



UMSHWATHI LOCAL MUNICIPALITY PERFORMANCE MANAGEMENT FRAMEWORK

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1. PART ONE: APPROACH TO PERFORMANCE MANAGEMENT

1.1 DEFINITIONS

Annual Report	In relation to a Municipality means an annual report contemplated in section 121 of the Municipal Finance Management Act.
Balanced scorecard	Is a conceptual framework enabling an organisation in clarifying its vision and strategy, thus effectively translating them into action. This performance management approach provides feedback around the internal processes and external outcomes, essentially focusing on four indicators: Customer perspective, Internal-Business processes, Learning and growth and Financials.
Current year	Means the financial year which has already commenced, but not yet ended.
Section 54/56 Employees	Means a person employed by a Municipality as a Municipal Manager or as a Manager directly accountable to the Municipal Manager and for which there is a Performance Agreement.
Evaluation	Evaluation is a time-bound and periodic exercise that seeks to provide credible and useful information to answer specific questions to guide decision-making by staff/ managers and policy-makers. Evaluation may assess relevance, effectiveness, efficiency, impact and sustainability of the institution and officials.
Indicators	Indicators are pieces of objective evidence that tells us whether progress is, or is not being made in achieving goals.
Input indicators	Means an indicator that measures the costs, resources and time used to produce an output.
Inputs	The resources, physical, financial or otherwise that contribute to the delivery of outputs. In other words” what we use to do the work”.
Key Performance Area (KPA)	This is area in which the Municipality plays a role towards delivering services. These may include Basic service delivery and infrastructure, Municipal Institutional Development and Transformation, Local Economic Development, Municipal Financial Viability and Management, Good Governance and Public Participation.
Key Performance Indicators	Key performance indicators will be determined in respect of each development priority and objective. These indicators are subject to public participation and will be used to by each department. These quantifiable measures show where performance currently is in relation to the baseline and the targets. This describes the measure in a clear, simple and precise manner.

Local Community or Community	In relation to the Municipality, means that body or person comprising- the residents of the Municipality. (a) The ratepayers of the municipality (b) Any civic organisations and non-governmental, private sector or labour organisations or bodies which are involves in local affairs within the municipality
MEC for Local Government	Means the MEC responsible for local government in a province
Monitoring	Monitoring involves collecting, analysing and reporting on inputs, activities, outputs and outcomes in a way that supports effective management. Monitoring aims to provide managers, decision-makers and other stakeholders with regular feedback on progress in implementation, results and early indicators of problems that need to be corrected. It is usually reports of actual performance against what was planned or expected.
Municipality	When referred to as- (a) An entity, means a municipality as described in section2; and (b) A geographical area means a municipal area determined in terms of the Local Government: Municipal Demarcation Act. 1998 (Act No. 27 of 1998)
Municipal Council or Council	Means a municipal Council referred to in section 157 (1) of the Constitution.
Municipal Finance Management Act	Means the Local Government: Municipal Finance Management Act of 2003 and any other regulations made under that Act.
Municipal Systems Act	Means the Local Government: Municipal Systems Act of 2000 (Act No. 32 of 2000)
Objective	An objective is a projected goal that a person, system, or organization plans or intends to achieve.
Outcomes	Refer to the ultimate effects of government activities on society in the medium term to long term. These are the results of specific outputs for strategic goals identified in the IDP.
Outcome indicator	Means an indicator that measures the quality and or impact of an output on achieving a particular objective.
Output indicator	Means and indicator that measures the results of activities, processes and strategies of a program of a municipality.
Outputs	Goods and services produced by the municipality which are identified by the performance measures. Outputs may be defined as “what we produce or deliver”.
Performance Audit Committee	An independent committee appointed to assess the annual performance of the municipality and report on the findings.
Performance Agreement	Means an agreement as contemplated in section 57 of the Municipal Systems Act

Performance plan	Means a part of the performance agreement which details the measurable objectives (outputs), performance measures (KPI's), targets and activities that are aligned to the scorecards.
Political office bearer	Means Speaker, Executive Mayor, Mayor, Deputy Mayor or Member of Executive Committee as referred to in the Municipal Structures Act.
Quarters	Means any of the following periods in a financial year: (a) 1 July to 30 September (b) 1 October to 31 December (c) 1 January to 30 March (d) 1 April to 30 June
Scorecard	Is an evaluation device that specifies the criteria that stakeholders will use to rate performance in satisfying their requirements. Municipal scorecard: Five (5) year scorecard Organisational scorecard: Annual (year under review) scorecard with quarterly targets. Departmental scorecard: Annual (year under review) scorecard with quarterly targets for Municipal Manager and Managers directly accountable to the Municipal Manager.
Service Delivery budget and Implementation Plan	Means a detailed plan approved by the Mayor of a municipality in terms of section 53 (1) (c) and 54 (1) (c).
Target	Target to achieve for that indicator over a specified timeframe.

