

DRAFT MAKANA INTERVENTION PLAN

FY 2014

In bringing stability of Makana Local Municipality, Provincial Government invoked Section 139 (1) (b) of the Constitution in an intervention to the municipality and an administrator was appointed from 6th October 2014. The municipality was unable to sustainably provide basic services and was faced with many challenges including inability to meet financial obligations and pay creditors in the short term and long term financial sustainability.

Makana Local Municipality



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1. BACKGROUND AND CONTEXT

- The Provincial Government has invoked Section 139 (1) (b) of the Constitution in order to bring some stability at the Makana Municipality and an administrator was appointed from 6th October 2014;
- The intervention happened as a response to many crises the municipality was faced with including inability to sustainably provide basic services, inability to meet financial obligations and pay creditors in the short term and long term financial sustainability;
- There has been a number of public protests and a few stakeholders have indicated their unhappiness and displeasure with the current state of affairs;
- Various institutions have conducted reviews/assessments of the problem and some of the challenges include the provision of basic services (including water and sanitation); financial management and credit control (including non-improving AG outcomes); allegations of nepotism and corruption; governance and political oversight challenges, lack of connection with communities and key stakeholders; and a weakening administration;
- The President convened a Local Government Summit in September 2014 and at the Summit the Back to Basics Approach was launched and the key thrust of the Summit outcome is to ensure that municipalities perform basic services;
- The Back to Basics Approach has heralded a new approach to conducting business in the municipal space and it includes the following pillars: putting people first and engaging with communities; delivering basic services; good governance; sound financial management and building capacities.
- Through the B2B approach, COGTA defines a well-functioning municipality to be characterized by the following: political and administrative stability; all Committees of Council/management meets; unqualified audits; community satisfaction; alignment of spending to IDP; capital budget spent, at least 7% of budget allocated to operation and maintenance; clear policy and delegation frameworks and have realistic municipal organograms which are underpinned by a service delivery model and are affordable.
- According to the various diagnostic assessments carried out by various institutions, including workshops conducted with the Administrator's involvement in October 2014, the MLM is underperforming in almost all of the

areas that characterize a well-functioning municipality and hence the intervention plan.

2. CHALLENGES FACING THE MAKANA LOCAL MUNICIPALITY

The Municipality is specifically challenged in the following areas:

- **Infrastructure** (water and electricity outages; poor infrastructure operations and management; dilapidated roads, housing backlogs; poor waste management)
- **Governance** (4 disclaimers; compliance challenges; lack of political oversight, non-effective performance management; community protests; allegations of corruption and nepotism and lack of compliance with prescripts, no adopted and aligned SDBIP;)
- **Institutional** (skills and capacity gaps; non effective performance management system, local labour forum not fully functional; Council Committees and management structures not meeting regularly and often shifted; high overtime spending; no strong links with communities);
- **Financial** (The municipality is not able to meet its current and statutory obligations and expenditure far exceeds revenue collected resulting in rising levels unpaid creditors; litigation by creditors; declining Audit Outcomes – the Municipality has had 4 multiple disclaimers from the Auditor General, inadequate internal controls and non-adherence to policies and procedures; inadequate revenue collection and overreliance on grant funding and had used earmarked funding for operational expenses; systems and processes not adequate; poor and weak supply chain and contract management).

3. THE CASE FOR CHANGE

Changing the status quo at MLM is not negotiable. Bringing the municipality from a state of being categorized as dysfunctional to a well-performing and responsive municipality is the cornerstone of the intervention plan.

The Section 139 (1) (b) intervention must be seen as a platform to introduce a change agenda which can be seen as a short term (6 months) intervention however with a specific purpose of altering the current trajectory towards a sustainable, responsive and viable municipality.

The Section 139 (1) (b) intervention plan is premised on the following fundamentals:

- Stabilize the institution and ensure organization wide compliance;
- Develop an organization wide change management process;
- Restore service delivery using the back to basics approach;
- Improve communication and connection through effective stakeholder and community engagements;
- Develop a transparent monitoring and accountability framework.

