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# **Emthanjeni Municipality**

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## **Performance Management Policy**

February 2011

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## 1. Introduction

### 1.1 What constitutes performance management?

A performance management system means a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review and reporting will happen and be organised and managed, while determining the roles of different role-players.

Furthermore, performance management is the setting and measurement of desired outcomes and activities of an organisation, the organisations' individual components, and the staff who contributes to the achievement of its strategic vision. It is a multi-level process that starts with an overall strategy and cascades into individual performance management and appraisal.

### 1.2 Purpose of the policy

The Municipal Systems Act of 2000 and the Municipal Performance Regulations, provide for the establishment and implementation of a performance management system for each and every municipality in South Africa. In order to comply with legislation and to improve on good governance and service delivery it is essential for the municipality to adopt a policy on performance management.

The performance management policy will provide guidance in terms of the municipality's cycle and processes of performance planning, monitoring, measuring, reviewing, reporting, auditing and quality control.

This Policy aims to:

- Clarify definitions and standards for performance information in support of regular audits of such information where appropriate
- Improve integrated structures, systems and processes required to manage performance information
- Define roles and responsibilities for managing performance information
- Promote accountability and transparency by providing municipal councils and the public with timely, accessible and accurate performance information.

This document is a revised document of the Framework adopted by Council during 2009 in order to bring it in line with the latest legal requirements pertaining to an Integrated Performance Management System (PMS).

## 2. Policy and Legislative Framework for Performance Management

The following policy and legislative provisions govern performance management in the local government sphere:

### 2.1 The White Paper on Local Government (1998)

The White Paper on Local Government (1998) suggested that local government should introduce the idea of *performance management systems*. The white paper noted that,

*"Involving communities in developing some municipal key performance indicators increases the accountability of the municipality. Some communities may prioritise the amount of time it takes a municipality to answer a query, others will prioritise the cleanliness of an area or the provision of water to a certain number of households. Whatever the priorities, by involving communities in setting key performance indicators and reporting back to communities on performance, accountability is increased, and public trust in the local government system enhanced" (The White Paper on Local Government, 1998).*

### 2.2 Batho Pele (1998)

Similarly, the White Paper on Transforming Public Service Delivery (Batho Pele) puts forward eight principles for good public service:

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### 2.2.1 Consultation:

Citizens should be consulted about the level and quality of public service they receive, and, where possible, should be given a choice about the services, which are offered.

### 2.2.2 Service standards:

Citizens should be informed about what level and quality of services the municipality can provide so that they know what standard to expect.

### 2.2.3 Access:

All citizens should have equal access to the services to which they are entitled.

### 2.2.4 Courtesy:

Citizens should be treated with courtesy and consideration.

### 2.2.5 Information:

Citizens should be given full, accurate information about the public services they are entitled to receive.

### 2.2.6 Openness and transparency:

Citizens should know how departments are run, how resources are spent, and who is in charge of particular services.

### 2.2.7 Redress:

If the promised standard of service is not delivered, citizens should be offered an apology, a full explanation and a speedy and effective remedy; and when complaints are made citizens should receive a sympathetic, response.

### 2.2.8 Value-for-money:

Public services should be provided economically and efficiently in order to give citizens the best possible value-for-money.

*"Importantly, the Batho Pele White Paper notes that the development of a service-oriented culture requires the active participation of the wider community. Municipalities need constant feedback from service-users if they are to improve their operations. Local partners can be mobilised to assist in building a service culture. For example, local businesses or non-governmental organisations may assist with funding a helpline, providing information about specific services, identifying service gaps or conducting a customer survey" - The White Paper on Local Government (1998).*

## 2.3 The Municipal Systems Act (2000)

The Municipal Systems Act, 2000 (Act 32 of 2000) addresses the concepts and principles of accountability in Sections 4, 6, and 8. Section 11(3) specifically states that a municipality exercises its executive or legislative authority by, inter alia, "the setting of targets for delivery; monitoring and regulating municipal services provided by service providers; monitoring the impact and effectiveness of any services, policies, programmes or plans; and establishing and implementing performance management systems."

Chapter 6 of the Systems Act deals specifically with performance management in local government.

In terms of Section 38, a municipality must establish a Performance Management System (PMS); promote a culture of performance management among political structures, political office bearers & councillors and its administration, and administer its affairs in an economical, effective, efficient and accountable manner.

Section 39 stipulates that the Executive Mayor is responsible for the development of a PMS, for which purpose they may assign responsibilities to the Municipal Manager. The Executive Mayor is also responsible for submitting the PMS to Council for approval. Section 40 stipulates that a Municipality must establish mechanisms with which to monitor and review the PMS.

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In terms of Section 41, the core components of a PMS are to (i) set Key Performance Indicators (KPIs), (ii) set measurable performance targets (PTs), (iii) monitor performance & measure and review annually, (iv) take steps to improve performance, and (v) establish a process of regular reporting.

Section 42 requires that the community, in terms of the provisions of Chapter 4 of the Act, which deals with Public Participation, should be involved in the development, implementation and review of the PMS, and also that the community be involved with the setting of KPIs & PTs for the municipality. In terms of section 43 the general key performance indicators to be applied by all municipalities may be prescribed by regulation.

Section 44 stipulates that the KPIs and PTs in the PMS of the municipality must be made known both internally and externally in a manner determined by the Council.

In terms of section 45, the results of the performance measurement must be audited as part of the internal auditing processes and annually by the Auditor General. Section 46 also requires that the municipality prepare an Annual Performance Report consisting of a (i) performance report, (ii) financial statements; (iii) audit report on financial statements; and (iv) any other reports in terms of legislative requirements (Chapter 12 Section 121 of the MFMA). The Annual Report must be tabled within one month of receiving the audit report. In terms of section 46(3) the Municipal Manager must give proper notice of meetings at which the Annual Report will be tabled and submit information on same to the Auditor General & the MEC for Local Government. Section 46(4) stipulates that a Municipality must adopt the Annual Report and make copies available within 14 days, to the Auditor General, the MEC for Local Government and any others as may be prescribed by regulation.

### 2.4 Municipal Planning and Performance Management Regulations (2001)

The Municipal Planning and Performance Management Regulations set out in detail requirements for municipal performance management systems. The regulations make provision for the following aspects of the PMS:

- The framework that describes and represents the municipality's cycle and processes for the PMS and other criteria and stipulations [S7], and the adoption of the PMS [S8];
- The setting and review of Key Performance Indicators (KPIs) [S9 & 11];
- The General KPIs which municipalities have to report on [S10], and which include:
  - (i) Households with access to basic services
  - (ii) Low income households with access to free basic services
  - (iii) Capital budget spent in terms of the IDP
  - (iv) Job creation in terms of the LED programme
  - (v) Employment equity with target groups in the three highest levels of management
  - (vi) The implementation of work skills plan
  - (vii) The financial viability of the municipality.
- The setting of performance targets, and the monitoring, measurement and review of performance [S 12, 13];
- Internal Auditing of performance measurements [S14];
- Community participation in respect of performance management [S15]

### 2.5 Municipal Finance Management Act (2003)

The Municipal Finance Management Act (MFMA) of 2003 requires that municipalities prepare a Service Delivery and Budget Implementation Plan (SDBIP) as an implementation and management tool to ensure that budgetary decisions that are adopted by municipalities for the financial year are aligned with their Integrated Development Plan.