1.2 INTRODUCTION

A Municipality's Performance System (PMS) is the primary mechanism to monitor, review and improve the implementation of its IDP and to measure the progress made in achieving the objectives set out in the IDP. **In addition, a municipality's PMS must also facilitate increased accountability, learning, improvement, provide early warning signals and facilitate decision-making.**

The performance management system monitors actual performance against set targets and contractual obligations. Effective service delivery relies upon the IDP, efficient utilization of resources and the performance management system being closely integrated across all function at an organizational and individual level. This document sets out:

- The legislative mandate that the PMS needs to comply with;
- The definition of a PMS, its objectives and the principles that will inform its use and continuous improvement;
- The process proposed for reviewing and implementing organizational performance management; and
- The process proposed for reviewing and rolling out individual performance.

The organizational and individual performance management are linked. Once organizational objectives and targets have been set for the municipality, municipal departments and business units have to align their business plans to that of the organization. In turn, the individuals, business units and departments by achieving their objectives and targets, contribute towards the municipality achieving the objectives of the IDP.

1.3 LEGISLATIVE MANDATES

1.3.1 Municipal Systems Act (Act No. 32 of 2000)

Chapter 6, of the Municipal Systems Act of 2000, and specifically Sections 38 to 49, deals with organizational performance management. These legislative mandates require of all municipalities to;

- Development of a performance management system;
- Monitoring and review of performance management system
- Setting of key performance indicators and performance targets

- Publish annual report on performance for the benefit of the communities served by the municipality.
- Incorporate and report on a set of general key performance indicators prescribed nationally by the Minister responsible for local government.
- Auditing of performance measurement both internally and externally.
- Annual reporting on performance

Chapter 7 of the Municipal Systems Act deals with local public administration and human resources. In particular, section 57 of this Act requires that the Municipal Manager and Managers directly accountable to the Municipal Manager (i.e. section 57 employees) sign annual performance agreement. **An individual performance plan must be attached to the performance agreement and it must include the set of performance measures that will enable actual performance of individuals to be assessed against planned performance.**

1.3.2 Local Government: Municipal Planning and Performance Regulations, 2001.

These regulations spell out the performance management responsibilities of municipalities in more detail: They deal with:

- The nature of PMS
- The adoption of the PMS
- The setting of key performance indicators
- The general key performance indicators published by the Minister, which reflect the objective of developmental local government
- The review of the key performance indicators
- Setting performance targets
- Monitoring measurements and review of performance, internal auditing of performance measurements; and community participation.

These regulations further instruct a municipality to ensure that its performance management system;

- Complies with the requirements of the Act;
- Demonstrates how the system will operate and be managed from the planning stage up to the stages of performance and reporting;
- Clarifies the roles and responsibilities of each role player, including the local community, in the functioning of the system;
- Determines the frequency of reporting and the lines of accountability for performance.
- Relates to the municipality's employee performance management process;

- Provides for the procedure by which the system is linked to the municipality's IDP processes.

A performance management system must be adopted before or at the same time as the commencement by the municipality of the process of setting key performance indicators and targets in accordance with its integrated development plan.

The implementation of the performance management framework should allow the municipality to collect, process, organize, analyse, reflect and report on performance information. It should also allow the municipality to take practical steps to improve performance.

1.4 DEFINITION AND OBJECTIVES OF PERFORMANCE MANAGEMENT (PMS)

1.4.1 DEFINITION OF PMS

Performance management is defined as: “a strategic approach to management, which equips leaders, managers, employees and stakeholders at different levels with a set of tools and techniques to regularly plan, continuously monitor, periodically measure and review performance of the organization in terms of indicators and targets of efficiency, effectiveness and impact”

1.4.2 OBJECTIVES OF PERFORMANCE MANAGEMENT

The objectives of performance management are inter alia to:

1.4.2.1 Facilitate increased accountability

The PMS should provide a mechanism for increased accountability between:

- The citizens of the Local municipality and the Municipal Council;
- The political and administrative components of the Municipality; and
- The office of the Municipal Manager and each municipal department.

1.4.2.2 Facilitate learning and improvement

The PMS must provide a platform for learning and improvement. It should enable the municipality to assess which approaches and methods are having the desired impacts in this way enable the municipality to make necessary improvements that will lead to more effective service delivery. It should form the basis for monitoring implementation, evaluation and improving the IDP.

1.4.2.3 Provide early warning signals

The PMS should provide managers and supervisors at all levels, the Municipal Manager, portfolio committees, and the council with early warning of performance targets that are not going to be reached and thus adversely affecting the implementation of the IDP. It is important that the system informs decision-makers of areas of delivery that are lagging behind so that they can intervene and take corrective action

1.4.2.4 Facilitate decision making

The PMS should provide suitable management information that will allow for efficient, effective and informed decision making, particularly on the allocation of resources.

The objectives listed above are not exhaustive, but briefly summarise the intended benefits of the PMS that is to be reviewed and implemented. These intended objectives together with other criteria should be used to evaluate the PMS at the end of each financial year.

1.5 PRINCIPLES OF PERFORMANCE MANAGEMENT

The following principles are proposed to inform and guide the review and implementation of PMS:

1.5.1 Simplicity

The system must be a simple user friendly system that enables the municipality to operate it with its existing resources with the involvement of external stakeholders.