4. THE CHANGE APPROACH

The diagram below illustrates the approach to be followed:



The five pillars of the plan are further elaborated on below:

Pillar	Elements
Reconnect with Communities	<ul style="list-style-type: none"> • Committees Functional Ward • Engagement Campaigns Community • meetings and engagements Regular public • Functional Sector Forums Establishment of • Creating a vibrant partnership with the communities and civil society
Driving Service Delivery	<ul style="list-style-type: none"> • Water and sanitation provision and maintenance • Improved Roads and Storm water Drainage • Electricity provision and maintenance • Waste Management
Governance and Oversight	<ul style="list-style-type: none"> • Developing and implementing an Audit Intervention Plan • Ensure organization wide legislative compliance • Oversight Committees meet and play their role • Functional Local Labor Forum

Pillar	Elements
Ensuring Financial Viability	<ul style="list-style-type: none"> • Revenue enhancement Plan and implementation; • SMME Development and the creation of an enabling and environment; • Marketing & Investment Promotion • Job Creation and Empowerment
Capacitate the Municipality	<ul style="list-style-type: none"> • Develop and implement a delegation framework • Institute a organization wide Performance Management System • Implement a skills development programme • Review and finalize an Organogram • Improve records management • Educate staff and various users on various policies

5. ORGANISATION OF WORK

The work will be organized in terms of the following work streams and should be made up of representatives from Council, the Administrator's Strategic Management Team and members of civil society.

The work streams will be made up of a minimum of 6 and a maximum of 10 members. Each work stream will include the following members: Council representatives (2); representatives of organized labour (2), Director (s)/or nominee and representatives drawn from civil society. A member of the Administrator's Strategic Management Team will chair the work streams.

The work streams are established to provide extra support to the work of the Administrator by offering expert advice and make recommendations on implementation.

The work streams are not decision making structures but their role is primarily advisory either Council or the Administrator.

The Executive Mayor and Speaker of Council are ex-officio members of the work streams and free to attend any scheduled meetings.

The Acting Municipal Manager and Directors/officials have to ensure that the recommendations of the work streams are implemented (upon approval) within and through the necessary institutional governing structures and processes.

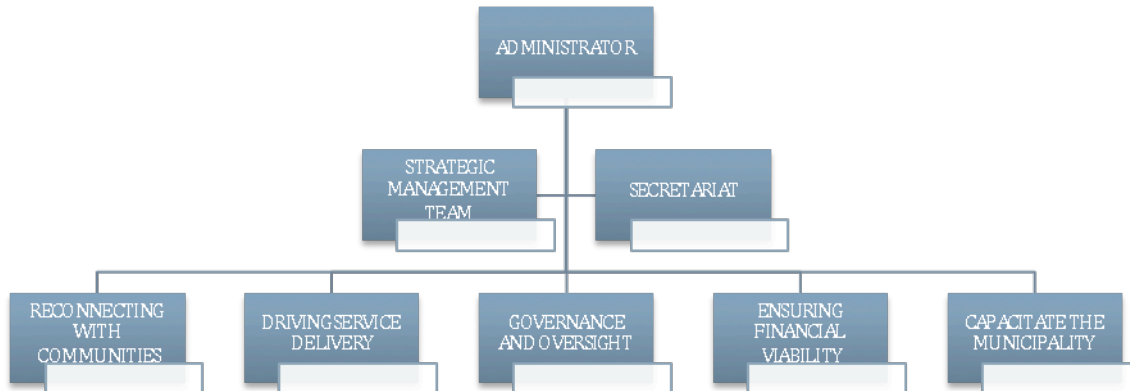
The work streams are specifically excluded from dealing with the procurement of services and their specific mandate is to:

- Based on research, experience and insights provide information on the nature and extent of the challenge (diagnostic role);
- Recommend various options/approaches for solving the problems;
- Receive reports from various stakeholders on key issues facing residents and process these through the work streams;
- Complement the work of the existing structures of Council

The work streams will meet twice a month at a time and venue to be agreed amongst the members. All proceedings and presentations made will be recorded and a secretariat

service will provided to each work stream. A schedule of meetings will be agreed to at the first meeting and the Administrator will sanction any change in dates. Four (4) members of the work stream will constitute a quorum.

6. GOVERNANCE STRUCTURE



7. SPECIFIC INTERVENTIONS - FINANCE

The Stakeholder Consultation and Workshops held developed specific actions to be taken in the short term (6 months) and the medium term (remainder of the term). It must be noted that the Section 139 (1)(b) intervention is only for a period of 6 months and some of the actions will have to be institutionalized within the existing structures and Council processes.

The specific interventions are discussed below:

7.1 FINANCE

The financial issues can be organized in terms of 2 aspects and these are dealt with in the successive sections:

- Revenue enhancement
- Expenditure reprioritization

7.1.1 Revenue enhancement

This part of the program has two objectives

- To collect revenue already owing to the municipality;
- To make a start on re-establishing the implicit contract between the municipality (as service provider) and those who pay services charges and taxes.