Section 1 of the Municipal Finance Management Act (MFMA) No. 56 of 2003 defines the "service delivery and budget implementation plan" as the detailed plan approved by the mayor of the municipality in terms of

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Section 53 (1) (c) (ii) for implementing the municipality's delivery of municipal services and its annual budget and which must include the following:-

- a) Projections of each month of-
  - (i) revenue to be collected, by source; and
  - (ii) operational and capital expenditure, by vote;
- b) Service delivery targets and performance indicators for each quarter; and
- c) Any other matters that may be prescribed, and includes any revisions of such plan by the mayor in terms of section 54(1)(c).

In terms of Section 53 (i)(c)(ii) of the MFMA, the SDBIP must be approved by the Mayor of a municipality within 28 days of the approval of the budget.

MFMA Circular 13 specifically addresses the detail of an SDBIP. The SDBIP serves as a "contract" between the administration, council and the community to deliver on the services outlined in the SDBIP and to manage the finances of the Municipality in a transparent and accountable manner. Not only will the SDBIP serve as an appropriate monitoring tool in the execution of the Municipality's budget to achieve key strategic priorities as set by the Integrated Development Plan (IDP), but will also serve as an essential part of the annual performance contracts for senior management and provide a foundation for the overall annual and quarterly organizational performance.

### **2.6 Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers (2006)**

According to the regulations the Municipal Manager and Managers directly accountable to the Municipal Manager must sign Performance Agreements based on the contents of the SDBIP.

These regulations seek to set out how the performance of Municipal Managers and Managers directly accountable to Municipal Managers will be uniformly directed, monitored and improved. The regulations include the following:

- Chapter 2 deals with the requirements and provisions of the employment contracts;
- Chapter 3 deals with the performance agreements, which must include prescribed Key Performance Areas and Core Competency Requirements.
- Chapter 4 deals with the content of a Job Description for Municipal Managers.

## **3. Objectives of a Performance Management System**

Beyond the fulfilling of legislative requirements, the municipality requires a performance management system that will be constituted as the primary mechanism to monitor, review and improve the implementation of the municipality's IDP.

The municipality seeks to create an efficient and effective PMS:

### **3.1 Facilitate strategy development**

Translate the municipality's vision, mission and IDP into clear measurable outcomes, indicators and performance levels that define success, and that are shared throughout the municipality and with the municipality's customers and stakeholders.

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### 3.2 Facilitate increased accountability

The performance management system should provide a mechanism for ensuring increased accountability between

- The citizens of the municipality and the municipal council;  
The political and administrative components of the municipality.

### 3.3 Facilitate learning and improvement

While ensuring that accountability is maximised, the performance management system must also provide a mechanism for learning and improvement. It should allow for the municipality to know which approaches are having the desired impact, and enable the municipality to improve delivery. It should form the basis for monitoring, evaluating and improving the IDP.

### 3.4 Provide early warning signals

The performance management system should provide managers, the Municipal Manager and Council with early warning of risks to full implementation of the IDP. It is important that the system ensures decision-makers are timeously informed of risks, so that they can facilitate intervention, if necessary.

### 3.5 Create a culture of best practices

The establishment and sharing of best practices to improve municipal performance. It also includes measures of quality, cost, speed, customer service, and employee alignment, motivation, and skills to provide an in-depth, predictive PMS.

### 3.6 Facilitate decision-making

The performance management system should provide appropriate management information that will allow efficient, effective and informed decision-making, particularly on the allocation of resources.

The functions listed above are not exhaustive, but summarise the intended benefits of the performance management system to be developed and implemented. These intended functions should be used to evaluate the performance management system, periodically.

These above goals are aligned with the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) and the guidelines of the Department of Development Planning and Local Government.

## 4. Principles Governing Performance Management

The process of developing a performance management system for the municipality was guided by the following principles:

### 4.1 Simplicity

The system will need to be kept as simple as possible to ensure that the municipality can develop, implement, manage and review the system without placing an unnecessarily great burden on the existing capacity of the municipality.

### 4.2 Politically acceptable and administratively managed

The system must be acceptable to political role players on all levels. It must also be flexible enough to be accepted by the municipal council. The process will involve both Councillors and officials but the day-to-day

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management of the process will be managed administratively with regular report back on progress to the political level.

### 4.3 Implementable

Considering the resource framework of the municipality, the PMS should be implementable with these resources, which will include time, institutional, financial, and technical resources.

It is important that while a holistic performance management system will be proposed, the municipality could adopt a phased approach to implementation, dependent on the capacity and resources of the municipality. It is also important to note that municipal performance management is a new concept without definitive solutions. The performance management system will need to be constantly improved based on its workability.

### 4.4 Transparency and accountability

The development and implementation of a PMS should be inclusive, transparent and open. The general public should, through the system, be made aware of how the operations of the municipality are being administered, how the public resources are being spent and who certain responsibilities belong to.

### 4.5 Efficient and sustainable

The PMS should, like other services within the municipality, be cost effective, professionally administered, and needs to happen in a sustainable manner.

### 4.6 Public participation

The constituents of the municipality should exercise their legal rights, in terms of the Constitution and the Municipal Systems Act through public participation during the development and implementation of a PMS.

### 4.7 Integration

The PMS should be developed and implemented in such a manner that it will be integrated with the integrated development process of the municipality and its employee performance management.

### 4.8 Objectivity

The PMS to be developed and implemented must be developed on a sound value system with the management of the system and the information it is based upon being objective and credible.

### 4.9 Reliability

The PMS should provide reliable information on the progress made by the municipality in achieving the objectives as set out in its IDP.

## 5. Performance Management Model

International experience in both the private and public sectors has shown that traditional approaches to measuring performance that have been heavily reliant on financial measures are severely lacking. It has become well accepted that in order to assess an organisation's performance, a balanced view is required, incorporating a multi-perspective assessment of how the organisation is performing as seen by differing categories of stakeholders. To ensure this balanced multi-perspective view of performance, the municipality adopted a PM model for managing the performance of the organisation.

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### **5.1 What is a performance management?**

A model for performance management provides a framework for which aspects of performance get measured and managed. It can be defined as the grouping together of indicators, often based on the type of indicator into logical categories or groups, as a means to enhance the ability of an organisation to manage and analyse its performance. The model will provide:

#### **5.1.1 Balance**

The PM model will ensure balance in how the organisation measures and manages its performance. It does not bias performance measurement by relying on one facet of performance, but represents a multi-perspective holistic assessment of municipal performance.

#### **5.1.2 Simplicity**

The PM model will organise simply, what would otherwise be a long list of indicators attempting to comprehensively cover performance, into a set of categories sufficiently covering all key areas of performance.

#### **5.1.3 Mapping of Inter-relationships**

The PM model will map out the inter-relationships between different areas of performance. These inter-relationships relate to the extent to which poor performance in one category would lead to poor performance in other related areas and the converse. These inter-relationships help in both the planning stage and the review stage, particularly in the diagnosis of causes of poor performance.