1.5.2 Politically driven

The legislation requires the PMS to promote a culture of performance management in the political structures. It further states that Council must manage the development of the PMS and assign responsibility in this regard to the Municipal Manager. Once developed, Council must adopt the PMS. This means that Council is the owner of the system and must therefore oversee the implementation and improvements of the system and in the process inculcate a culture of performance improvement as is required by the Municipal Systems Act.

1.5.3 Incremental implementation

One of the most important lessons learnt by the municipalities that have developed and implemented successful PMS is that it is an incremental process. They point out that the most important thing to do is to start measuring and reporting performance and not to carry on developing the "best system"- start with a basic system, implement it and then improve it incrementally. It is not possible to transform overnight from close to noncompliance to

international best practice. In practice it is only possible to move gradually towards a high performing organization.

1.5.4 Transparency and accountability

The process of managing performance should be inclusive, open, and transparent. Citizens should know how departments within the municipality are run, how resources are spent, and who is in charge of a particular service. Similarly, all information on the performance of departments should be available for other managers, employees, the public and interest groups.

1.5.5 Integration

The PMS should be integrated into other management processes in the municipality, such that it becomes a tool for more efficient and effective management rather than an additional reporting burden. It should be seen as a central tool for managing affairs of the municipality.

1.5.6 Objectivity

Performance management must be founded on objectivity and credibility. Both the process of managing performance and the information on which it relies need to be objective and credible.

1.5.7 Electronic Performance Management System (EPMS)

An electronic performance management system can be used to automate and simplify performance management. The system must be easy to use and must be accessible at all times. The EPMS must replicate the manual system.

1.5.8 PERFORMANCE MANAGEMENT MODELS

1.5.9 KEY PERFORMANCE AREA MODEL

In the **Key Performance Model**, the performance indicators are grouped together per KPA for example all the key performance indicators dealing with local economic development will be grouped together and those dealing with basic service delivery will be grouped together.

1.5.10 MUNICIPAL SCORECARD

In the **Municipal scorecard model**, the performance indicators are grouped together based on the type of indicators in other words all the input indicators will be grouped together into one category and the same with the process, output and outcome indicators.

1.5.11 BALANCED SCORECARD MODEL

In the **Balanced scorecard model**, the performance indicators are grouped together into four categories and perspectives namely; learning and growth; business process perspective; customer perspective and financial perspectives.

Currently the uMshwathi municipality is implementing the Key Performance Area model.

1.6 Delegation of Responsibilities

The Municipal Systems Act (2000) places the responsibility of adopting a Performance Management System (PMS) on the Council, while holding the Executive Committee responsible for the development and management of the system.

The Executive Committee of the uMshwathi Local Municipality delegates the responsibility for the development and management of the PMS to the Municipal Manager. The development of the system is a once-off activity and the Municipal Manager submits the system to the Mayor and his executive Committee, who in turn forwards it to the full council for approval. The responsibility of implementation and management of the system remains with the Municipal Manager as part of his core functions as provided in Section 55(1) of the Municipal Systems Act of 2000 who further delegates the day-to-day management of the System to the PMS unit.

1.7 Adoption of a Performance Management System

According to Regulation 8 of the Municipal Performance Regulations of 2001, the performance management system must be adopted before or at the same time as the commencement by the municipality of the process of setting key performance indicators and targets in accordance with its integrated development plan. Efforts will be made to comply with this regulation on an annual basis whereby the indicators and targets will be reviewed and this will coincide with the review and adoption of a reviewed system

2. PART TWO: ORGANISATIONAL PERFORMANCE MEASUREMENT

2.1.1 INTRODUCTION

At this level the performance of the municipality is measured and managed against the progress made in achieving the strategic objectives as set out in the IDP. This is done on the basis of the Key Performance Indicators set for each of the IDP objectives.

The measures set at this level should be strategic and mostly long-term with an outcome and impact focus. The IDP had a five-year time span and the measures set at this level must be captured in the organizational scorecard.

2.1.2 PLANNING

Performance planning commences with the development or review of the Integrated Development Plan, at the beginning of the term of Council or as part of the annual review of the IDP. The IDP in fact constitutes an important part of the PMS and it is important to integrate the work done during the review of the IDP into the PMS and to ensure that the PMS is an extension of the IDP – it is the tool that used for monitoring the implementation of the IDP.

The Municipal council will, as prescribed in its IDP process plan, adopt;

- The PMS framework;
- The municipal strategic scorecard which outlines IDP priorities and objectives;
- During the IDP process a corporate vision and mission was formulated for the uMshwathi Local Municipality, together with broad key performance areas (KPA's), development objectives and key performance indicators (KPI's) which feed into the vision and mission. It is now necessary to take this process further into the performance management system, by developing an organizational or strategic scorecard that will encompass all the relevant areas or concepts that will allow measurement of the performance of the organization using this scorecard. This will be done by using relevant concepts to populate the organizational and service scorecards of the uMshwathi Local Municipality. This process of developing the organizational and service/departmental scorecards will be followed every year after adoption of the IDP and the budget and after evaluation of the previous year scorecard or municipal performance.

