municipalities with regard to this KPI are:

- **Excellent performance:** If the municipality reports that a DMPF has been developed; that it has been adopted by Council and that consultative workshops have been conducted in all the local municipalities;
- **Very good performance:** If the municipality reports that a DMPF has been developed; that it has been adopted by Council but that consultative workshops have not been conducted in all the local municipalities;
- **Good performance:** If the municipality reports that a DMPF has been developed; that it has been adopted by Council but that no consultative workshops have been conducted;
- **Weak performance:** If the municipality reports that a DMPF has been developed but that it has not been adopted by the Council;
- **Extremely weak performance:** If the municipality fails to report on the status of its DMPF.

The graph hereunder reflects the performance of District Municipalities and the Metropolitan Municipality in respect of this KPI in the 2007/08 Financial Year;



During the year under review, the assessment shows that the District Municipalities and the NMBMM have started developing and adopting their DMPF as compared to 2006/07 when all the six (6) district municipalities and the Nelson Mandela Bay Metro were found to be **“extremely weak”**. The graph indicates an equal distribution of the number of DM between the **“weak”** and the **“good”** categories with three (3) (43%) in each category. During the year under review Nelson Mandela Bay Metro is the only municipality that scored excellent performance in regard to adoption and implementation of DMPF (14%).

The weak performing DMs include:

- OR Tambo DM
- Chris-Hani DM
- Alfred Nzo DM

The good performing DMs include:

- Amathole DM
- Cacadu DM
- Ukhahlamba DM

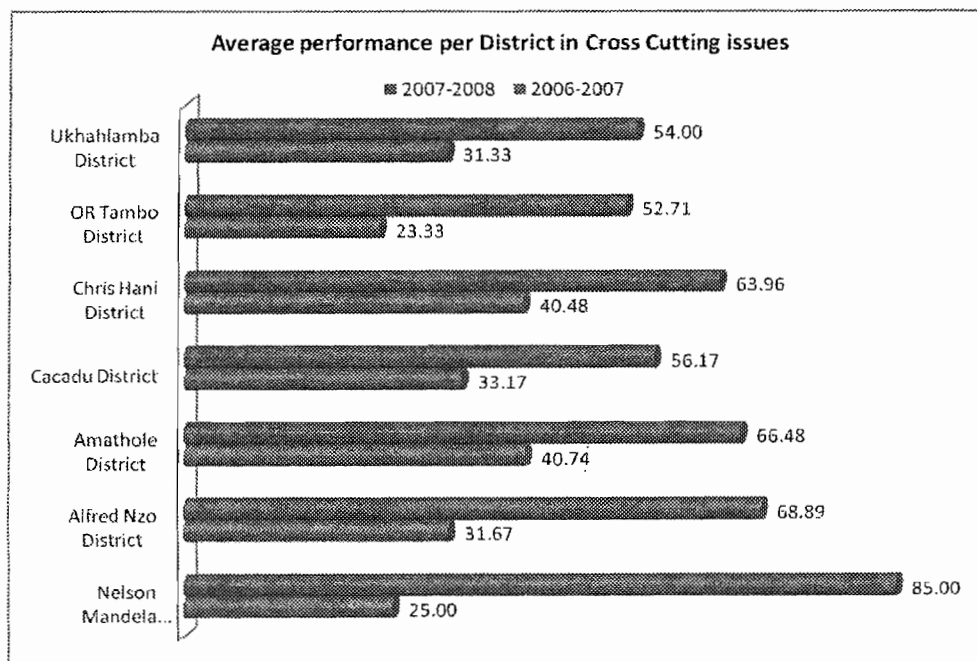
### 2.6.3 Challenges

The assessment result this year has brought up two main challenges as far as the cross cutting issues are concerned.

- Firstly, municipalities are still not yet adopting and submitting their annual performance reports to the provincial department on time as prescribed in the MFMA guidelines. The number of municipalities that meet with the set deadline of 31<sup>st</sup> March for final adoption of the Annual Report is still very insignificant. Along with the failure to meet deadline, there is also the poor quality of reports submitted by municipalities.
- Secondly, the development and adoption of Disaster management policy framework is still at an early stage in all the District Municipalities.

#### 2.6.4. Overall performance achievement in Cross-cutting issues

The provincial department is using four (4) key performance indicators to monitor performance of municipalities in cross-cutting issues. Some of the indicators have not been presented in this report especially the HIV/AIDS strategy. The department regards it very important to have a complete picture of performance achievement across all indicators to be able to design effective support programs. The assessment results showing the average performance per District area in regard to all the four (4) KPIs used is represented in the graph below:



The graph above clearly shows progress across all district municipalities including the Nelson Mandela Metro in the overall implementation of the Cross-cutting KPA. However, one should admit that the performance achievement rate in some district municipalities is not yet satisfactory. That is the case with OR Tambo (53%), Ukhahlamba (54%) and Cacadu (56%).



The performance of Nelson Mandela Bay Metro is an **“exceptional”** achievement rate with (85%).

The support needed to boost the performance of municipalities will depend on the issues mentioned above and will be based on the performance assessment result. The intensity of support can be categorized as follows:

- Light support for **“very good and excellent”** performing municipalities – NMBMM;
- Medium support for all **“good”** performing municipalities – Amathole, Alfred Nzo and Chris Hani Districts
- Intensive support for all **“weak and extremely weak”** performing municipalities – Cacadu, OR Tambo and Ukhahlamba.

The support indicated above is necessary to ensure that their disaster management frameworks are adopted and implemented given that all district municipalities are expected to be disaster management compliant for the 2010 World Cup.