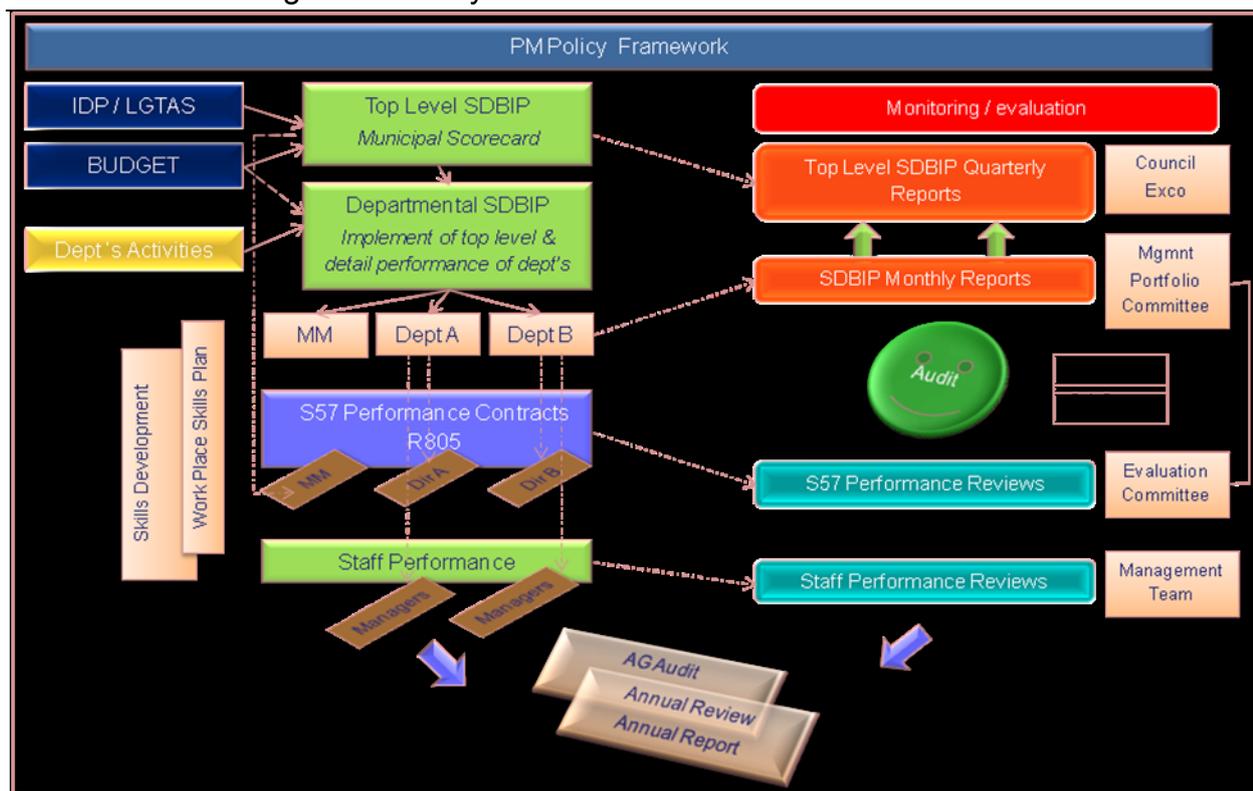
#### **5.1.4 Alignment to the Integrated Development Planning (IDP) and Budget**

The PM model will align the processes of performance management to the IDP processes and budget of the organisation. It will ensure that the IDP and budget is translated into performance plans that will be monitored and reviewed. The categories of key performance areas provided by the model will relate directly to the identified priority areas of the IDP. The IDP needs to be fully integrated with municipal processes and OM? will facilitate a fully integrated approach.

### **5.2 The Performance Management Model**

the municipality implemented a performance model that will include the Municipal Scorecard (SDBIP), individual scorecards for s56 appointees (performance agreements), individual scorecards for middle management (performance agreements) and eventually scorecards for all staff. The Municipal Scorecard (SDBIP) must be aligned with the IDP and the Budget. The performance management model can be illustrated as follows:

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### 5.3 Delegation of responsibilities within the PM system

The Municipal Systems Act (2000) places the responsibility on the Council to adopt a PMS, while holding the Executive Mayor responsible for the development and management of the system.

The Executive Mayor of the municipality delegates the responsibility for the management of the PMS to the Municipal Manager of the municipality. The municipality's directors will be responsible for executing the PMS in their respective directorates according to the approved policy.

### 5.4 Managing the performance management

The Municipal Manager and the PM Manager will annually review the PM process and will:

- Communicate the roles, responsibilities and expectations within the municipality and to the public.
- Encourage public participation through the communication of performance information and the creation of appropriate mechanisms.
- Ensure that the PM process will be inclusive, participatory, transparent, simple, realistic, fair, objective, developmental and non-punitive.

The municipality leadership must ensure that performance management establishes the accountability of the municipality to the citizens and communities and of the administration to the Council. To ensure full compliance the municipality will:

- Make change happen by mobilising the municipality.
- Clarify and manage roles, responsibilities and expectations between the public and the municipality, between politicians and officials and among officials.
- Communicate these roles, responsibilities and expectations within the municipality and to the public.

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- Deepen democracy by encouraging public participation through the communication of performance information and the creation of appropriate mechanisms.
- Maintain a mechanism for efficient decision-making on the allocation of resources.
- Maintain a diagnostic tool that indicates that the municipality is doing things right and also doing the right things.
- Review if necessary the incentive structure by rewarding successes and alternatively identifying opportunities for growth, learning and development.
- Ensure that the process of developing the system will be inclusive, participatory, transparent, simple and realistic, fair/objective, developmental and non-punitive.

## 6. Organisational Performance

The IDP process and the performance management process must be seamlessly integrated. The IDP fulfils the planning stage of performance management. Performance management in turn, fulfils the implementation management, monitoring and evaluation of the IDP.

The organisational performance will be evaluated by means of a municipal scorecard at organisational level and through the service delivery budget implementation plan (SDBIP) at directorate and departmental levels.

The SDBIP is a plan that converts the IDP and budget into measurable criteria on how, where and when the strategies, objectives and normal business processes of the municipality will be implemented. It also allocates responsibility to directorates to deliver the services in terms of the IDP and budget.

The MFMA Circular No.13 prescribes that:

- The IDP and budget must be aligned
- The budget must address the strategic priorities
- The SDBIP should indicate what the municipality is going to do during next 12 months
- The SDBIP should form the basis for measuring the performance against goals set during the budget /IDP processes.

The SDBIP needs to be prepared as described in the paragraphs below and submitted to the Executive Mayor within 14 days after the budget has been approved. The Executive Mayor needs to approve the SDBIP within 28 days after the budget has been approved.

For each indicator the scorecard will require that a responsible official, usually the respective line manager, be designated. While this official will not necessarily be accountable for performance on this indicator, they will be responsible for conducting measurements of that indicator, analysing and reporting first to their respective superior who in turn will report to the Municipal Manager and then the Executive Mayor on these for reviews.