- Organisational Scorecard Concepts

Step 1	Outline the National Key Performance Areas
Step 2	Formulate appropriate development objectives (IDP Objectives)
Step 3	Develop suitable Key Performance Indicators (KPI's)
Step 4	Provide baseline information
Step 5	Set targets for each KPI, per quarter
Step 6	Allocate responsibility to departments for execution of actions

Step 1: Setting out National Key Performance Areas (KPA's)

Outlining Key Performance Areas is the first step in the performance management process. According to the 5-Year Local Government Strategic Agenda, all municipalities are required to cluster their priority issues identified during the IDP development and review processes around the following KPA's:

- Basic Service delivery;
- Local Economic Development;
- Municipal Institutional Development & Transformation;
- Good Governance and Public Participation
- Municipal Financial Viability & Management.
- Cross cutting Issues

Step 2: Formulating Appropriate Development Objectives

The next step involves the setting of at least a maximum of five (5) Strategic Objectives per KPA. An objective is a measurable statement of intent, measurable either quantitatively or qualitatively. It's a series of elements of the vision or mission broken down into manageable quantities.

There is no hard-and-fast rule about how many objectives to set, but it is important to make it manageable and realistic and it is therefore advisable to limit the number of objectives that are developed for each KPA.

Step 3: Developing Suitable Key Performance Indicators (KPIs)

The next step involves determining necessary Key Performance Indicators for each Strategic objective, which define what needs to be measured in order to gauge progress towards achieving the development objectives discussed in the previous step. KPI's must be measurable, relevant, simple and precise. They simply define how performance will be measured along a scale or dimension (e.g. number of houses to be built).

KPI's are used to:

- Communicate the achievements and results of the municipality.
- Determine whether a municipality is delivering on its developmental mandate.
- Indicate whether the organisational structure of a municipality is aligned to deliver on its development objectives.
- Promote accountability by the council to its electorate.

Whenever a municipality amends or reviews its IDP in terms of section 34 of the Municipal Systems Act, the municipality must, within one month of its IDP having been amended, review those KPI's that will be affected by such amendment.

The Performance Regulations of 2001 prescribes two core local government indicators. Municipal indicators which are set by following this step, and national general indicators have been set by the National Minister.

The municipality's scorecard must incorporate both indicators. The National General indicators are prescribed in terms of Section 43 of the Municipal Systems Act and provided for in Regulation 10 of the 2001 Performance Regulations and are as follows:

- a. the percentage of households with access to basic level of water, sanitation, electricity and solid waste removal;
- b. the percentage of households earning less than R1100 per month with access to free basic services;
- c. the percentage of the municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plan;
- d. the number of jobs created through the municipality's local, economic development initiatives including capital projects;
- e. the number of people from employment equity target groups employed in the three highest levels of management in compliance with the municipality's approved employment equity plan;
- f. the percentage of the municipality's budget actually spent on implementing its workplace skills plan; and
- g. the municipality's financial viability as expressed by the ratios for debt coverage, outstanding service debtors to revenue and cost coverage.

Step 4: Determining Baseline Indicators

Once the indicators are set in the scorecard, the next step is to determine the baseline indicator. A baseline indicator is the value (or status quo) of the indicator prior to the period over which performance is to be monitored and reviewed. However, since baselines can only be determined in the last quarter every year, the quarter 3 actuals will be used as baselines when preparing the new year indicators, since the preparation commences before the monitoring year ends in instances where baselines cannot be established. When quarter 3 actual is not applicable (N/A) or not reported, bi-annual actual will be used as a baseline. The baseline reported at the end of the monitoring period will then be updated/corrected during the mid-term amendment process of the SDBIP.

Step 5: Setting Performance Targets

The next step is to set performance targets for each identified KPI. Performance targets should comply with the “SMART” criteria:

- Specific: the nature and the required level of performance can be clearly identified
- Measurable: the required performance can be measured
- Achievable: the target is realistic given existing capacity
- Relevant: the required performance is linked to the achievement of a goal
- Time-bound: the time period or deadline for delivery is specified

Target dates for the completion of actions should be set in conjunction with those Departments responsible for their achievement. It is important to be realistic in the setting of target dates. If realistic dates are not set the departments concerned create false expectations and also set themselves up for failure.

Step 6: Allocating Responsibility

It is also necessary to decide who takes responsibility for what actions. In the case of the organisational scorecard responsibility would be allocated to a Department. In regard to departmental and other lower echelon scorecards a name must be placed against indicator. This is also a way of cascading the responsibility from the strategic level down to the operational level and from the organisational objectives right down to individual performance monitoring. In this way individual employees can exactly know what their roles are in achieving the strategic objectives.

- Service Delivery Budget and Implementation Plan (SDBIP's) which outlines municipal initiatives, programmes, projects, services, key performance indicators, performance targets and budget summaries.
 - Developing and Adoption of the Service Delivery and Budget Implementation Plan ("the SDBIP")

The 5 year IDP and the annual reviews result in the development of the Service Delivery and Budget Implementation Plans (SDBIP) on an annual basis. The SDBIP gives effect to the Integrated Development Plan (IDP) and the budget of the municipality and is effective if the IDP and budget are fully aligned with each other, as required by the Municipal Finance Management Act. The budget gives effect to the strategic priorities of the municipality and is not a management or implementation plan. The SDBIP therefore serves as a "contract" between the administration, council and the community expressing the goals and objectives set by the council as quantifiable outcomes that can be implemented by the administration over the next twelve months. This provides the basis for measuring performance in service delivery against end of year targets and implementing the budget.

