



KWAZULU-NATAL PROVINCE  
KWAZULU-NATAL PROVINSIE  
ISIFUNDAZWE SA KWAZULU-NATALI

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**No. 1892**

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**PROVINCIAL NOTICES • PROVINSIALE KENNISGEWINGS**

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**PROVINCIAL NOTICE 116 OF 2017****DEPARTMENT OF COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS****CONSOLIDATED ANNUAL MUNICIPAL PERFORMANCE REPORT 2015/2016: PROVINCE OF KWAZULU-NATAL**

The Consolidated Annual Municipal Performance Report 2015/2016: Province of KwaZulu-Natal is published for general information in terms of section 47(2)(c) of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000).

**MS N DUBE-NCUBE, MPL**

Member of Executive Council of the Province of KwaZulu-Natal  
responsible for cooperative governance

**PROVINSIALE KENNISGEWING 116 VAN 2017****DEPARTEMENT VAN SAMEWERKENDE REGERING EN TRADISIONELE SAK****GEKONSOLIDEERDE JAARLIKSE MUNISIPALE WERKVERRIGTINGSVERSLAG 2015/2016: PROVINSIE VAN KWAZULU-NATAL**

Die Gekonsolideerde Jaarlikse Munisipale Werkverrigtingsverslag 2015/2016: Provinsie van KwaZulu-Natal, word vir algemene inligting, ingevolge artikel 47(2)(c) van die Wet op Plaaslike Regering: Munisipale Stelsels, 2000 (Wet No. 32 van 2000), gepubliseer.

**ME. N DUBE-NCUBE, LPW**

Lid van die Uitvoerende Raad van die Provinsie van KwaZulu-Natal  
verantwoordelik vir samewerkende regering

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**UMNYANGO WEZOKUBUSA NGOKUBAMBISANA NEZOMDABU****UMBIKO WONYAKA OHLANGANISIWE WOKUSEBENZA KOMASIPALA ESIFUNDAZWENI SAKWAZULU-NATALI KA 2015/2016**

UMbiko woNyaka oHlanganisiwe wokuSebenza koMasipala esiFundazweni saKwaZulu-Natali ka 2015/2016 ushicilela ulwazi lukawonkewonke ngokwesigaba 47(2)(c) soMthetho weziNhlelo zoMasipala ka 2000 (uMthetho No. 32 ka 2000).

**NKK. N DUBE-NCUBE**

iLungu loMkhandlu oPhethe esiFundazweni saKwaZulu-Natali  
elibhekele ezokubusa ngokubambisana



**cogta**

Department:  
Co-operative Governance and Traditional Affairs  
**PROVINCE OF KWAZULU-NATAL**

## **MAIN REPORT**

# **TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE**

**In terms of Section 47 of the Municipal  
Systems Act, No. 32 of 2000**

**FOR THE 2015/2016 FINANCIAL YEAR**

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## FOREWORD BY MEC TO SECTION 47 REPORT



**Ms. Nomusa Dube-Ncube, MPL**

**MEC for Co-operative Governance and Traditional Affairs**

**KwaZulu-Natal**

Local government continues to be the primary stage for the delivery of basic services in KZN. We are proud of our municipalities' progress in delivering water, electricity, and sanitation to communities at a local level and the rates of delivery we routinely witness in this province are quite unprecedented in global terms.

But despite these impressive achievements, it is evident that much more needs to be done to support and sometimes enforce the correct implementation of local government's mandate for service delivery.

The National Development Plan makes it clear that meeting our long-term developmental goals requires functional municipalities that can create safe, healthy, and economically viable spaces where people can live, work, and socialise.

The agenda of Radical Economic Transformation, as articulated in the latest State of the Nation and Province Address, additionally places the need to transform our local economies to benefit our previously disadvantaged citizens on the shoulders of our municipalities.

Given these enormous tasks, it is important to understand where we are, where we could be, and what needs to be done to improve our municipal performance. Our immediate goal, as set out in the ongoing Back to Basics programme, is to improve the functioning of municipalities to better serve communities by getting the basics right.

For this to succeed, there have to be rewards for good performance as well as penalties for poor performance. As KZN COGTA, we administer both as evidenced by a fresh focus on consequence management in this Section 47 Report which I now have the pleasure of presenting to the Provincial Legislature.

---

**Ms. Nomusa Dube-Ncube, MPL**

**KZN MEC FOR COGTA**

**25 APRIL 2017**

## 1. INTRODUCTION

The purpose of this Consolidated Annual Municipal Performance Report is to report on progress being made by Municipalities towards achieving the overall goal of “a better life for all”. Furthermore, the report is a key performance report to the communities and other stakeholders in keeping with the principles of transparency and accountability of government to the citizens. It subscribes to the South African developmental nature of participatory democracy and co-operative governance and responds

The National Development Plan (NDP) aims to ensure that all South Africans attain a decent standard of living through the elimination of poverty and reduction of inequality. The core elements of a decent standard of living identified in the Plan are:

Housing, water, electricity and sanitation	Social protection
Safe and reliable public transport	Employment
Quality education and skills development	Recreation and leisure
Safety and security	Clean environment
Quality health care	Adequate nutrition

The planning processes carried out by departments and other government entities play a vital role in bringing the vision and proposals contained in the NDP to life. NDP proposals are being incorporated into the existing activities of departments and broken down into the medium and short-term plans of government at national, provincial and municipal level. The NDP provides the golden thread that brings coherence and consistency to these different plans.

It was against this background that the Back to Basics programme was launched in 2014. The objective of the programme was to institutionalise a performance management system to effect the changes required and develop and implement a set of indicators measuring municipal performance in terms of the ‘basics’, namely:

- ✓ Putting people first
- ✓ Delivering basic services
- ✓ Good governance
- ✓ Sound financial management
- ✓ Building capacity

The programme is implemented through National, Provincial and Local Government interventions.

The focus areas of implementation are based on the five pillars as follows:

### **1.1. PUBLIC PARTICIPATION: PUTTING PEOPLE FIRST**

- Municipalities to implement responsive and accountable processes to communities.
- Ward committees must be functional and Councillors must meet and report back to their constituencies quarterly.
- Utilise the CDWs, Ward Committees and Ward Councillors to communicate projects earmarked for implementation.
- Municipalities must communicate their plans to deal with backlogs.
- Municipalities to monitor and act on complaints, petitions and other feedback.