A campaign to improve revenue collection

Makana LM should launch a revenue enhancement campaign, led by the Mayor (supported by the Administrator) and with the full support of all Councilors. Some preparation time will be required. The campaign should possibly be launched in January after the break). At least the following preparation will be needed (for more details see below):

- Ensure that some kind of quick win service delivery improvements are visible first and these could include a special effort to fix all the potholes in the CBD where appropriate;
- Ensure that tighter meter reading management is already in place;
- Ensure that a staff member is assigned to the work of receiving meter readings telephonically and appropriately prepared for the task;

- Select the top 20 debtors, confirm their debt, and prepare to approach them, secure in the knowledge that they cannot dispute what they owe;
- Confirm the legal position around using name and shame as a (last resort) credit control measure;
- Amend credit control policies;
- Prepare communication campaign and associated materials;
- Prepare councillors, by amongst others, rendering a workshop on revenue enhancement) to lead the process and play their role properly.

A political and communication campaign

The campaign, must be led politically, by the Mayor and supported by all other Councillors. This is not a technical matter to be dealt with by officials only, but a fundamentally political issue, involving the relationship between all sections of the community and the municipality where everyone knows has not been performing well. Given this background it is not easy to go out and be tough about collecting what is owed. The Mayor will need to show appropriate leadership and humility on this point.

The communication campaign must take care to speak to and address the concerns of all parts of the community and also the business sector. The major messages for the campaign could include:

- Council is in the middle of a financial recovery plan, which will improve its management, service delivery and financial performance;
- Council must collect from its debtors to pay its creditors, in order to deliver services;
- Council has already made a start on improving the delivery of services and will take strong actions against officials and others found to be in transgression of policies and the law;
- Council has taken steps to improve metering and install new meters;
- Council has now tightened its credit control policies, tightened rules for arrangements; and will name and shame debtors which extremely poor records of non-payment;
- Council has introduced austerity members and continues to ensure the reduction of wastage.

The Mayor and/or the Administrator needs to call the CEOs of the 20 largest debtors and ask them to settle their accounts. The phone calls should cover the main messages above.

Revise Makana LM credit control policy

The credit control policy should be tightened, among other aspects to include:

- Once disconnected, full payment is required for reconnection (unless the disconnection was the result of an erroneous account);
- Failure to keep to an arrangement will result in immediate disconnection;
- Council may 'name and shame' recalcitrant debtors; etc.

Build credit control capacity at Makana LM

Resources should be put into improving credit control capacity at Makana LM, as the additional income will greatly exceed the cost of the additional staff.

Since the PWC report (on organizational structure) does not deal adequately with the staffing elements the BTO should consider the actual requirements, obtain standardized role profiles and grading from NT and generate an urgent report to Council to create the new permanent posts required. The additional capacity should specifically include additional supervisory capacity.

Thereafter the posts should be advertised and filled as soon as possible.

Improve meter management at Makana LM

Resources should be put into improving meter reading capacity at Makana LM, as the additional income will greatly exceed the cost of the additional staff.

Since the PWC report does not deal adequately with this function, the CFO should consider the actual requirements, obtain standardized role profiles and grading from NT or (for example) eThekweni MM, and generate an urgent report to Council to create the new permanent posts required. The additional capacity should specifically include additional supervisory capacity.

Thereafter the posts should be advertised and filled as fast as possible.

It is also critical to improve interdepartmental management and co-ordination around meter reading. The most effective way of doing this would be to institute a weekly meeting between Finance and Infrastructure services with the following mandate:

- Co-ordination between DTIS and Finance;
- Oversee project to install new meters;

7.1.2 Expenditure re-prioritization

This aspect of the program also has three (3) objectives namely:

- To reprioritize actual spending to that only priority spending is permitted, and low priority, wasteful and illegal spending is eliminated;
- To immediately settle creditors and bring an end to litigation against the municipality;
- To re-establish the relationship between revenue and spending such that an operating surplus of at least 15% is achieved every year (such a target is essential if Makana LM hopes to ramp up its capital spending to reasonable levels – without an operating surplus, the Makana LM will forever be reliant upon grants for its capital spending; and they will always be inadequate and unreliable).

Curtail low-priority expenditure

Freeze the filling of any post unless it can be demonstrated that that post will result in additional revenue (amounting to at least 10 times the costs to employer) or additional savings (amounting to 5 times the cost to employer)

- Prohibit all overseas flights/trips;
- Require all domestic flights and associated accommodation and other cost to be approved by the Administrator, and make it clear that very few applications will be approved.
- Vehicle management: launch an exercise in terms of which each department must justify its need for a vehicle and re-instate tight vehicle management through logbooks. There must be an audit of logbooks each month and those managers who allow vehicles under their authority to be abused or who do not keep log-books up to date to be acted upon;

- Discipline any supervisor or manager who allows his or her departmental overtime without proper motivation and preparation. An investigation into a shift system must be investigated with immediate effect. **Trade-offs:** 60% of the overtime budget has been used already – phase out overtime and introduce a shift system.