The municipal performance must be measured monthly and analysed at least quarterly. Municipal performance will be measured during the mid-year review where after the performance scorecard should be adjusted / actions planned to address poor performance. The information of the annual review will be included in the Annual Report of the municipality.

### 6.1 The municipal scorecard

The municipal scorecard (Top Layer SDBIP) must consolidate service delivery targets set by top management and provide an overall picture of performance for the municipality as a whole, reflecting performance on its strategic priorities. Components of the top-layer of the SDBIP

- **One-year** detailed plan, but should include a **three-year capital plan**

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- The 5 necessary components includes:
  - Monthly projections of revenue to be collected for each source
    - Expected revenue to be collected NOT billed
  - Monthly projections of expenditure (operating and capital) and revenue for each vote
    - Section 71 format (Monthly budget statements)
  - Quarterly projections of service delivery targets and performance indicators for each vote
    - Non-financial measurable performance objectives in the form of targets and indicators
    - Output NOT input / internal management objectives
    - Level and standard of service being provided to the community
  - Ward information for expenditure and service delivery
  - Detailed capital project plan broken down by ward over three years

The municipal scorecard must be submitted to the Executive Mayor within 14 days after the budget has been approved. The Executive Mayor needs to approve the SDBIP within 28 days after the budget has been approved. The scorecard must be updated after the adjustment estimate has been approved and any changes to the scorecard must be submitted to Council with the respective motivation for the changes suggested, for approval.

The Municipal Manager and Directors will use it as a basis for reporting on performance to the Executive Mayor, Council and the public. The performance against targets must be reported to Council on a quarterly basis and be submitted to the municipal website.

### 6.1.1 Quarterly reviews of the municipal scorecard

On a quarterly basis, the Executive Mayor should engage in an intensive review of municipal performance against both the directorate's scorecards and the municipal scorecard, as reported by the Municipal Manager. These reviews will take place in October (for the period July to end of September), January (for the period October to the end of December), April (for the period January to the end of March) and July (for the period April to the end of June).

The review in January will coincide with the mid-year performance assessment as per section 72 of the Municipal Finance Management Act. Section 72 determines that by 25 January of each year the accounting officer must assess the performance of the municipality and report to the Council on inter alia its service delivery performance during the first half of the financial year and the service delivery targets and performance indicators set in the service delivery and budget implementation plan.

Many of the indicators in the municipal scorecard will only be measurable on an annual basis. The quarterly reviews should thus culminate in a comprehensive annual review of performance in terms of all the scorecards.

The Executive Mayor will need to ensure that targets committed to in the municipal scorecard are being met, where they are not, that satisfactory and sufficient reasons are provided and that the corrective action being proposed is sufficient to address the reasons for poor performance.

The review should also focus on reviewing the systematic compliance to the performance management system, by directorates, departments, Portfolio Councillors and the Municipal Manager.

It will be important that the Executive Mayor not only pay attention to poor performance but also to good performance. It is expected that the Executive Mayor will acknowledge good performance, where directorates or departments have successfully met targets in their directorate/departmental scorecards. It is also proposed that an Annual Mayoral Award for Excellent Performance be introduced, that rewards directorates or sub-directorates who have excelled in terms of the scorecards. Such an award and the subsequent recognition can often be sufficient to motivate teams in the workplace.

### 6.1.2 Council Reviews

At least annually, the Executive Mayor will be required to report to the full council on the overall municipal performance. It is proposed that this reporting take place using the municipal scorecard in an annual performance report format as per the Municipal Systems Act. The said annual performance report will form part of the municipality's Annual Report as per section 121 of the Municipal Finance Management Act.

### 6.1.3 Public Reviews

The Municipal Systems Act as well as the Municipal Finance Management Act requires the public to be given the opportunity to review municipal performance. Section 127 of the MFMA requires that the accounting officer (Municipal Manager) must immediately after the Annual Report is submitted to Council make the report public and invite the local community to submit representations in connection with the Annual Report.

It is proposed that in addition to the Annual Report mentioned above and subject to the availability of funding, a user-friendly citizens' report should be produced for public consumption. The citizens' report should be a simple, easily readable and attractive document that translates the Annual Report and municipal scorecard for public consumption.

It is also proposed that a public campaign be embarked on annually to involve citizens in the review of municipal performance over and above the requirements of the MFMA. Such a campaign could involve the following:

- Various forms of media including radio, newspapers and billboards can be used to convey the citizens' report. The public should be invited to submit comment via telephone, fax, email and possibly also public hearings to be held in a variety of locations.
- The public reviews should be concluded by a formal review of the Annual Report by the IDP Representative Forum of the municipality.
- In the instance where service level agreements (SLA's) have been established, the public should review the SLA outcomes / outputs.

## 6.2 Directorate/Departmental scorecards

The directorate and departmental scorecards (detail SDBIP) will capture the performance of each defined directorate or department. Unlike the municipal scorecard, which reflects on the strategic priorities of the municipality, the SDBIP will provide detail of each output for which top management are responsible for, in other words a comprehensive picture of the performance of that directorate/sub-directorate. It will be compiled by **senior managers** for his/her **directorate** and will consist of objectives, indicators and targets derived from the Municipality's annual service delivery and budget implementation plan and any annual business or services plan compiled for each directorate or department. Departmental SDBIP's will therefore include:

- A section for each IDP objective and subsection for each GFS? sub function in order to link the IDP and budget
- Information on:
  - Purpose (outcomes)
  - Service delivery description (outputs)
  - Measurable performance objectives
  - List of capital projects per ward
  - A review of past performance (baseline)
- Resources utilised (inputs)

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- Expenditure by GFS? function and major type
- Budget revenue by vote and source
- Type of staffing number and R-value

The SDBIP of each Directorate must be submitted to the municipal manager for approval within 28 days after the budget has been approved.

The Directorates will review their performance at least monthly, using the SDBIP and report to the Municipal Manager and the respective Portfolio Councillor for review. Decision-makers should be warned immediately of any emerging failures to service delivery so that they can intervene if necessary. It is important that Directorates use these reviews as an opportunity for reflection on their goals and programmes and whether these are being achieved. Changes in indicators and targets may be proposed at this meeting, but can only be approved by the Executive Mayor, in consultation with the Municipal Manager.

## 7. Individual Performance

### 7.1 Councillor scorecards

The data obtained from Council scorecards (as included in detailed SDBIP), will provide input for Councillor performance contracts.

Performance Plans are agreed with each councillor and should include the following:

- Function of the Councillor – key focus areas for the year
- Key performance indicators linked to the SDBIP – KPI's in the SDBIP that are the responsibility of the respective Councillor / Group of Councillors
- Weightings show the relative importance of input or output against another input or output. Every input or output in the performance agreement must be assigned a weighting. The weightings / ratings and the distribution of the ratings per level need to be determined by the Council in the beginning of each financial year and agreed with the Councillor or group of Councillors.
- Development needs and learning plan.

The agreements must be finalised by August every year. Details of the performance process should be included in a performance management manual.