### **1.2. BASIC SERVICES: CREATING CONDITIONS FOR DECENT LIVING**

- Deliver the basic services: Basic electricity, basic water, sanitation, waste removal etc.
- Ensure that services such as cutting grass, patching potholes, working robots and streetlights and consistent refuse removal are provided.
- Council to ensure proper maintenance and immediate addressing of outages or maintenance issues.
- Municipalities must improve mechanisms to deliver new infrastructure at a faster pace whilst adhering to the relevant standards.
- Focus must be placed on the operations and maintenance of existing infrastructure to ensure continuity of service provision.

### **1.3. GOOD GOVERNANCE**

- Municipalities will ensure transparency, accountability and regular engagements with communities.
- All municipal council structures must be functional and meet regularly.
- Functional oversight committees must be in place, e.g. Audit Committee and MPAC's.

### **1.4. SOUND FINANCIAL MANAGEMENT**

- All municipalities must have a functional financial management system which includes rigorous internal controls.
- Cut wasteful expenditure.
- SCM structures and controls with appropriate oversight.
- Cash-backed budgets.
- Post Audit Action Plans are addressed.
- Act decisively against fraud and corruption.
- Supply Chain Management structures in place and functional according to regulations.

### **1.5. BUILDING CAPABLE INSTITUTIONS AND ADMINISTRATIONS**

- Municipalities to enforce competency standards for managers and appoint persons with the requisite skills, expertise and qualifications.
- All staff to sign performance agreements.
- Implement and manage performance management systems.

## **2. CATERGORISATION OF MUNICIPALITIES**

Municipalities have been categorised as Performing Well (Functional), With Potential (Challenged) and Not Doing Well (Requiring Intervention). The Performing Well Category is a defined notion of an ideal municipality, and the content of an acceptable level of performance.

FIGURE 1: CATERGORISATION OF MUNICIPALITIES



### 3. LEGISLATIVE CONTEXT AND PROVISIONS

The Consolidated Municipal Performance Report is compiled in terms of the legislative requirements of Chapter 6 of the Municipal Systems Act No. 32 of 2000 and Chapter 12 of the Municipal Finance Management Act No. 56 of 2003. The Municipal Systems Act prescribes the role of each sphere of government in municipal performance reporting.

**Section 46 (1) of the Municipal Systems Act (MSA) 32 of 2000, states that:**

Municipality must prepare for each financial year a performance report reflecting:

- a) The performance of the municipality and of each external Service provider during that financial year;
- b) A comparison of the performances referred to paragraph (a) against set targets and performances in the previous financial year; and
- c) Measures taken to improve performance.

An annual performance report must form part of the municipality's annual report in terms of chapter 12 of the Municipal Finance Management Act.

**Section 47 of the Municipal Systems Act, 32 of 2000, states that:**

The MEC for Local Government must annually compile and submit to the Provincial Legislature and the Minister 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 submit a copy of the report to the National Council of Provinces.

Based on these legislative provisions, the MEC for Local Government is required to use the information arising from the municipal Section 46 performance reports to consolidate the performance of the municipalities in the province, in line with Section 47 of the MSA, identify municipalities that under-performed, and propose remedial action to be taken in this regard.

As such, this report aims to look at a combination of indicators, which will guide the assessment of the performance of municipalities. These main indicators are the B2B assessment ratings (scores), the latest Auditor-General outcomes, the latest IDP level of credibility and the level of achievements of targets in the individual Section 46 Annual Performance reports of municipalities.

Based on a combination of these indicators, under-performing municipalities were identified and remedial action is proposed and implemented in line with the general interventions and

recommendations for improvement in this report, as well as the B2B Action Plans that will be developed.

## **4. PERFORMANCE ASSESSMENT OF MUNICIPALITIES**

### **4.1. MUNICIPALITIES THAT HAVE SHOWN GOOD PERFORMANCE**

During the 2<sup>nd</sup> Phase Annual Summit of the B2B Programme on 27 January 2017, the following municipalities were recognized for maintaining its B2B “Functional” category status:

- o uMgungundlovo District Municipality
- o uMzumbe Municipality
- o Okhahlamba Municipality
- o King Cetshwayo District Municipality
- o uMhlathuze Municipality
- o uBuhlebezwe Municipality
- o eThekwini Metro

These municipalities are consistently monitored and supported by KZN COGTA to maintain this favourable status and ensure that the functionality translates into service delivery.

At the same Summit, recognition was given to the Ugu District Municipality for progressing from the “Requiring Intervention” category to the “Functional Category”. The Ugu District Municipality was also recognised as one of the municipalities that showed the best progress on the implementation of the B2B Programme.

In addition to the Ugu District Municipality being recognised for making good progress on the implementation of the B2B Programme, the following municipalities were also recognised:

- uMuziwabantu Municipality
- Ulundi Municipality
- uMhlabuyalingana Municipality
- uMfolozi Municipality
- Mandeni Municipality
- eThekwini Metro

This recognition was determined by the extent to which the municipalities have institutionalized the B2B Programme, its response to monitoring processes, its implementation of the B2B Support Plan and overall co-operation with the programme.

The successful implementation of the B2B support plans is pivotal in the commendable performance of the above municipalities. Part and parcel of the successful implementation of these support plans is the ongoing monitoring and support that KZN COGTA provides.

#### 4.2. ASSESSMENT IN TERMS OF BACK TO BASICS

With the introduction of the Back to Basics Programme a new assessment tool was developed to assess the B2B programme. This tool contains a number of primary and secondary indicators, consisting of mostly quantitative metrics, but also qualitative information. The B2B quarterly assessment score is given a weight of 60 points and the support plans a weight of 40 points, and this final scores is then utilised to determine the categorisation of the Municipality after a full consideration of any other factors such as Audit Findings or political and governance stability in a municipality. The final categorisation of a Municipality is determined by giving consideration to the support plan score of the municipality, determined by the level of implementation of the support plan.