The Municipal Manager is responsible for the preparation of the SDBIP, which must be submitted to the Mayor for approval once the budget has been approved by the council. However, the Municipal Manager should start the process to prepare the first draft of the SDBIP no later than the tabling of the first draft budget to Exco. As per Section 53 (C) ii the municipality's service delivery and budget implementation plan is approved by the Mayor within 28 days after the approval of the budget.

The Municipal Systems Act, Section 57 (2) (a) (ii) states that the performance agreement must be concluded annually within one month after the beginning of each financial year of the municipality.

The SDBIP requires a detail of five necessary components and these are:

- Monthly projections of revenue to be collected for each source;
- Monthly projections of expenditure (operating and capital) and revenue for each vote;
- Quarterly projections of service delivery targets and performance indicators for each vote;
- Ward/Local Municipality information for expenditure and service delivery; and
- Detailed capital works plan broken down by ward/Local Municipality over three years.

- From the above detail, it is clear that the IDP informs the municipality's scorecard concepts by delivering the KPA's, strategic objectives, high-level indicators and targets. These concepts are the ones that make up the organizational scorecard and the SDBIP.

The municipality must involve the community in the development of the performance management system, setting of key performance indicators and performance targets in accordance with section 9 and 15 of the Local Government: Municipal Planning and Performance Regulations, 2001.

2.1.3 PERFORMANCE IMPLEMENTATION

The actual implementation and operation of the PMS occurs simultaneously with the implementation of the IDP. The implementation of the IDP over a single financial year is given effect through the Service Delivery Budget and Implementation Plan, (SDBIP), scorecards; performance contracts of the Municipal Manager other section S57 Managers. The Service Delivery Budget and Implementation Plan (SDBIP) is the implementation tool used to align the budget to the IDP. The focus of the SDBIP is both financial and non-financial measurable performance objectives in the form of service delivery targets and other performance indicators.

The SDBIP is essentially the management and implementation tool which sets in-year information, such as quarterly service delivery and monthly budget targets, and links each service delivery output to the budget of the municipality, thus providing credible management information and a detailed plan for how the municipality will provide such services and inputs and financial resources to be used.

The key performance areas and indicators of performance contained in the organizational scorecard are cascaded into departmental scorecards, and further into individual scorecards which ensure the appropriate alignment between organizational and individual performance.

2.1.4 PERFORMANCE MEASUREMENT

Measurement occurs when value is ascribed to costs, resources and time used to produce output using input indicators. It indicates the extent to which the municipality's activities and processes produced outputs in accordance with the identified output indicators. It measures the total improvement brought about by outputs in accordance with outcome indicators.

2.1.5 PERFORMANCE MONITORING

Monitoring is a continuous process of measuring, assessing, analyzing and evaluating the performance of the organization and departments with regard to KPI's and targets. The municipality must develop mechanisms, systems and processes for monitoring performance.

The monitoring framework must:

- Identify the roles of the different role players in monitoring and measuring the municipality's performance;
- Provide for reporting to the municipal council at least twice a year;
- Be designed in a manner that enables the municipality to detect early indications of under-performance;
- Provide for corrective measures where under-performance has been identified.

2.1.6 PERFORMANCE REVIEW

Review includes assessment of the system itself, the framework, targets, and performance targets of departments and performance measurements of employees. It identifies the strengths, weaknesses, opportunities and threats of the municipality in meeting key performance indicators, performance targets and general key performance indicators. **It also measures the economy, efficiency, effectiveness in the utilization of resources and impact in so far as performance indicators and targets set by the municipality are concerned.** Performance improvement and adjustment is based on review. The municipality should ensure that the community participates in the review process.

2.1.6.1 Amending the Individual Performance Plan/scorecard at the Mid-Year Review

- At the mid-year review, amendments may be made to the employee's performance scorecard. These amendments may be affected if:
 - Baselines and targets were not finalised at the start of the new performance cycle. These should be finalised and signed off at the mid-year review;
 - The achievement or non-achievement of the particular KPI will be out of the employee's/team's span of control (e.g. the budget has been pulled from the project);
 - The municipality has changed its scorecard, and the achievement of the KPI is no longer strategically important.

Any amendments must be reflected on a new performance scorecard, developed in accordance with the procedure outlined above. The Director/Municipal Manager will be reviewed and rated on the amended

2.1.7 PERFORMANCE AUDITING

The Municipal Planning and Performance Management Regulations, 2001, requires the municipality to develop and implement mechanisms, systems, and processes for auditing the results of the performance measurements as part of its internal auditing processes. This is meant to ensure that performance information collected by the municipality is verifiable, reliable and correct.