### 7.2 Individual scorecards (Municipal Manager and Section 56 Managers)

The Local Government Municipal Systems Act 2000 and Regulation 805 of August 2006 (Performance Municipal Manager and the Managers reporting directly to the Municipal Manager) require the Municipal Manager and the Managers reporting directly to the Municipal Manager to enter into annual Performance Agreements. The Performance Agreements of the Municipal Manager and other Section 56 Managers should be directly linked to their employment contract. These Performance Agreements therefore consist of two distinct parts:

- Performance Agreement: This is an agreement between the Section 56 Manager and the Municipality, which regulates the performance required for a particular position and the consequences of the performance. The Agreement deals with only one aspect of the employment relationship, namely performance. This agreement must be reviewed and renewed annually, subject to the individual's annual performance.
- Performance Plan: The Performance Plan is an Annexure to the Performance Agreement and stipulates in detail the performance requirements for a single financial year. The SDBIP transcends into

## Performance Management Policy

the Performance Plan/s of the respective Section 56 Managers according to their areas of responsibility.

The management of the performance process for the municipal manager and the s57 managers will be in terms of R805 of 2006. Performance will be reviewed quarterly of which the mid-year and year-end performance will be formal evaluations.

### 7.3 Individual scorecards (rest of staff)

#### 7.3.1 Middle management

The data obtained from Directorate scorecards (detailed SDBIP), will provide the manager with the respective Individual performance contracts for managers reporting to the s57 managers.

Performance Plans are agreed with each employee in job grades 0-6 as part of his / her career development plan and should include the following:

- Qualifications – a record of formal and informal training and experience
- Job functions – key focus areas for the year
- Career goals - long term and intermediate career goals
- Key performance indicators linked to the SDBIP – KPI's in the SDBIP that are the responsibility of the respective manager
- Managerial KPI's – the core managerial competencies that the manager will be evaluated on
- Weightings show the relative importance of input or output against another input or output. Every input or output in the performance agreement must be assigned a weighting. The weightings / ratings and the distribution of the ratings per level need to be determined by the management team in the beginning of each financial year and agreed with the employer or group of employers. (employee or group of employees)
- Development needs and learning plan.

The agreements must be finalised by August every year. Details of the performance process should be included in a performance management manual.

#### 7.3.2 All staff reporting up to middle management

A performance plan should be agreed for all employees and include the following:

- Qualifications – a record of formal and informal training and experience
- Job functions – key focus areas for the year
- Career goals - long term and intermediate career goals
- Performance agreed for all employees on a specific job level.
- Performance agreed with the individual employee unique to the employees daily tasks
- Performance indicators should be designed to ensure effective and efficient service delivery (value-for-money).
- Training or other skills development needs of the employee.

The agreements must be finalised by August every year. Details of the performance process should be included in a performance management manual.

#### 7.3.3 Skills Development Plan

The skills development plan needs to be compiled / updated with the information obtained from the performance agreements and the development plans. The human resources manager together with the respective line manager is responsible to facilitate the implementation of the skills development plan.

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### 7.3.4 Formal performance reviews

Performance should be managed on a daily basis as depicted in the diagram in paragraph 7 above. Formal performance reviews should however be done by the respective supervisor at least bi-annually. Feedback should be provided within 5 working days of the review.

**Please note** that performance and growth is the responsibility of each individual employee and employees should ensure that his / her performance plan is executed. Performance measurement is an ongoing process and should not only be addressed during the formal reviewing sessions.

Performance should be moderated per department per post level / group level after the performance evaluation of staff has been finalised. The moderation should be conducted in terms of the performance management manual to ensure objectivity and fairness.

Unacceptable performance needs to be addressed and action plans to improve the performance must be prepared and agreed with the employer who did not perform. The performance against the action plans must be reviewed on a monthly basis.

## 7.4 Appeals process

### 7.4.1 S57-Employees

The Appeals process as prescribed in R805 of August 2006 and as agreed in the employment and performance contracts of the Section 56-Managers will be applicable in instances where they are not in agreement with their final performance evaluations.

### 7.4.2 Employees:

Should employees not agree with the contents of their performance agreement after the performance discussions or with the final scores that are allocated to them, they may elect to follow the municipality's normal grievance procedures.

## 8. Service Providers

A municipal service can be provided by the Municipality by entering into a Service Delivery Agreement in terms of Section 76(b) of the Municipal System Act with an external service provider. The Municipality is responsible for monitoring and assessing the implementation of the agreement, including the performance of the service provider in accordance with section 41 of the Municipal Systems Act.

This section sets out the framework on monitoring and reporting on the performance of service providers in terms of Chapter 8 of the Municipal Systems Act and Section 116 of the Municipal Finance Management Act. While departments have mechanisms in place to monitor the work done by service providers, there is no standard guideline set by the Municipality.

### 8.1 Notification of Service Providers

All service providers or prospective service providers must be made informed of newly adopted system of:

- an assessment and reporting of the service provider's performance;
- setting of performance criteria in terms of the tender, the required deliverables and service level agreement;
- the use of the service provider performance reports when evaluating service providers for registration, pre-qualification, selective tender list, expressions of interest or awarding of a contract; and

## Performance Management Policy

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- the exchange of information on service provider performance reports between government units/departments.

### 8.2 Evaluating the Performance of Service Providers

The Council must approve the thresholds (size and types of service provider contracts) that need to comply with the requirements of this policy. The thresholds that need to be reviewed annually include:

- Contracts larger than R200 000 and
- Contracts where the service providers is required to deliver a service (not goods and products).

The service provider must sign a service level agreement indicating the services to be delivered, the timeframes and the evaluation methodology. The service provider's performance must be assessed in the context of the project as a whole. The respective roles and obligations of the Municipality and service provider under the contract must be taken into account.

Persons preparing or reviewing the performance of a service provider must consider whether satisfactory progress or completion of a project has been affected by any matters which are:

- Outside the service provider's control, or
- The result of some action by the Municipality.

The service provider's performance must therefore be evaluated against set performance criteria, after taking into account matters beyond the service provider's control.

#### 8.2.1 Prescribed procedures to evaluate service providers

The following procedures need to be followed:

- The requirements of this policy must be included in the contract of the service provider.
- The performance of the service provider under the contract or service level agreement must be assessed monthly by the Reporting Officer.
- The assessment must be filed in the contract file or captured onto the database when a database is available.
- The Reporting Officer must complete the Service Provider Assessment Form on the database at the end of each quarter and on completion or termination of the contract.
- The quarterly assessment must be completed within 15 working days after the end of each quarter.
- The Reporting Officer must provide a copy of the assessment to the Service Provider at the end of each quarterly assessment period and on completion or termination of the contract.
- Supply Chain Management Unit will review the quarterly Service Provider assessments within 20 days after the end of each quarter and submit a summary report to Council.
- The Accounting Officer need to develop the necessary forms and report structures to be utilised to manage the above processes. The forms and reporting requirements need to be reviewed on a regular basis.
- In the instance of under-performance:
  - The Municipality will facilitate support interventions to service providers in the identified areas of underperformance.
  - Service providers who have been identified as under-performing in identified areas must be informed of these support interventions.
  - The impact of support interventions must be monitored by the Reporting Officer.
  - The records of the support interventions must be documented, signed by both parties and appropriately filed.