The B2B quarterly assessment scores were annualised by determining the average score over the 4 quarters for the 2015/16 financial year, and based upon this score, the municipalities in the province could be categorised as follows:

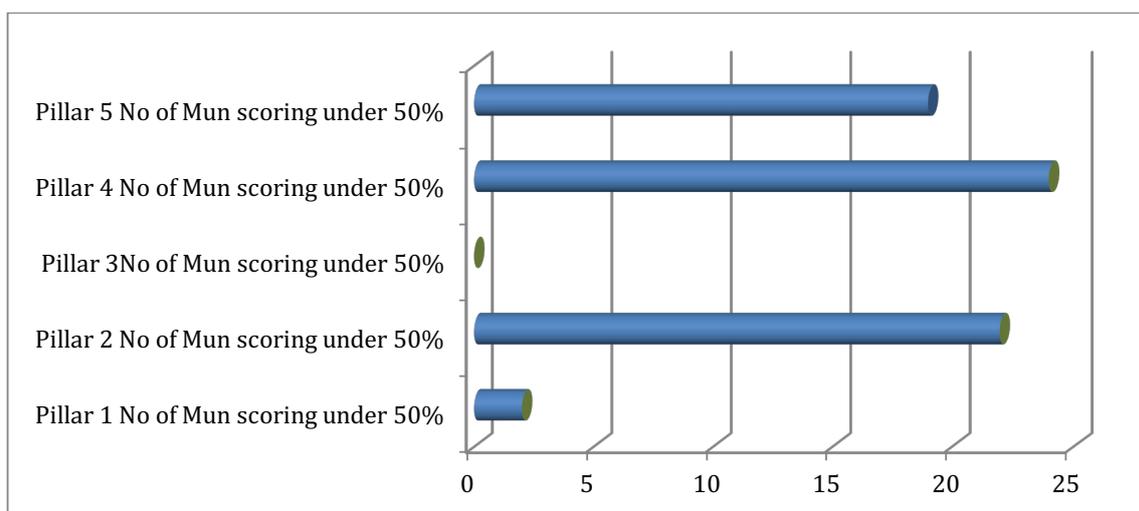
**TABLE 1: PERFORMANCE ASSESSMENT OF MUNICIPALITIES**

Functional	Challenged	Requiring Intervention
1.Ugu	1.Vulamehlo	1.Mpofana
2.Umzumbe	2.uMdoni	2.Amajuba
3.Hibiscus Coast	3.Umuziwabantu	3.Dannhauser
4.uMgungundlovu	4.eZinqoleni	4.Umkhanyakude
5. uMshwathi	5.uMngeni	5.Jozini
6. Msunduzi	6.Impendle	6.Big five false bay
7. Emnambithi	7.Mkhambathini	7.Mtubatuba
8.Okhahlamba	8.Richmond	
9.uMzinyathi	9.uThukela	
10.eNdumeni	10.Indaka	
11.Msinga	11.uMtshezi	
12.Newcastle	12.Imbabazane	
13.Zululand	13.Nquthu	
14.uLundi	14.Umvoti	
15.Umhlalabuyalingana	15.eMadlangeni	
16.uThungulu	16.eDumbe	
17.uMhlathuze	17.uPhongolo	
18.Ubuhlebezwe	18.Abaqulusi	

19.Umzimkhulu	19.Nongoma	
20.eThekweni	20.Hlabisa	
	21.uMfolozi	
	22.Ntambanana	
	23uMlalazi	
	24.Mthonjaneni	
	25.Nkandla	
	26.llembe	
	27.Mandeni	
	28.KwaDukuza	
	29.Ndwedwe	
	30.Maphumulo	
	31.Harry Gwala	
	32.Ingwe	
	33.KwaSani	
	34.Greater kokstad	

### 4.3. ASSESSMENT PER PILLAR

FIGURE 2: ASSESSMENT PER PILLAR



2 out of 61 municipalities scored less than 50% for targets achieved in Pillar 1. 22 out of 61 municipalities scored less than 50% for targets achieved in Pillar 2 . No municipalities scored below 50% for Pillar 3. 24 out of 61 municipalities scored less than 50% for targets achieved in Pillar 4 and 19 out of 61 municipalities scored less than 50% for targets achieved in Pillar 5.

Therefore almost one third of the Municipalities performed poorly in Basic Services, Sound Financial Management and Building Capable Institutions and Administrations.

#### 4.4. IDP ASSESSMENT

The adopted 2016/2017 Reviewed IDP (including the 5 IDPs of the newly consolidated municipalities) assessments were conducted in-house, led by the IDP Coordination Unit. The assessments of the IDPs were conducted in accordance with the following Municipal Key Performance Areas (KPAs):

- Municipal Transformation and Institutional Development;
- Local Economic Development;
- Basic Service Delivery;
- Financial Viability and Management;
- Good Governance and Public Participation; and
- Cross Cutting Interventions, including environmental, disaster management and spatial planning matters.

Individual Municipal assessments were conducted using the adopted Assessment Criteria and IDP Format Guideline. The KPA groups populated the Assessment Template in accordance with the information contained in the adopted IDP documentation. The populated Template also contained comments and recommendations for improvements of the IDPs. Based on the findings of the assessment, the KPA groups scored each IDP per KPA. The highest score per KPA is 5. The scores per KPA were added up and the combined score resulted in the total score of the IDP, which equals the credibility score of the assessed document.

Vulamehlo and Ntambanana were not scored, as it fell away as a result of re-demarcation. A separate ranking for the consolidated LMs was also concluded.

**TABLE 2: IDP ASSESSMENT**

Municipalities That Scored Above The Provincial Average Of 66 %	Municipalities That Scored Between 65% And 60%	Municipalities That Scored Between 59% And 50%	Municipalities That Scored Between 49% And 19%
1.Umzimkhulu	1.Nkandla	1.Umkhanyakude	1. Dr Nkosazana Dlamini Zuma (Consolidated)
2.Uthukela	2.Abaqulusi	2.Umuziwabantu	2. Imbabazane
3.Ethekwini	3.Umzumbe	3.Emadlangeni	3. Jozini
4.Umhlathuze	4.Amajuba	4.Mthonjaneni	4. Nkosi Langalibalele (Consolidated)
5.Msunduzi	5.Endumeni	5.Edumbe	
6.Ubuhlebezwe	6.Umzinyathi	6. Umtshezi	
7.Umshwathi	7.Greater Kokstad	7. Ingwe	
8.King Cetshwayo(Previous Uthungulu)	8.Nquthu	8. Richmond	
9.Ilembe	9.Ndwedwe	9. Impendle	
10.Umlalazi	10. Ezingoleni	10. Uphongolo	
11.Ulundi	11.KwaDukuza	11. Ray Nkonyeni (Consolidated)	
12.Umhlabayalingana	12.Nongoma	12. Dannhauser	
13. Hibiscus Coast	13.Msinga	13. Alfred Duma(Consolidated)	

14.Mandeni	14. Mpofana	14. Big Five Hlabisa (Consolidated)	
15.Okhahlamba	15. Big Five False Bay	15. Hlabisa	
16.Newcastle	16.Maphumulo		
17. Umngeni	17. Kwa Sani		
18. Emnambithi – Ladysmith	18. Umvoti		
19. Mtubatuba			
20. Umgungundlovu			
21 .Harry Gwala			
22. Indaka			
23. Mkhambathini			
24. Ugu			
25.Umdoni			
26. Zululand			
27. Mfolozi			

#### 4.5. ASSESSMENT IN TERMS OF AUDITOR GENERAL (AG)

In its annual audits, the Auditor-General of South Africa (AGSA) examines the following aspects:

- Fair presentation and absence of material misstatements in financial statements
- Reliable and credible performance information for purposes of reporting on predetermined performance objectives
- Compliance with all legislation governing financial matters.