#### 2.6.5 Support and Intervention

**Municipalities were given intense hands-on support for the development of their IDPs.**

All municipalities were given financial support through transfers to all district municipalities to strengthen area /ward based planning as reflected below:

Alfred Nzo DM	: R 793 000
Amathole DM	: R 1 362 000
Cacadu DM	: R 1 362 000
Chris Hani DM	: R 1 362 000
OR Tambo	: R 1 362 000
Ukhahlamba DM	: R 1 000 000

The support that was afforded to municipalities during the year under review for Disaster Management Systems, Fire and Emergency Services apart from the intensive hands-on support was as follows:

#### Disaster Management Systems

Nelson Mandela Bay	: R 1 500 000
Alfred Nzo DM	: R 1 500 000
Amathole DM	: R 2 000 000
Cacadu DM	: R 1 500 000

Chris Hani DM : R 2 000 000

OR Tambo DM : R 1 500 000

Ukhahlamba DM : R 1 500 000

Buffalo City LM : R 500 000

King Sabata Dalindyebo LM : R 1 500 000

**Fire**

Alfred Nzo DM : R 1 500 000

Amathole DM : R 1 500 000

Cacadu DM : R 1 500 000

Chris Hani DM : R 1 708 000

OR Tambo DM : R 2 000 000

Ukhahlamba DM : R 1 500 000

### 3. CONCLUSION

This report clearly shows the performance of all municipalities in the Province of the Eastern Cape in 2007/08 Financial Year. Consequently, there is clear demonstration of areas of weakness and areas of strength. The Department appreciates the progress made by municipalities across all KPAs in this report. It especially notes, with satisfaction, the tremendous progress with regard to the submission of Annual reports whereby 98% of municipalities have submitted *vis-a-vis* 89% last financial year. Whilst there is great improvement on the submission of Annual Performance Reports by municipalities, the reports are still lacking the critical information on the achievements of certain KPIs. It must be borne in mind that service delivery is a journey not a destination, therefore constant improvement in the quality of the reports submitted should be the principle.

The report shows that the majority of the municipalities have performed extremely well in the following areas:

- Filling of Section 57 managers positions
- Payment of trade creditors
- Submission of Annual Financial Statements
- Implementation of the IDP processes

The challenges that face municipalities towards their developmental stage as sustainable institutions are therefore enormous. Some of them include:

- In **Organizational Transformation and Development** many municipalities are still experiencing high vacancy rate. It is also worth mentioning that Province of the Eastern Cape is one of the rural provinces in the country which therefore implies that there are some environmental capacity challenges on skills retention.
- In **Basic service delivery**, more than half of the municipalities are still not able to meet their targets in the provision of Free Basic water, sanitation and electricity.
- With regard to the **Local Economic Development (LED)**, performance by various municipalities is very inconsistent. The majority of municipalities have not yet set LED Units and lack accurate system to account for job creation through EPWP and PPP.
- With regard to **Financial Management and Viability**, more than half of the municipalities are spending less than 60% of their capital budget and about 90% of the municipalities have only been able to reduce less than 20% of their consumer debts.
- In the areas of **Good Governance and Public Participation**, ward committees in municipalities are not fully functional, CDWs are not monitored and the anti corruption policy framework is not fully implemented in almost all the municipalities.

The department is positioning itself to claim and own the municipal space so that all development initiatives that are going to be implemented are coordinated and are fairly distributed in all

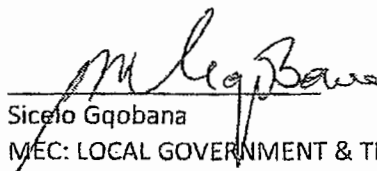
municipalities. As a way to address the challenges raised above, the department has outlined some of the following strategies:

- Through the interaction with the Office of the Premier, the Department of Local Government and Traditional Affairs has initiated actions to ensure that all sector departments' development initiatives in the municipalities are channelled through coordinated efforts. In line with the National Capacity Building Framework as championed by DCGTA, which our department also cherishes, the coordination of support is being prioritised. As such the department is to establish a **Support Providers Forum** that will be launched in the third quarter of the current financial year. The objective is to obtain a commitment from everyone who provides support to our municipalities to direct resources to where they are needed most.
- Furthermore the department has commissioned a base-line study in five (5) selected municipalities and the three (3) departments that are regarded as key in integrating planning and coordination of support and service delivery in the province. The study seeks to gain more insight into the current organisational performance, current processes, identify high impact opportunities for service delivery and to develop a high level implementation plan.
- Lastly, my department in partnership with Provincial and National Treasury, Provincial Office of the Auditor General and Salga, has already identified sixteen (16) municipalities for the Operation "Municipal Clean Audit" project for the current financial year. The objective of Operation Municipal Clean Audit is to ensure that all municipalities obtain clean audit opinions by no later than 2014. This initiative will be rolled out to other municipalities in due course.

The department acknowledges that for these development initiatives to be effectively implemented with expected outcomes, they should be tailored to the municipalities' capacity levels and needs. To that effect, the department will conduct a "capacity assessment" in all municipalities. Currently this exercise is being piloted in five (5) municipalities to determine the functionality of the assessment tool that the department has developed.

In order to improve the quality of annual reports, the department has developed a new reporting format that is linked to the Key Performance Indicators of all KPAs.

In accordance with our Service Delivery Model as espoused in the Municipal Support and Intervention Framework (MSIF) all municipalities that have obtained a "**very weak or weak**" performance will receive intensive support in these specific areas. Those that have obtained "**good**" performance will be given mild support with the last category of "**very good or excellent**" performance receiving light support.



Sicelo Gqobana

MEC: LOCAL GOVERNMENT & TRADITIONAL AFFAIRS

DATE: 14/7/09