Ensure that the 2015/16 and subsequent budgets are fully funded (next 18 months)

- Run an intense budget process in which finance officials thoroughly scrutinize all budget proposals from line departments;
- Ensure revenue projections are not exaggerated to balance the budget;
- Make a full provisions for bad debt; and
- Cut spending budgets accordingly,

An initial assessment in the lead up to the budget adjustment process needs to be undertaken and where legally and practically feasible.

Ensure that assets are maintained (within 6 months)

Expenditure on maintenance is far cheaper than expenditure on replacement:

- The BTO needs to produce a template for emergency and preventative maintenance plans;
- DTIS needs to produce emergency and preventative maintenance plans for Roads, Water, Sanitation & Electricity;
- Corporate Services to produce emergency and preventative maintenance plans for Council buildings;
- Allocate at least 7% of opex budget for this purpose;
- Institute a monthly interdepartmental meeting, chaired by the Administrator involving at least DTIS and Corporate Services, to oversee the implementation of the plans.

Reduce technical water and electricity losses (within 18 months)

- Investing in reducing water and electricity losses can potentially save a great deal, provided the projects are well conceived and implemented;
- DTIS needs to produce a plan to reduce technical losses in water and electricity and a realistic target must be set and monitored;

- Get an independent assessment of the problem and the plan to address it;
- Allocate resources according to aspects of the plan likely to yield the best and fastest results;
- Establish a Steering Committee to oversee implementation and track results.

Supply Chain Management (next 6 months)

- Capacitate the SCM unit to ensure more effective procurement and contract management and reduce audit queries;
- Since the PWC report does not deal adequately with this function, the CFO should consider the actual requirements, obtain standardized role profiles and grading from NT or (for example) eThekweni MM, and generate an urgent report to Council to create the new permanent posts required. The additional capacity should specifically include additional supervisory capacity;
- Thereafter the posts should be advertised and filled as fast as possible.

Internal audit (next 6 months)

- Capacitate the Internal Audit unit to ensure reduce the scope to misuse Council resources;
- Since the PWC report does not deal adequately with this function, the CFO should consider the actual requirements, obtain standardized role profiles and grading from NT or (for example) eThekweni MM, and generate an urgent report to Council to create the new permanent posts required. The additional capacity should specifically include additional supervisory capacity;
- Thereafter the posts should be advertised and filled as fast as possible;
- An audit intervention plan (external and internal) should thereafter be developed and implemented;
- It may be useful to start with an experienced contractor to boost IA capacity and launch it into playing a useful and powerful role.

8. REINTRODUCTION OF EFFECTIVE ADMINISTRATIVE MANAGEMENT

- Appointment of Senior Management (MM & CFO) – this will bring the much needed stability to the institution. The filling of these critical posts will also ensure that these senior managers are an integral part of the intervention plan **(next 6 months)**
- There is an urgent need to develop performance contracts for Senior Managers tied to performance contracts **(next 6 months)**
- A Performance Management System must be in place **(next 6 months)**
- Engage in a team effectiveness exercise for all managers in the institution **(next 6 months)**
- Revise and implement the Workplace Skills Development Plan and ensure the training committee is functional and the areas prioritised in the intervention plan are also given immediate attention. **(next 6 months)**
- Revise the Organogram and ensure a budget for critical posts is set aside and prioritised **(next 6 -18 months)**
- Ensure that adequate and protective clothing is provided for all staff.

9. WASTE MANAGEMENT AND COMMUNITY SERVICES

What can be done in the next 6 months to bring face of city back?

- Community and NGOs must be involved at all levels and Council must have a clear program stipulating what must be done to assist. This will assist public confidence, investor confidence. Look at the smallest of things that could make a big difference. Look for partnerships to assist. **(next 6 months)**
- Culture of litter must be changed. – an anti-litter campaign led by the councillor need to be launched as soon as possible and funds must be raised and partnerships explored on how best to run a campaign to beautify and keep Makana clean. **(next 6 months)**
- A waste management project that explores the possibility of creating jobs and using waste management as a vehicle for community empowerment as well as education and awareness. **(next 6 months)**
- Stringent law enforcement of illegal dumpers. (could use a name and shame campaign and train law enforcers in every department to enforce the bylaws pertaining to that department; **(next 6 months)**
- Make use of everyone that could contribute to a cleaner town. (Schools, organisations, businesses) **(next 6 months)**
- A concept note and business plan must be developed in the next 2 months and it be used for fund-raising and increasing stakeholder awareness and participation **(next 6 months)**
- The collections of waste as per the back to basics programme needs to be instituted. There is a need to reprioritise the budget and expenditure to ensure that this service is restored and each household in Makana receives a service at least once a week. **(next 6 months)**
- There needs to be proper costing and the concept note must include the need to restore the provision of the service. **(next 6 months)**
- The concept note should explore the establishment of a Section 21 Company which can be assisting with the cleaning of verges and open spaces. **(next 6 months – 18 months)**