The audited institution achieves a clean audit when their financial statements are unqualified, with no reported audit findings in respect of either reporting on predetermined objectives or compliance with legislation.

The following information presents the audit outcomes in the Province.

**TABLE 3: AUDITOR GENERAL ASSESSMENT**

QUALIFIED AUDIT OPINIONS	DISCLAIMER AUDIT OPINIONS	ADVERSE AUDIT OPINION
Msunduzi,	Mooi Mpofana	Umkhanyakude District.
uPhongolo	Umtshezi	
Amajuba District		
Umzinyathi District		
Big Five False Bay		

- 11 Municipalities received Clean Audits
- 42 Municipalities received Unqualified Audit Opinions.

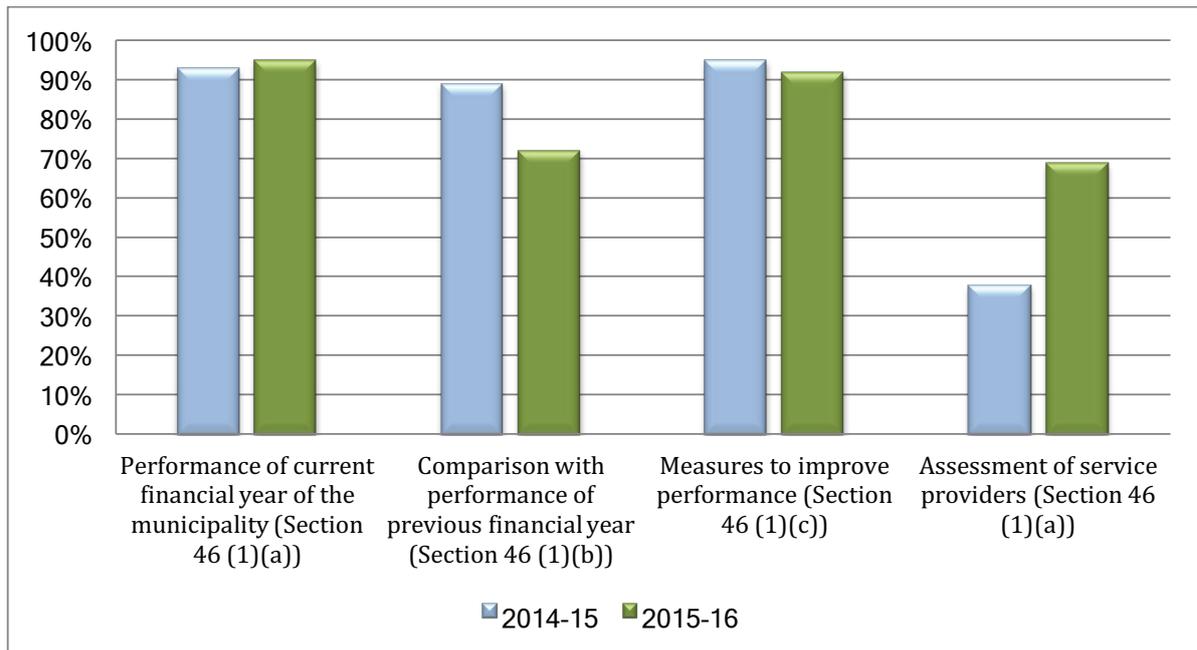
According to the AG reporting on performance information improved as 18 Municipalities (30%) had material findings in 2015/2016 compared to 24 (39%) in 2014/2015. However, 26 Municipalities avoided findings on reported performance by correcting the misstatements that we identified during the audit process.

#### 4.6. ASSESSMENT IN TERMS OF MUNICIPALITY’S ANNUAL PERFORMANCE REPORT

This assessment determines compliance and performance of a Municipality in terms of the municipal Annual Performance Reports, as required of municipalities in terms of Section 46 of the Municipal systems Act and must be included into the Municipal Annual report in terms of Section 121 (3) (c) of the Municipal Finance Management Act No. 56 of 2003. The assessment entails the following:

- ✓ The municipality has incorporated requirements of Section 46 of the Municipal Systems Act No. 32 of 2000 into the Annual report (MFMA Chapter 12), including the following:
  - ✓ Performance of current financial year of the municipality (Section 46 (1)(a))
  - ✓ Comparison with performance of previous financial year (Section 46 (1)(b))
  - ✓ Measures to improve performance (Section 46 (1)(c))
  - ✓ Assessment of service providers (Section 46 (1)(a))
- ✓ IDP Alignment: Whether the Municipality has incorporated the Back to Basics programme into its strategic planning process and has indicated how it will implement the programme, in particular its alignment with the Operation Sukuma Sakhe programme.

**FIGURE 3: ASSESSMENT OF ANNUAL PERFORMANCE REPORT**



Only 3 Municipalities as opposed to 4 Municipalities in the previous financial year did not include performance of the current financial year in the Annual Performance Report.

However 17 Municipalities did not do a comparison of performance with the previous financial year. In the assessment for the 14/15 financial year 7 Municipalities did not do a comparison of performance in the previous financial year.

Only 1 Municipality did not indicate measures to improve performance.

There has been a considerable improvement by Municipalities from 37 last year to 19 this year that did not undertake an assessment of service providers.