## 9. Evaluation and Improvement of the Performance Management System

The Municipal Systems Act requires the municipality to annually evaluate its performance management system. It is proposed that after the full cycle of the annual review is complete; the Municipal Manager will

## Performance Management Policy

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initiate an evaluation report annually, taking into account the input provided by directorates and departments. This report will then be discussed by the Management Team and finally submitted to the Council for discussion and approval. The evaluation should assess:

- The adherence of the performance management system to the Municipal Systems Act.
- The fulfilment of the objectives for a performance management system.
- The adherence of the performance management system to the objectives and principles.
- Opportunities for improvement and a proposed action plan.

While good and excellent performance must also be constantly improved to meet the needs of citizens and improve their quality of life, it is poor performance in particular that needs to be improved as a priority. In order to do this, it is important that the causal and contributing reasons for poor performance are analysed. Poor performance may arise out of one or more of the following:

- Poor systems and processes.
- Inappropriate structures.
- Lack of skills and capacity.
- Inappropriate organisational culture.
- Absence of appropriate strategy.

To improve performance, the appropriate response strategy should be chosen:

- Restructuring is a possible solution for an inappropriate structure.
- Process and system improvement will remedy poor systems and processes.
- Training and sourcing additional capacity can be useful where skills and capacity are lacking.
- Change management and education programmes can address organisational culture issues.
- The revision of strategy by key decision-makers can address shortcomings in this regard.
- Consideration of alternative service delivery strategies should be explored.

Performance analysis is a requirement in order to identify poor performance. The Municipal Manager will implement the appropriate response strategy to improve performance.

## 10. Reward and recognition

The reward and recognition structure for excellent performance will be as follows:

### 10.1 Performance Bonuses – Section 57 4(b) of the Systems Act (2000)

The Act requires that every municipality must have a remuneration policy that sets out the link between performance and reward for the Municipal Manager and Section 56 Managers reporting directly to the Municipal Manager. The employment of the first two levels of Management is regulated by the Local Government: Municipal Systems Act (2000) and regulations (R805) issued in terms of the legislation. performance bonuses must be approved by Council in terms of the said Regulation and the performance agreements. In the instance where performance bonuses have been approved, such performance bonuses should be paid in the month after the Annual Report has been approved by Council.

### 10.2 Recognition programme for other employees

Recognition and reward should be linked to achieving the overall performance of the municipality, the performance of the directorate or team and individual performance.

## Performance Management Policy

The municipality implemented a performance management system where the performance of all municipal staff is evaluated twice a year. Performance evaluations will be done for the periods July – December and January – June. Performance results are recognised in the following categories:

**L**= Leading performance in peer group

**E**= Exceptional performance in peer group

**S**= Strong performance in peer group

**N**= Needs improvement in relation to peer group (3-6 months away)

**B**= Significantly below peer group

L	E	S	N	B
<ul style="list-style-type: none"> <li>•Always viewed as a stellar/star performer across projects and by all due diligence contacts</li> <li>•Consistently surpasses performance expectations</li> <li>•Client views as indispensable</li> <li>•Clearly outshines all others in the peer group; no debate</li> </ul>	<ul style="list-style-type: none"> <li>•Viewed as one of the top performers in the peer group across projects and by all due diligence contacts</li> <li>•Consistently meets or surpasses performance expectations</li> <li>•Highly regarded and valued by client</li> </ul>	<ul style="list-style-type: none"> <li>•Typically described as a solid performer</li> <li>•Consistently meets performance expectations; may <u>surpass in certain</u> situations</li> <li>•No concerns or issues raised by clients</li> <li>•Performance in line with peer group</li> </ul>	<ul style="list-style-type: none"> <li>•Generally viewed as demonstrating performance below that of a strong peer group</li> <li>•May have development issue beyond those expected for level</li> </ul>	<ul style="list-style-type: none"> <li>•Generally seen as having development needs too significant to expect sufficiently improved performance</li> </ul>

The results of the performance evaluations will be confirmed during moderating sessions and the top performers will be rewarded as follows:

### 10.2.1 Individuals achieving Leading Performance:

The following reward will be payable to individuals in the leading performance against peer group category:

- Reward to value of 5% of annual basic salary (maximum of R10 000 after tax) or
- Equipment / tools to improve the employees work performance to the value of R10 000

### 10.2.2 Individuals achieving Exceptional Performance:

The following reward will be payable to individuals in the exceptional performance against peer group category:

- Reward to value of 3% of annual basic salary (maximum of R5 000 after tax) or
- Equipment / tools to improve the employees work performance to the value of R5 000

### 10.3 Departmental Awards

The departmental awards will be awarded at the discretion of each directorate head and will be based on principles that will be approved by the senior management team on an annual basis.

The certificates and one days leave will be awarded for the achieving categories:

- *Team member of the quarter/ semester*
- *Manager / Supervisor of the quarter/ semester*
- *Section of the quarter/semester*

In instances where the municipality achieved a SDBIP score of 80% or higher, the Directorate which achieved the highest score during the SDBIP evaluation will be awarded with the *Directorate of the Semester Award*. This non-monetary award will be determined by the management team and approved by Council on an annual basis.

## **11. Governance**

A governance structure should be established in terms of this policy in order to offer credibility to the overall performance processes. All auditing should comply with section 166 of the Municipal Finance Management Act and Regulation 14 of the Municipal Planning and Performance Management Regulations (2001).

### **11.1 Continuous quality control and co-ordination**

The Municipal Manager and PMS Manager will be required to co-ordinate and ensure good quality of reporting and reviews on an ongoing basis. It will be their role to ensure conformity to reporting formats and check the reliability of reported information, where possible.

### **11.2 Performance investigations**

The Executive Mayor or Performance Audit Committee should be able to commission in-depth performance investigations where there is either continued poor performance, a lack of reliability in the information being provided or on a random ad-hoc basis. Performance investigations should assess

- The reliability of reported information
- The extent of performance gaps from targets
- The reasons for performance gaps
- Corrective action and improvement strategies

While the internal audit function may be used to conduct these investigations, it is preferable that external service providers, preferably academic institutions, who are experts in the area to be audited, should be used. Clear terms of reference will need to be adopted by the Executive Mayor for each such investigation.

### **11.3 Internal Audit**

Section 165 of the MFMA requires that each municipality must have an internal audit unit however such function may be outsourced.

The municipality's internal audit function will need to be continuously involved in auditing the performance reports based on the organisational and directorate/departmental scorecards. As required by the regulations, they will be required to produce an audit report on a quarterly basis, to be submitted to the Municipal Manager and Audit Committee. If required the capacity of the internal audit unit will need to be improved beyond the auditing of financial information.

The role of the audit committee will be to assess

- The functionality of the municipality's performance management system
- The adherence of the system to the Municipal Systems Act
- The extent to which performance measurements are reliable

### **11.4 Performance Audit Committee**

The MFMA and the Municipal Planning and Performance Management Regulations require that the municipal council establish an audit committee consisting of a minimum of three members, where the majority of members are not employees of the municipality. No Councillor may be a member of an audit committee. Council shall also appoint a chairperson who is not an employee.