10. TECHNICAL SERVICES

The provision of basic services is the core mandate of this Directorate and hence there is a need to conduct a proper assessment and provide resources in order to address the challenges faced.

The provision of core municipal services is fundamental to regaining the MLM's credibility and hence the need to undertake a detailed and informed diagnostic of this area. The specific issues to be investigated are in terms of all the functions i.e. water, sanitation, storm water drainage and roads the following needs to be undertaken:

1. Status Quo Assessment of all functions **(next 6 months)**
 - What are the current challenges (with regard to provision, maintenance and continued delivery of the functions)?
 - What are the current statutory plans that are in place and therefore what needs to be prioritized?
 - What is the current skills base?
 - What are the technical and budget requirements?
 - What are the current projects that are being implemented? What do they seek to address? What is the deficit in terms of resources, technical skills, planning and implementation.

The status quo assessment must be done within two months of the adoption of the plan in order to prepare appropriate response mechanisms.

2. The development of an overarching infrastructure development and investment plan as well as a funding strategy or resource requirements is critical for the success of the intervention plan and this work must be prioritized as soon as possible. **(Next 6-18 months)**
3. Restoration of the provision of services – this includes a programme/campaign to fix potholes across the municipality; fixing of leaks across the municipality; installation of meters and providing temporary sewerage facilities for those communities that are currently not serviced. **(Next 6 months)**
4. Develop an organizational structure for the proper rendering of the functions that fall under the Directorate Technical Services. Advertise and fill vacant and funded posts. **(Next 6 months)**

5. Develop a skill development plan for key functions including the sourcing of mentors to staff in order to ensure the passing of skills – this to include the immediate training of staff in project and contract management **(Next 6 months)**
6. The relocation of the PMU to DTEIS in order to increase and co-ordinate capacity under single management; **(Next 6 months)**
7. The development of a projects dashboard and all technical projects being monitored and reported on monthly; **(Next 6 months)**
8. The development of a plan to ensure compliance with Green Drop and Blue Drop requirements **(Next 6 months - 18 months)**

11. COMMUNICATION AND CUSTOMER CARE

The MLM's communication with the public has been very weak at best and non-almost nonexistent. There is a need to develop an organization wide communication and customer program. The program will include:

1. The development of a communication strategy and plan; **(Next 6 months)**
2. The staffing of the function; **(Next 6 - 18 months)**
3. The creation of customer complaints and response plan and infrastructure; **(Next 6 months)**
4. The training of front-line staff on customer care and responding to customer concerns; **(Next 6 months)**
5. The establishment of customer care centers **(Next 6 - 18 months)**

12. FRAUD PREVENTION

There have been allegations of corruption against councilors and officials and these impacts negatively on the image of the Council. At the center of such allegations is the need to complete the work done on the Internal Audit investigation. There is a need to address the following:

- The development of a fraud prevention plan; **(next 6 months)**
- The finalization of the Kabuso report; **(next 6 months)**
- The establishment of fraud reporting line; **(next 6 months)**
- The creation of adequate capacity to monitor and act on reported cases. **(next 6 months)**

13. CREATION AND STRENGTHNING OF ADMINISTRATION SYSTEM

Some of the work is already covered under the finance section and a strong administrative system is a key to the functioning of the municipality. There is a need to strengthen and create systems for the following:

- Document management and record-keeping; **(next 6 -18 months)**
- Management of attendance and staff leave; **(next 6 months)**
- Work shopping and training staff on key policies. **(next 6 months)**

14. CONCLUSION

The intervention plan has been developed in order to give effect to the terms of reference of the Section 139 (1)(b). It focuses in those areas that fall within the ambit of the intervention and in so far as it impacts on the rest of the organisation such lessons and gains will be extended across.

A specific action plan with clear responsibilities and time lines will be developed for each of the areas.

The success of the plan lies in building ownership and partnership and there is a need for ongoing monitoring and evaluation.