**TABLE 4: ACHIEVEMENT OF ANNUAL PERFORMANCE REPORT TARGETS**

Municipality	2014-15		2015-16	
	Targets Achieved	Targets not Achieved	Targets Achieved	Targets not Achieved
<b>Ugu District Municipality</b>	<b>74%</b>	<b>26%</b>	<b>91%</b>	<b>9%</b>
Vulamehlo	58%	42%	56%	44%
uMdoni	61%	39%	82%	18%
uMzumbe	76%	24%	75%	25%
Umuziwabantu	66%	34%	77%	23%
eZinqoleni	80%	20%	90%	10%
Hibiscus Coast	83%	17%	72%	28%
<b>uMgungundlovu District Municipality</b>	<b>48%</b>	<b>52%</b>	<b>74%</b>	<b>26%</b>
uMshwathi	73%	27%	71%	29%
uMngeni	84%	16%	59%	41%
Mpofana	90%	10%	90%	10%
Impendle	48%	52%	84%	16%
Msunduzi	60%	40%	78%	22%
Mkhambathini	Targets cannot be determined	Targets cannot be determined	83%	17%
Richmond	79%	21%	61%	39%
<b>uThukela District Municipality</b>	<b>79%</b>	<b>13%</b>	<b>72%</b>	<b>28%</b>
Emnambithi	76%	24%	84%	16%
Indaka	59%	41%	57%	43%
uMtshezi	80%	20%	67%	33%
Okhahlamba	64%	36%	72%	28%
Imbabazane	67%	33%	64%	36%
<b>uMzinyathi District Municipality</b>	<b>88%</b>	<b>12%</b>	<b>64%</b>	<b>36%</b>
eNdumeni	58%	42%	68%	32%
Nquthu	71%	29%	57%	43%
Msinga	88%	12%	50%	50%
uMvoti	71%	29%	55%	45%
<b>Amajuba District Municipality</b>	<b>65%</b>	<b>35%</b>	<b>29%</b>	<b>71%</b>
Newcastle	66%	34%	63%	37%
eMandlangeni	Targets cannot be determined	Targets cannot be determined	67%	33%
Dannhauser	81%	19%	71%	29%
<b>Zululand District Municipality</b>	<b>79%</b>	<b>21%</b>	<b>93%</b>	<b>7%</b>
eDumbe	72%	28%	73%	27%
uPhongolo	51%	49%	46%	54%
Abaqulusi	53%	47%	67%	33%
Nongoma	Targets cannot be determined	Targets cannot be determined	64%	36%
uLundi	62%	38%	92%	8%

Municipality	2014-15		2015-16	
	Targets Achieved	Targets not Achieved	Targets Achieved	Targets not Achieved
<b>uMkhanyakude District Municipality</b>	<b>20%</b>	<b>80%</b>	<b>50%</b>	<b>50%</b>
uMhlabuyalingana	87%	13%	83%	17%
Jozini	55%	45%	60%	40%
Big five false bay	58%	42%	51%	49%
Hlabisa	8%	92%	59%	41%
Mtubatuba	62%	38%	86%	14%
<b>uThungulu District Municipality</b>	<b>92%</b>	<b>8%</b>	<b>82%</b>	<b>18%</b>
UMfolozi	73%	27%	73%	27%
uMhlathuze	62%	38%	60%	40%
Ntambanana	89%	11%	92%	8%
uMlalazi	73%	24	70%	30%
Mthonjaneni	Targets cannot be determined			
Nkandla	76%	24%	78%	22%
<b>Ilembe</b>	<b>77%</b>	<b>23%</b>	<b>79%</b>	<b>21%</b>
Mandeni	73%	27%	75%	25%
KwaDukuza	57%	43%	62%	38%
Ndwedwe	61%	39%	50%	50%
Maphumulo	59%	49%	60%	40%
<b>Harry Gwala District Municipality</b>	<b>75%</b>	<b>25%</b>	<b>69%</b>	<b>31%</b>
Ingwe	<b>72%</b>	<b>28%</b>	Targets cannot be determined	Targets cannot be determined
KwaSani	96%	4%	Targets cannot be determined	Targets cannot be determined
Greater kokstad	Targets cannot be determined	Targets cannot be determined	85%	15%
Ubuhlebezwe	90%	10%	Targets cannot be determined	Targets cannot be determined
uMzimkhulu	93%	7%	96%	4%
<b>EThekweni Metropolitan</b>	<b>66%</b>	<b>34%</b>	<b>64%</b>	<b>36%</b>

The following Municipalities did not achieve 50% and above of its targets:

**Msinga, Amajuba, uPhongolo, uMkhanyakude, Ntambanana, and Ndwedwe.**

#### **4.7. REASONS FOR HIGH PERCENTAGE OF TARGETS NOT MET**

- **Amajuba DM** - The following may have contributed to the high percentage (71%) of target not met
  - a) Two departments namely Corporate Services and Financial Services had acting officials heading the departments.
  - b) 17% of key performance indicators were not measureable or well defined.
  - c) There were financial difficulties that the municipality had over the 2015/2016 financial year.
  - d) There was a drastic increase of indicators in the 2015/2016 compared to the previous years and the municipality may have found it difficult to cope.

- **Mthonjaneni LM, Ingwe LM, KwaSani LM and Ubuhlebezwe LM** - Comparison of 2015/2016 financial year to 2014/2015 financial year could not be done due to the fact that the annual performance report for the municipality submitted did not have a summary of the performance in terms of targets achieved and targets not achieved. If the municipality had not reflected a summary, it becomes difficult to manually and individually calculate the number of achieved targets and the number of targets not met. This may lead to incorrect comparison done and thus misrepresenting the municipality.
- **Ndwedwe LM** – The technical manager post was vacant during the FY and this impacted on the service delivery targets which were not achieved due to poor project management
- **Umkhanyakude DM** - The District is currently a S139 intervention. Under performance by Umkhanyakude District Municipality is largely in respect of Basic Service Delivery and Municipal Transformation. Vacancies in key Senior Management positions have impacted Administrative processes and service delivery. The District had budget constraints due to the outstanding debt and the fact that the District is wholly dependent on government grant allocations through DORA.
- **uPhongolo LM** - The overall score for this KPA is 24% for the year under review which is below the expectation. This KPA deals with the development of community infrastructure as approved in the Annual Capital Budget. Due to processes involved in the construction environment, projects tend to overlap into more than one financial year. The KPA had 46% achievement in the prior year. This indicates a regression in the department performance which could be attributable to the vacancy in the post of the Director Technical Service for the majority of the 15/16 financial year.
- **Msinga LM** – Targets were not met due to poor planning and the lack of funding to complete existing projects. A number of road projects were incomplete due to poor weather conditions experienced during the years

**4.8. OVERALL POOR PERFORMING MUNICIPALITIES IN KWAZULU NATAL BASED ON THE COMBINED ABOVEMENTIONED ASSESSMENTS**

Municipality	2015/16 B2B Score	2015/16 Audit	Latest IDP Credibility	Section 46 Performance
Mpofana	48%	Disclaimer	Between 60% and 65%	90% targets achieved
Amajuba District	47%	Qualified	Between 60% and 65%	29% targets achieved
Dannhauser	43%	Unqualified	Between 50% and 59%	71% targets achieved
Umkhanyakude District	35%	Adverse	Between 50% and 59%	64% targets achieved
Jozini	31%	Unqualified	Between 19% and 49%	60% targets achieved
Big five Hlabisa (Merged)	47%	Qualified & Unqualified	Between 50% and 59%	51% and 59% targets achieved
Mtubatuba	32%	Unqualified	More than 66%	86% targets achieved
Msunduzi	71%	Qualified	More than 66%	78% targets achieved