The Regulations give municipalities the option to establish a separate performance audit committee whereas the MFMA provides only for a single audit committee. The operation of this audit committee is governed by section 14 (2-3) of the regulations.

## Performance Management Policy

According to the regulations, the performance audit committee must

- review the quarterly reports submitted to it by the internal audit unit
- review the municipality's performance management system and make recommendations in this regard to the council of that municipality
- assess whether the performance indicators are sufficient
- at least twice during a financial year submit an audit report to the municipal council

It is further proposed that the audit committee be tasked with assessing the reliability of information reported.

In order to fulfil their function a performance audit committee may, according to the MFMA and the regulations,

- communicate directly with the council, municipal manager or the internal and external auditors of the municipality concerned;
- 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 requested by the committee; and
- investigate any matter it deems necessary for the performance of its duties and the exercise of its powers.

## 12. Role and Responsibilities of Stakeholders

The following table sets out the roles and responsibilities of the various stakeholders in the PMS within each of the management components:

STAKEHOLDERS	INVOLVEMENT	BENEFITS
	ADMINISTRATIVE OVERSIGHT	
<b>Executive Mayor</b>	<ul style="list-style-type: none"> <li>• Facilitate the development of a long term Vision regarding IDP and PMS.</li> <li>• Mayor is responsible for the performance and need to approve the SDBIP and submit the annual performance report to Council</li> </ul>	Optimum and equitable service delivery.
<b>Mayoral Committee</b>	<ul style="list-style-type: none"> <li>• Support to the Executive Mayor</li> <li>• Provide strategic awareness and manage the development of the IDP and PMS.</li> </ul>	Promotes public awareness and satisfaction.
<b>Portfolio Councillor</b>	<ul style="list-style-type: none"> <li>• Manage the implementation of the strategy.</li> <li>• Review and monitor the implementation of the IDP and the PMS.</li> </ul>	Facilitates the process of benchmarking and collaboration with other municipalities.
<b>Council</b>	<ul style="list-style-type: none"> <li>• Adopt the PMS policy and approve the IDP.</li> <li>• Monitor performance.</li> <li>• Oversight role to ensure that performance management</li> </ul>	Provides a mechanism for the implementation and review of PMS and IDP achievement.

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STAKEHOLDERS	INVOLVEMENT	BENEFITS
	ADMINISTRATIVE OVERSIGHT	
	processes are monitored	

STAKEHOLDERS	INVOLVEMENT	BENEFITS
	OFFICIALS	
<b>Municipal Manager</b>	<ul style="list-style-type: none"> <li>• Ensure the implementation of the IDP and the PMS.</li> <li>• Communicate with the Executive Mayor and Executive Management Team.</li> </ul>	Clarifies goals, targets and work expectations of the executive management team, other senior managers, line managers and individual employees.
<b>Executive Management Team</b>	<ul style="list-style-type: none"> <li>• Manage Departmental performance.</li> <li>• Business / Operational.</li> <li>• Plans and Performance.</li> <li>• Integration role.</li> </ul>	Facilitates the identification of training and development needs at different levels in the municipality.
<b>Line Managers</b>	<ul style="list-style-type: none"> <li>• Implement the departmental business / operational plans and monitor the Individual Performance Plans.</li> </ul>	Provides an objective basis upon which to reward good performance and correcting under performance.
<b>Individual Employees</b>	<ul style="list-style-type: none"> <li>• Execute individual performance plans.</li> </ul>	Mechanism for early warning indicators to check and ensure compliance.
<b>Reporting Officer (for service provider evaluations)</b>	<ul style="list-style-type: none"> <li>• Line Departments</li> <li>• Monitor and assess work done or service provided as per the service delivery agreement or contract</li> <li>• Report on the performance of the service provider</li> </ul>	Ensure quality and effective performance of service providers.
<b>Supply Chain Management</b>	<ul style="list-style-type: none"> <li>• Manage the performance monitoring process of service providers</li> <li>• Report on contract management and service provider performance to Council quarterly</li> <li>• Report to Council annually on the performance of service providers</li> <li>• Investigate and report on the impact of the interventions on areas of underperformance as part of the quarterly and annually report.</li> <li>• Review the policy and process annually.</li> <li>• Liaise with departments on interventions for under-</li> </ul>	<ul style="list-style-type: none"> <li>• Enhances service delivery and performance.</li> <li>• Addresses weak performance timiously.</li> <li>• Effective reporting</li> </ul>

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STAKEHOLDERS	INVOLVEMENT	BENEFITS
	OFFICIALS	
	performing areas.	
<b>Internal Audit</b>	<ul style="list-style-type: none"> <li>Assess the functionality, integrity, effectiveness and legal compliance with the PMS.</li> </ul>	<ul style="list-style-type: none"> <li>Enhances the credibility of the PMS and the IDP.</li> <li>Enhances the status and role of Internal Audit.</li> </ul>

STAKEHOLDERS	INVOLVEMENT	BENEFITS
	COMMUNITY / PUBLIC	
<b>Representative Forums / Ward Committees</b>	<ul style="list-style-type: none"> <li>Inform the identification of community priorities.</li> <li>Public involvement in service delivery of the municipality.</li> </ul>	Provide a platform for the public / communities to inform and communicate with Council.
<b>OTHER PARTNERS</b>		
<b>Auditor-General</b>	Ensure legal compliance.	Provides warning signals of under- performance which can provide pro-active and timely interventions.
<b>Performance Audit Committee</b>	Independent oversight on legal compliance.	Provides warning signals of under- performance.
<b>Oversight Committee</b>	Review Annual Report and suggest corrective action to address shortfalls	Improved performance