2.1.8 PERFORMANCE REPORTING

Reporting requires the municipality to take the priorities, its performance objectives, indicators, targets, measurements and analysis, and present this information in a simple and accessible format, relevant and useful to the specified target group, for review. Performance management in local government is a tool to ensure accountability of the;

- Municipality to Citizens and Communities
- Executive Committee to Council
- Head of Administration (Municipal Manager) to the Executive Committee
- Executive Management to the Head of Administration (Municipal Manager)
- Line/ Functional Management to Executive Management and:
- Employees to the Organisation (Municipality)

2.1.9 IMPROVING PERFORMANCE

While good and excellent performance must also be constantly improves to meet the needs of citizens and improve the quality of life, it is poor performance in particular that needs to be improved. It is important to analyse the causal and contributory reasons for poor performance and appropriate response strategy should be chosen among the following:

- Training and sourcing additional capacity can be useful where skills and capacity shortages are identified.
- Change management and educational programmes to address organizational culture;
- The revision of strategy by key decision makers to address shortcomings in the strategy;
- Consideration of alternative service delivery strategies can be explored.

2.1.10 INTERNAL AUDIT

The Regulations provides that the internal audit activity must include assessment of the following:

- The functionality of the municipality's performance management system;
- Whether the performance managements system complies with the relevant provisions of the Municipal Systems Acts, 2000
- On a continuous basis, audit the performance measurements of the municipality;
- Submit quarterly reports on their audits to the Municipal Manager and Performance Audit Committee.

2.1.11 EXTERNAL AUDITING

The results of performance measurements must be audited annually by Auditor- General.

2.1.12 PERFORMANCE AUDIT COMMITTEE

2.1.12.1

The regulations further provides for the creation of a Performance Audit Committee:

- The municipality must annually appoint and budget for a Performance Audit Committee of at least three members, the majority of which cannot be a Councillor or official of the municipality;
- Any external member of the committee may be remunerated in line with tariffs determined by the South African Institute of Chartered Accountants;
- The Performance Audit Committee must meet at least twice during the financial year, but a special meeting may be called by any member of the committee.

2.1.12.2

The roles and responsibilities of the Performance Audit Committee are the following;

- Review the quarterly reports submitted to it by Internal Audit;
- Review the municipality's performance management system and make recommendations in this regard to the council of the municipality;
- In its review of the system, focus on economy, efficiency, effectiveness and impact of the KPI's and targets set; and
- Submit an audit report to the municipal council twice during the financial year

2.1.12.3

In order to fulfill their functions, a Performance Audit Committee may:-

- Communicate directly with the Council, Municipal Manager or internal Auditors of the municipality;
- Access any municipal records containing information that is needed to perform its duties or exercise its powers;
- Request any relevant person to attend any of its meetings, and if necessary to provide information needed by the committee; and
- Investigate any matters it deems necessary for the performance of its duties and exercise of its powers.

2.1.12.4

The composition of the Performance Audit Committee should ensure that the following competencies are sufficiently catered for within the group:

- Expertise in performance management
- Expertise in finance
- An understanding of the development planning; and
- Credibility within all communities or organs of civil society within the municipality.

3 PART THREE: INDIVIDUAL PERFORMANCE

3.1 INTRODUCTION

At this level, the performance of individuals is measured against personal performance targets set in their scorecards. These targets are also linked to the IDP and relevant department's SDBIP, in this way ensuring that performance management at the various levels is linked and integrated.

3.2 SECTION 54 AND 56 EMPLOYEES

3.2.1 The performance agreements of the Municipal Manager and Managers directly reporting to the Municipal Manager, is the cornerstone of individual performance management.

3.2.2 In terms of Section 57 of the Municipal Systems Act, these employees are required to sign a performance agreement within sixty days after assuming duty and then within one month after commencement of the new financial year.

3.2.3 The performance agreement should be informed by the departmental and municipal scorecards and the content of the performance agreement should include the following:

- The legal agreement to be signed by the employer and the employee;
- A performance plan containing key activities, key performance indicators, performance targets (outputs) and the weighting of each output.
- A personal development plan that identifies the competencies and other development needs of the employee, as well interventions to improve these.

3.2.4 The criteria upon which the performance of the employee must be assessed consists of two components, both of which must be contained in the performance agreement. The employee must be assessed against both components, with a weighting of 80:20 allocated to the **key performance areas (KPA's)** and the **Leading & Core Competency requirements (LCR's)**, respectively. Each area of assessment will be weighted and will contribute a specific part to the total score. KPA's covering the main areas of work account of 80% and LCR's will account for 20% of the final assessment.

3.2.5 The employee's performance will be used on his or her performance in terms of outputs/outcomes (performance indicators) identified as per the performance plan which are linked to the KPA's, which weightings agreed to between the employer and employee.

3.3 PERFORMANCE REVIEWS

3.3.1 The performance of the employee in relation to his or her performance agreement must be reviewed quarterly, with the understanding that reviews in the first and third quarter may be verbal if performance satisfactory.

3.3.2 The employer must keep a record of the mid-year review and annual assessment meetings.

3.3.3 The performance feedback must be based on the employer's assessment of the employee's performance.

3.3.4 The employer will be entitled to review and make reasonable changes to the provisions of the performance plan from time to time for operational reasons on agreement between both parties.


3.3.5 The employer may amend the provisions of the performance plan whenever the performance management system is adopted, implemented and or amend as case may be on agreement between both parties.

3.3.6 Portfolio of evidence: The PMS Unit has taken the responsibility to scrutinise and review POEs of evidence to ensure its alignment with reported information before final submissions to the Internal Audit unit for quality purposes.