<b>uPhongolo</b>	60%	Unqualified	Between 50% and 59%	46% targets achieved
<b>Umzinyathi District</b>	76%	Qualified	Between 60% and 65%	64% targets achieved
<b>Dr. Nkosazana Dlamini Zuma (Merged)</b>	69% & 65%	Unqualified & Unqualified	Between 19% and 49%	Targets could not be determined
<b>iNkosi Langalibalele (Merged)</b>	66% & 62%	Disclaimer & Unqualified	Between 19% and 49%	64% and 67% targets achieved

One of the legislative requirements in terms of the MSA Section 47 is that the MEC must propose remedial action for the under-performing municipalities that were identified. Over and above the general recommendations of interventions as proposed under Section 5 of this report, applicable to all municipalities, but in particular the under-performing ones, the Department has also identified certain key challenges per individual municipality as part of its B2B Programme.

These challenges are identified from various applicable sources, such as the IDPs, the B2B quarterly assessments, Local Government specialists' observations and findings, and any others and incorporated into the individual municipal B2B Action Plans. Part of the remedial action responses for under-performing municipalities is the satisfactory resolution to the identified key challenges. This is facilitated through the actions taken by the municipality and the related support provided by KZN COGTA.

Over and above assessments done it must be noted that Nquthu Municipality had been unable to constitute its council and elect office bearers since the councillors were elected in the August 3 local government election. On the 8th of February 2017 the KwaZulu-Natal Provincial Executive Council resolved to intervene in terms of section 139(1)(c) at Nquthu Local Municipality and thereby dissolving the Municipal Council. This decision was however subject to approval by both the Minister and the NCOP which approval must take place within 14 days from the date of notice. The NCOP approved the on the 23rd of February 2017 thus the intervention became effective on the 24th of February. The Administrator for Nquthu has been appointed is on site and exercises the Executive Powers that would otherwise have been exercised by the council.

The developments at Nquthu inadvertently affected the uMzinyathi District Municipality. Nquthu had not elected its 5 representatives to the district, which meant that the uMzinyathi District Municipality could not comply with the requirements of section 29(2) of the Structures Act. In terms of this section the district municipality should constitute its own council 14 days after all the members from local councils have been appointed.

On 12 October 2016 the Provincial Executive Council resolved to intervene at Umzinyathi Municipality in terms of section 139(1)(b) of the constitution for the following reasons:

- ✓ The failure (inability) by the Umzinyathi Municipal Council to constitute itself and to elect its chairperson as provided for in sections 29 and 36 of the Structures Act; and

- ✓ The fact that no executive functions were being performed at the municipality since the 10th of August 2016 resulting in the administration carrying on the business of running the municipality without political oversight. This state of affairs is not envisaged in local government legislation and could not be allowed to persist.

The Ministerial Representative as per the decision of the Provincial Executive Council has been appointed. The municipality appears to be experiencing serious financial challenges. The quantum of the challenges is still being assessed so that appropriate interventions can be instituted.

The eMadlangeni Municipality is one of three local municipalities in the Amajuba District family of municipalities. During the 2011-2016 term the municipality had seven councillors led by the Speaker who was called the Mayor. The number of councillors increased to eleven for the 2016/2021 term. The municipality now has an Executive Committee, Mayor, Deputy Mayor and Speaker. The council comprises of 6 ANC councillors, 3 IFP, 1 DA and 1 EFF. Political challenges were reported soon after the 2016 local government elections. Reports were received suggesting that the municipal had become factionalised. The factions were across the political spectrum with 5 ANC councillors working closely with the single DA councillor. The rest of the councillors namely 1 ANC, 3 IFP and 1 EFF formed their own camp. Decisions were being taken by the council which were irregular and could financially prejudice the municipality.

The MEC deployed teams to advise the municipality on a number of occasions on their mandate of supporting and performing oversight in the municipality to no avail. The MEC personally visited the municipality and reached an understanding on the way forward, but this too was later ignored by the municipal council. A memorandum served before the Executive Council on 18 January 2017 after which the Executive Council resolved to intervene at Emadlangeni Municipality in terms of section 139(1)(b) of the Constitution, 1996. The intervention was later approved by the Minister of Cooperative Governance and Traditional Affairs and is still to be approved by the NCOP.

## **5. STRATEGIC ISSUES THAT WERE ADDRESSED BY COGTA AND INTERVENTIONS UNDERTAKEN PER PILLAR**

### **PILLAR 1: PUBLIC PARTICIPATION: PUTTING PEOPLE FIRST**

#### **Strategic Issues addressed:**

During the previous municipal term of office COGTA conducted an assessment on a quarterly basis to determine the status of functionality of all established ward committees in the province. The outcome of this assessment indicated that:

- Most ward committees were not functioning effectively, as per legislative requirements
- Lack of evidence that ward committees have access to municipal information or are able to influence council

- Non-existence of formal structures at municipal level to deal with petitions/community concerns

#### **Interventions:**

- Adoption of municipal public participation and ward committees establishment policies at council meeting
- Ward committee members to sign Code of Conduct
- Development of ward operational plans aimed at ensuring that operations by ward committees are structured and provide an enabling platform for them to actively take part in planning, implementation and monitoring of service delivery

## **PILLAR 2: BASIC SERVICES: CREATING CONDITIONS FOR DECENT LIVING**

#### **Strategic Issues addressed:**

- Although most municipalities have a complaints management system there is no proper monitoring of the system to ensure that the complaint has been attended to.
- Water losses in KZN average around 40% and in some WSA's the loss is around 60%. The total number of kilolitres lost during the 2015 financial year amounted to 243 million KL (2014: 235 million KL) which was a 3% increase from the previous financial year.
- Total water loss of R1.17 billion (2014: R1.02 billion) representing a 15% increase
- Total number of kilowatt hours in electricity lost during 2015 amounted to 1.5 billion KWH (2014: 1.24 billion KWH) increasing by 21% Total electricity loss of R1.1 billion (2014: 876.93 million) representing a 23% increase
- Insufficient financial provision and human resource skills for operation and maintenance

#### **Interventions:**

- The management of electricity and water losses is critical for revenue protection and enhancement. Consequently, sound operations and maintenance plans are to be developed and implemented to minimise water losses.
- Various technical solutions are being explored.
- The Auditor General has made various findings relating to electricity and water losses as well meter readings, completeness of revenue and debt collection. Specific strategies are being put in place to ensure that these issues are resolved.
- Municipalities have been requested to relook at allocations with regard to maintenance of infrastructure.