3.3.7 Performance Rating

When the target is met, it is assessed with a green face 

When target is still in progress it is assessed with progress face 

The red face indicates that the target was not met. 

3.4 MANAGEMENT OF EVALUATION OUTCOMES

3.4.1 Evaluation of the employee’s performance will form the basis for rewarding outstanding performance or correcting unacceptable performance.

3.4.2 A performance bonus ranging from 5% to 14% of the all-inclusive remuneration package may be paid to an employee in recognition of outstanding performance. In determining the performance bonus, the relevant percentage is based on the overall rating, calculating by using the applicable assessment rating calculator provided that;

- a score of 130% TO 149% is awarded a performance bonus ranging from 5% to 9%; and
- a score of 150% and above is awarded a performance bonus ranging from 10% TO 14%.
- The table herewith stipulates the guidelines on the exact % paid out according to the scores achieved:

Score achieved	Bonus paid
130% – 135%	5%
136% - 140%	7%
141% - 143%	8%
144% - 149%	9%
150% - 155%	10%
156% - 160%	12%
161% and above	14%

- Rewarding of Performance for Section 56 employees is done after the tabling of the annual performance report and the financial audited statements in February annually.

3.4.2 In the case of unacceptable performance, the employer shall:

- Provide systematic remedial or developmental support to assist the employee to improve his or her performance; and
- After appropriate performance counseling and having provided the necessary guidance and or support and reasonable time for improvement in performance, and performance does not improve, the employer may consider steps to terminate the contract of employment of the employee on grounds of unfitness or incapacity to carry out his or her duties.

4 PART FOUR: REVIEW AND IMPROVEMENT OF THE PMS

4.1 A logical point of departure in reviewing and evaluating the effectiveness of the PMS is to establish to what extent the system is compliant with legal mandates and to what extent it is moving beyond compliance towards best practice.

4.2 Furthermore, the review of the PMS will need to be done with the participation of the users of the system. During this evaluation it will be necessary to examine the effectiveness of the system in all its phases and to identify areas of improvement by taking into account:

- The experiences in the application of the system;
- Best practices in other municipalities; and
- International trends in public sector performance management.

5 REPORTING LINES AND FREQUENCY OF REPORTING (ROLES AND RESPONSIBILITIES)

It is important to clarify the roles and responsibilities of employees and stakeholders in the performance management cycle. The roles and responsibilities of the main role players of the performance management cycle are set out in the table below:

Role players	Performance planning	Performance review	Performance reporting	Performance audit
Municipal Council	<ul style="list-style-type: none"> - Adopt priorities and objectives of the IDP; - Adopt the municipal strategic scorecard that includes key performance targets; - Assigns the responsibilities for the management of the PMS to the Mayor 	<ul style="list-style-type: none"> - Approves the annual review of the programme of IDP, including review of KPI's and performance targets; - Approves the annual improvement measures of the municipality's part of the new municipal strategic scorecard; - Approves the changes to priorities, objectives, key performance indicators and targets of the municipality 	<ul style="list-style-type: none"> - Report the municipality's performance to the community; - Approves the recommendations for the improvement of PMS; - Annually receive the appraisal of the Municipal Manager and other Section 57 employees; - Submit the municipal annual report to Auditor-general and the MEC 	<ul style="list-style-type: none"> - Approve the municipal annual audit plan and substantial changes to it; - Receive performance reports from the PAC; - Approves the implementation of the recommendations of the PAC; - Receive performance audit report from the AG.

Role Player	Performance planning	Performance review	Performance reporting
Mayor	<ul style="list-style-type: none"> - Submit priorities and objectives of the IDP to Council for approval; - Submits municipal strategic or organizational scorecard to Council for approval; - Approves the SDBIP; - Enters into a performance agreement with the Municipal Manager on behalf of municipal council; - Assigns responsibilities for the management of the PMS to the Municipal Manager; - Tables the budget and the SDBIP to Council for approval. 	<ul style="list-style-type: none"> - Proposes to Council the annual review programme of the IDP, including the review of the KPI's and targets; - Proposes the annual performance measurements of the municipality as part of the municipal strategic or organizational scorecard; - Quarterly evaluates the performance of the municipality against the adopted KPI's and targets; - Quarterly and annually evaluates the performance of the Municipal Manager. 	<ul style="list-style-type: none"> - Receives performance reports quarterly from the Internal auditor; - Receives the annual section 46 reports from the Municipal Manager before submission to Council, AG and the MEC; - Report to Council on the mid-term review and the annual performance report; - Reports to Council on recommendations for the improvement of the PMS.