## **PILLAR 3: GOOD GOVERNANCE**

#### **Strategic Issues addressed:**

- During the previous term in some municipalities, portfolio committees and MPACs were totally dysfunctional, thus limiting accountability as all matters were submitted directly to EXCO then proceed to Council without being properly processed and debated.

- Lack of quorum is cited as the main reason for portfolio committees and MPAC not sitting
- In some municipalities councillors missed more than 3 consecutive meetings which affected sittings of council and EXCO due to loss of quorum, yet Speakers took no action

#### **Interventions**

- COGTA is addressing these anomalies by introducing methods to monitor councillors accountability to council and to the communities
- The department has also prepared a support package for municipalities which consist of pro forma documents that can be readily customised to suit each municipality's needs. The support package consists of:
  - Framework on roles and responsibilities of political office bearers, political structures and Municipal Manager
  - Pro forma Terms of Reference of 5 portfolio committees, MPAC and Rules Committee
  - Reporting templates for 5 municipal departments
  - Delegation framework and templates for delegation and sub-delegation

### **PILLAR 4: SOUND FINANCIAL MANAGEMENT**

#### **Strategic Issues addressed:**

- A number of municipalities adopted a cost containment strategy but have not implemented the strategy
- Under expenditure of capital budget due to mainly SCM processes and weak project management
- Specific audit queries recurring i.e. electricity and water losses, debtors and debt impairment, capital spending and fruitless and irregular expenditure

#### **Interventions:**

- New councils to adopt cost containment strategy and implement strategy
- Municipalities must quantify savings in terms of cost containment strategy for 17/18 financial year
- Department of Treasury to assess the impact of cost containment and savings achieved on the next budget
- Support from Department of Treasury for SCM support at targeted municipalities
- Municipal Infrastructure Task Team and MISA to provide project management support to PMU in Municipalities
- Cogta is monitoring capital expenditure at all municipalities using verified information at municipalities
- Effective systems and controls are being put in place to ensure proper and accountable use of public monies and other resources to deliver against service delivery priorities

## **PILLAR 5: BUILDING CAPABLE INSTITUTIONS AND ADMINISTRATIONS**

### **Strategic issues addressed:**

- 31% vacancy rate in key positions in municipalities
- Slow response by Leadership and Management to honour and implement internal control discipline relating to the the quality of financial statements, performance information and compliance with legislation
- Poor performance management systems with inappropriate key performance indicators and measurable performance targets with regard to each of the development priorities and objectives
- Number of municipalities have not incorporated B2B indicators and challenges identified in B2B support plans in IDPs and the Service Delivery Budget and Implementation Plans (SDBIPs)

### **Interventions:**

- Fast tracking of filling of key vacant positions in Municipalities
- Support Municipalities in the addressing of issues in the municipal audit response plans
- Link, integrate and co-ordinate all programmes and take into account proposals for the development of the municipality
- Align the resources and capacity of the municipality with the implementation of the Integrated Development Plan
- Review performance and take steps to improve performance with regard to those development priorities and objectives that were not met

## **6. SUMMARY OF OTHER REPORTS DONE THAT ADDRESS PERFORMANCE IN MUNICIPALITIES**

### **6.1. AUDITOR GENERAL'S REPORT JUNE 2016**

In our report we single out the following disciplines and practices as major contributors to the improvements in audit outcomes:

Political, municipal and provincial leadership delivered on commitments to fill key positions with competent people, stabilised the administration (i.e. low turnover in key positions) and provided officials the opportunity to meet the minimum competency requirements.

Leadership showed courage in dealing with transgressions and poor performance and insisted on credible in-year reporting by officials, which in turn resulted in improved year-end processes and enabled improved decision-making.

Leadership supported and participated in initiatives to improve audit outcomes, such as operation clean audit, and used forums and working relationships between municipalities and provincial government to strengthen the administration of municipalities.

The municipal managers and senior managers improved financial and performance management by implementing audit action plans to address the audit findings as well as the root causes of the audit findings. They also improved record keeping at the municipalities, ensured that the basic controls around transactions and reconciliations are in place and enabled monitoring and oversight through regular and credible reporting on important matters such as supply chain and contract management.

Governance at these municipalities was greatly enhanced by well-functioning audit committees and the support of internal audit units. Councils and municipal management implemented the recommendations of the audit committees and used the internal audit units to identify risks and the controls that can be implemented to mitigate such risks.

## **6.2. NATIONAL TREASURY REPORT TO TECHNICAL PCC DATED 13 FEB 2017**

KZN municipalities billed revenue amounted to 50% in terms of section 71 of the MFMA. The annual growth in overall revenue equates to 4.8 per cent. This growth is attributable to rates and tariffs increases rather than efficiency in revenue management. A detailed analysis reveals that there is an under performance in actual collections against billed revenue. This is mainly attributed to the affordability of municipal services, weak revenue management, and in certain instances political interference in credit control and debt collection processes thus impacting on the cash and liquidity position of municipalities.

On aggregate growth in revenue exceeds expenditure by 1.9 percent. Kzn is rated as one of the highest performance in terms of expenditure with spending above 43 per cent. KwaZulu-Natal is the highest performing province at a spending level of 38.5 per cent of their allocated capital budget of R13.8 billion. More notably, KwaZulu-Natal spent above 40 per cent of their conditional grants allocation as at 31 December 2016.

Across all provinces, limited priority is given to the maintenance of strategic revenue generating infrastructure by municipalities. This directly contributes to significant inefficiencies within the system through, among others: increasing water and electricity losses; deficient reticulation infrastructure; service delivery disruptions; revenue losses etc.

There has been a general increase in outstanding creditors. Increases in outstanding creditors indicate that municipalities are not effectively managing their finances, collecting against outstanding debtors and eradicating non-priority spending. Largely, municipalities are not adhering to the prescripts of the law that states all creditors must be paid within 30 days after receiving an invoice.

According to the National Treasury Report while significant strides have been made in ensuring that the local government is adequately funded, there are other challenges that require immediate attention, including, among others:

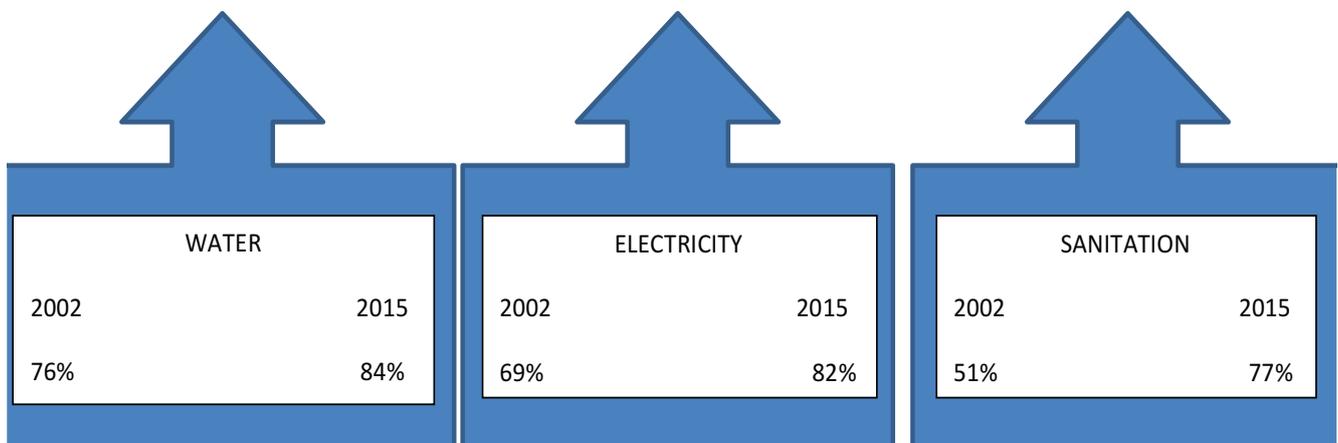
- Inadequate administrative leadership and political interference in the administrative functioning of municipalities such as debt collection and credit control, supply chain management and recruitment processes;
- Weak management of the overall revenue value chain, including tariff setting and costing of main trading services;
- Poor quality planning and budgeting resulting in the under expenditure of the capital budget, over spending of operating budgets and persistent negative cash balances while municipalities still waste money on non-priority spending;
- Inadequate budgets for repairs and maintenance and asset management;
- Limited evidence based financial management such as cash flow management;
- Weak internal controls and risk management and supply chain management (SCM) inefficiencies resulting in poor audit outcomes and wasteful expenditure.

### 6.3. STATS SA

The Office of the Premier (OTP) in KwaZulu-Natal province approached Stats SA to conduct a citizen perception survey in 2015. The objectives of the survey were as follows:

- Measurement of citizens' rating of satisfaction with performance of the provincial government
- Measurement of citizens' ranking of provincial priorities and performance of provincial government departments
- Measurement of citizens' rating of satisfaction with overall performance of their local municipality
- Measurement of citizens' rating of satisfaction with level and quality of selected municipal services.

In terms of the survey the KZN delivery progress was as follows:



A summary of the survey indicated that there is progressive but uneven development in the province of KwaZulu-Natal as reflected in increasing proportion of households that have access to basic services such

as piped water and sanitation. In terms of the geopolitical environment a majority of municipalities are mainly rural, characterised by communal tenure and heavily dependent on grants for survival. There is an uneven distribution of the population. Poverty levels are high but improving.

#### **6.4. 3RD PRESIDENTIAL LOCAL GOVERNMENT SUMMIT REPORT APRIL 2017**

Back-to-basics is not an end in itself but the continuation of a journey in pursuance of our developmental objectives. The direct 'hands-on' support from spheres of government to municipalities has yielded improved performance. Positive lessons were realized from the various Section 154 support packages and the Section 139 interventions. Political instability and weaknesses in governance are two of the primary causes of poor service delivery at municipal level. Evidence is emerging that reducing vacancy rates of municipal managers in municipalities seem to have a positive effect on improved audit outcomes. Municipalities with weaknesses in governance and corporate management functions such as financial management, human resource management and supply chain management, also tend to experience difficulties in service delivery. Whilst municipalities focused on the delivery of infrastructure to eradicate backlogs, they have sometimes neglected operations and maintenance thereof. Citizen engagements are generally weak in those municipalities categorized as 'dysfunctional' and 'at risk'; and Municipalities generally, have weak technical capacity in planning, project management, and the designing and procurement of infrastructure.

The first phase of the B2B focused on laying the foundation for a developmental local government by doing the basics right. This means that the pillars of the first phase of Back to Basics will now become the foundation on which we need to build further. Basics will now become the foundation on which we need to build further. The second phase requires moving beyond the basics and placing a focus on issues such as:

- A spatial planning focus;
- An local economic development (LED) focus to stimulate local economies
- Integrated Urban Development Framework (IUDF) priorities and its implementation modalities;
- A reconfiguration of the district system to augment regional economic development, regional infrastructure planning and delivery, as well as spatial
- Transformation.

## **7. CONCLUSION**

The MEC for Co-operative Governance and Traditional Affairs has continuously addressed Mayors and Accounting Officers of the municipalities' that perform poorly in various government structures.

The department will continue to engage with the poor performing municipalities to pave a way forward on addressing the results and subsequent Back to Basics Support plans to ensure that a process is in place

to address these issues. The MEC met with the eight municipalities that received qualified, disclaimer and adverse audit opinions in the 2015/2016 financial year to discuss the following issues:

- Reasons for the poor audit outcome and/ or regression,
- Current state of municipal finance and prognosis for the next audit
- Progress status on implementation of audit response plan
- Progress status on the implementation of back to basics plan
- Recommendations on how the department can support to improve the status of the municipality

The commitments/ decisions are being monitored to ensure that municipalities improve their audit outcomes.

The MEC is also mandated in terms of S131 of the MFMA to analyse and assess all audit responses for adequacy and report such to the Provincial Legislature. A special pre-cautionary meeting to discuss and advise on the way forward for municipalities with qualifications, disclaimers and adverse reports was held with Mayors to determine the challenges and identify support mechanisms that would result in improved audit outcomes as a way forward.

Municipalities including the political leadership are engaged on a quarterly basis to assess performance in terms of the B2B programme, provide feedback on the assessment and provide support or coordinate support of sector departments where challenges are experienced.

The final set of information per municipality is utilised for two main purposes. Firstly, to identify municipalities which have underperformed using a scoring system with weighting allocated per indicator and determining a total score per municipality? Secondly, to identify specific areas in which municipalities have not performed in accordance with the required norms and standards? These areas of underperformance are communicated formally to all municipalities and are also considered and utilised for the preparation of support plans (as part of the Back to Basic programme) to assist the municipalities to improve its performance in these areas. This information is also communicated internally in the Department, to its Business Units for corrective action based support to municipalities in collaboration with other departments.



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