Role player	Performance Planning	Implementation	Performance review	Performance reporting	Performance audit
Municipal Manager	<ul style="list-style-type: none"> - Coordinates the process of needs identification and prioritization among all stakeholders, including the community; - Coordinate the formulation and revision of the PMS framework; - Coordinate the formulation of the organizational scorecard that includes KPI's and targets; - Leads the process of the formulation and revision of the departmental scorecards; - Enters into a performance agreement with section 57 managers on behalf of Council. 	<ul style="list-style-type: none"> - Manage the overall implementation of the IDP; - Ensure that all role players implement the provisions of the PMS framework; - Ensure that departmental scorecards and departmental annual programmes serve the strategic scorecard of the municipality; - Implement performance improvement approved by Council; - Ensure that performance objectives in section 57 manager's performance agreements are achieved. 	<ul style="list-style-type: none"> - Formulate the annual review programme of the IDP, including the review of KPI's and targets for consideration by Council; - Formulate the annual performance improvement measures of the municipality as part of the review of the strategic scorecard; - Quarterly review performance of department to improve economy, efficiency and effectiveness of the municipality; - Quarterly and annually evaluate the performance of section 57 manager's 	<ul style="list-style-type: none"> - Receive quarterly performance reports from Internal Audit; - Receive performance reports at least twice from PAC; - Receive monthly departmental reports; - Report quarterly to Council on the performance of the departments; - Report on the implementation of improvement measures adopted by Council; - Annually report on the performance of section 57 Manager's; - Submit the municipal annual report to Council.- 	<ul style="list-style-type: none"> - Formulate responses to the recommendations of Internal Audit and PAC; - Formulate responses to the performance audit report of the AG and recommend to Council.

Role players	Performance planning	Implementation	Performance review	Performance reporting	Performance audit
Heads of department	<ul style="list-style-type: none"> - Participate in the formulation of the municipal strategic scorecard that includes KPI's and targets; - Develop departmental scorecards; - Develop departmental annual plans; - Manage performance of subordinate staff; - Enter into performance agreement with the Municipal Manager 	<ul style="list-style-type: none"> - Manage the implementation of the departmental scorecards; - Ensure that annual programmes are implemented according to targets and timeframes agreed upon; Implement measures approved by Council; - Manage the implementation of subordinate's performance measurement system; - Ensure performance objectives in the performance agreement are achieved. 	<ul style="list-style-type: none"> - Participate in the formulation of the annual review programme at the IDP, including the review of KPI's and targets; - Quarterly review the performance of the department to improve the economy, efficiency and effectiveness of the municipality; - Quarterly and annually evaluate the performance of the department. 	<ul style="list-style-type: none"> - Submit quarterly departmental performance reports; - Report on the implementation on improvement measures adopted by Council; - Annually report on the performance of the department. 	<ul style="list-style-type: none"> - Participate in the formulation of the responses to the recommendations of internal audit and PAC; - Participate in the formulation of the responses to performance audit report of AG and recommend to Council.

Role player	Planning	Implementation	Review	Reporting
Municipal Officials	<ul style="list-style-type: none"> - Participate in the development of departmental scorecards and annual plans; - Participate in the development of their own performance measures 	<ul style="list-style-type: none"> - Execute individual work plans/scorecards 	<ul style="list-style-type: none"> - Participate in the review of departmental plans; - Participate in the review of own performance 	<ul style="list-style-type: none"> - Report to line Managers.
Internal Audit	<ul style="list-style-type: none"> - Participate in the formulation of the annual audit plan. 		<ul style="list-style-type: none"> - Measure the performance of departments according to KPI's and targets set in the scorecard; - Assess the functionality of the PMS; - Ensure that the system complies with the Act; - Audit the performance measurements in the municipal scorecard and departmental scorecard. 	<ul style="list-style-type: none"> - Submit quarterly reports to the Municipal Manager; - Submit quarterly reports to the PAC.
Performance Audit Committee	<ul style="list-style-type: none"> - Make inputs and recommendations on the annual audit plan. 		<ul style="list-style-type: none"> - Review quarterly reports from the Internal Audit; - Participate in the review of KPI's and performance target. 	<ul style="list-style-type: none"> - Report at least twice to Council;
Ward Committees			<ul style="list-style-type: none"> - Participate in the review of KPI's and performance targets 	<ul style="list-style-type: none"> - Receive reports from Council twice year.

6 REPORT PREPARATION

Report	Purpose of report	Reporting structure					
		HOD's	Municipal Manager	Internal Audit	PAC	Executive Committee	Council
1 st report	<ul style="list-style-type: none"> - Review of KPI's - Audit performance measurement; - Report on adjustments made of the basis of previous report. 	Oct	Oct	Nov	Nov	Nov	Dec
2 nd report	<ul style="list-style-type: none"> - Review of KPI's; - Review functionality of PMS; - Verify compliance with the Act; - examine reliability of performance measurements; - Report adjustments made on the previous report 	Jan	Jan	Feb	Feb	Feb	Feb
3 rd report	<ul style="list-style-type: none"> - Review of KPI's ; - Audit performance measurements; - Report on adjustment made on the previous reports. 	April	April	May	May	May	May
4 th report	<ul style="list-style-type: none"> - Review of KPI's; - Review functionality of PMS; - Verify compliance with the Act; - examine reliability of performance measurements; - Report adjustments made on the previous report 	July	July	August	August	August	August

CONCLUSION

The proposed performance management framework is aimed at guiding Council in the development and implementation of performance management system which will contribute to improving the municipal performance and enhance service delivery. The framework is drafted to provide details which describes and represents how the municipality's cycle namely: performance planning, monitoring, measurement, review, reporting and improvement will be conducted, managed, including determining their roles of different role players.