### 13. Performance Calendar

<b>Performance Management Calendar</b>		
<b>Action</b>	<b>Activity</b>	<b>Comment</b>
<b>Jul</b>		
Service Provider Performance	4 <sup>th</sup> Quarter service provider report Review performance of service providers as per the approved policy	<ul style="list-style-type: none"> <li>• SCM to submit report to Council</li> <li>• Submit reports to SCM Unit</li> <li>• Address poor performance</li> </ul>
Performance Reporting	4th Quarter performance Report: Top Level SDBIP	<ul style="list-style-type: none"> <li>• Each department to finalise SDBIP quarterly report</li> <li>• Input for Annual Report for AG</li> </ul>
MM / s57 performance agreements	Prepare and approval	<ul style="list-style-type: none"> <li>• Prepare agreements ito R805</li> <li>• Approval and signed before 31 Jul</li> <li>• KPI's aligned with SDBIP</li> <li>• Include CCR's evaluation committee; evaluation periods; bonus</li> </ul>
SDBIP Reporting	Update departmental SDBIP	<ul style="list-style-type: none"> <li>• Monthly progress reports to Executive Management and Portfolio Councillor</li> <li>• Actions to address GAPS</li> </ul>
IDP	IDP Framework and Process Plan	Process plan to ensure proper planning and involvement of all stakeholders to identify clear objectives and key performance areas
<b>Aug</b>		
Service Provider Performance	Review performance of service providers as per the approved policy	<ul style="list-style-type: none"> <li>• Submit reports to SCM Unit</li> <li>• Address poor performance</li> </ul>
SDBIP Reporting	Update departmental SDBIP	<ul style="list-style-type: none"> <li>• Monthly progress reports to Executive Management and Portfolio Councillor</li> <li>• Actions to address GAPS</li> </ul>
Staff Performance	Formal review of staff performance	<ul style="list-style-type: none"> <li>• Evaluation of performance for the past 6 months ending June</li> <li>• Moderation; coaching and counselling</li> <li>• Document and report</li> </ul>
Staff Performance	Finalise performance plans	Determine KPI's -Key outputs/ outcomes; career goals; job requirements; measurement criteria; skills required and development needs / plan
IDP	IDP Process Plan	<ul style="list-style-type: none"> <li>• Submission to EXECUTIVE MAYOR</li> <li>• Approval of plan</li> </ul>
<b>Sep</b>		
Service Provider Performance	Review performance of service providers as per the approved policy	<ul style="list-style-type: none"> <li>• Submit reports to SCM Unit</li> <li>• Address poor performance</li> </ul>
SDBIP Reporting	Update departmental SDBIP	<ul style="list-style-type: none"> <li>• Monthly progress reports to Executive Management and Portfolio Councillor</li> <li>• Actions to address GAPS</li> </ul>
Annual Performance Report	Finalise and submit performance report to AG	Performance report on financial and operation performance for audit purposes
MM/s57 Performance	Annual performance review	<ul style="list-style-type: none"> <li>• Review against targets</li> <li>• Review CCR's - obtain 360 degree input</li> <li>• Determine development needs</li> <li>• Calculate rewards ito agreements</li> <li>• Document and sign-off</li> </ul>

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<b>Performance Management Calendar</b>		
<b>Action</b>	<b>Activity</b>	<b>Comment</b>
<b>Oct</b>		
Service Provider Performance	1 <sup>st</sup> Quarter service provider report Review performance of service providers as per the approved policy	<ul style="list-style-type: none"> <li>• SCM to submit report to Council</li> <li>• Submit reports to SCM Unit</li> <li>• Address poor performance</li> </ul>
SDBIP Reporting	Update departmental SDBIP	<ul style="list-style-type: none"> <li>• Monthly progress reports to Executive Management and Portfolio Councillor</li> <li>• Actions to address GAPS</li> </ul>
Performance Reporting	1 <sup>st</sup> Quarter performance Report: Top Level SDBIP	Each department to finalise SDBIP quarterly report
MM/s57 Performance	Informal performance discussion	How are we doing, progress and address possible shortcomings
IDP & Budget	Public participation	<ul style="list-style-type: none"> <li>• Consult key stakeholders / role-players</li> <li>• Identify potential projects / needs</li> </ul>
<b>Nov</b>		
Service Provider Performance	Review performance of service providers as per the approved policy	<ul style="list-style-type: none"> <li>• Submit reports to SCM Unit</li> <li>• Address poor performance</li> </ul>
SDBIP Reporting	Update departmental SDBIP	<ul style="list-style-type: none"> <li>• Monthly progress reports to Executive Management and Portfolio Councillor</li> <li>• Actions to address GAPS</li> </ul>
Planning	Strategic Planning	<ul style="list-style-type: none"> <li>• Planning sessions with Council and Management</li> <li>• Mission, Vision and Values</li> <li>• Review progress against strategic objections</li> <li>• Review strategic direction and progress</li> <li>• Alignment with national strategies</li> <li>• Budget guidelines / draft projects</li> </ul>
Staff Training	PMS Training updates	Identify any performance management training needs and address with update training sessions
<b>Dec</b>		
Service Provider Performance	Review performance of service providers as per the approved policy	<ul style="list-style-type: none"> <li>• Submit reports to SCM Unit</li> <li>• Address poor performance</li> </ul>
SDBIP Reporting	Update departmental SDBIP	<ul style="list-style-type: none"> <li>• Monthly progress reports to Executive Management and Portfolio Councillor</li> <li>• Actions to address GAPS</li> </ul>
Annual Report	Draft Annual Report	Final draft to be ready for submission to Council
<b>Jan</b>		
Service Provider Performance	2 <sup>nd</sup> Quarter service provider report Review performance of service providers as per the approved policy	<ul style="list-style-type: none"> <li>• SCM to submit report to Council</li> <li>• Submit reports to SCM Unit</li> <li>• Address poor performance</li> </ul>
SDBIP Reporting	Update departmental SDBIP	<ul style="list-style-type: none"> <li>• Monthly progress reports to Executive Management and Portfolio Councillor</li> <li>• Actions to address GAPS</li> </ul>
Performance Reporting	Prepare and submit Mid-year performance report into s72 of MSA	Each department to finalise SDBIP quarterly report
Staff Performance	Formal review of staff performance	<ul style="list-style-type: none"> <li>• Evaluation of performance for the past 6 months ending December</li> <li>• Moderation; coaching and counselling</li> <li>• Document and report</li> </ul>

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<b>Performance Management Calendar</b>		
<b>Action</b>	<b>Activity</b>	<b>Comment</b>
Annual Report	Submit draft report to Council	Final draft submitted to Council for adoption in principle and public participation
<b>Feb</b>		
Service Provider Performance	Review performance of service providers as per the approved policy	<ul style="list-style-type: none"> <li>• Submit reports to SCM Unit</li> <li>• Address poor performance</li> </ul>
SDBIP Reporting	Update departmental SDBIP	<ul style="list-style-type: none"> <li>• Monthly progress reports to Executive Management and Portfolio Councillor</li> <li>• Actions to address GAPS</li> </ul>
MM/s57 Performance	Mid-year formal performance review	<ul style="list-style-type: none"> <li>• Review against targets</li> <li>• Review CCR's - obtain 360 degree input</li> <li>• Determine development needs</li> <li>• Calculate rewards to agreements</li> <li>• Document and sign-off</li> </ul>
Annual Report	Advertise draft Annual Report for public participation	Advertise draft Annual Report for public comment in terms of service delivery
Oversight	Oversight Committee considers Annual Report	<ul style="list-style-type: none"> <li>• Review</li> <li>• Actions to address shortcomings</li> <li>• Performance Risk Assessment</li> <li>• Report to Council</li> </ul>
<b>Mar</b>		
Service Provider Performance	Review performance of service providers as per the approved policy	<ul style="list-style-type: none"> <li>• Submit reports to SCM Unit</li> <li>• Address poor performance</li> </ul>
SDBIP Reporting	Update departmental SDBIP	<ul style="list-style-type: none"> <li>• Monthly progress reports to Executive Management and Portfolio Councillor</li> <li>• Actions to address GAPS</li> </ul>
IDP	Draft IDP to Council	<ul style="list-style-type: none"> <li>• IDP aligned with national strategy I</li> <li>• Include clear objectives and municipal KPA's</li> <li>• Needs that cannot be accommodated should be included in priority listings</li> <li>• Should include all required sectoral plans that are aligned</li> </ul>
Budget	Draft Budget to Council	Budget aligned with IDP and address IDP objectives
SDBIP	Draft top level SDBIP and submit with draft budget	Top Level SDBIP should be aligned with IDP and budget; strategic objectives; municipal KPA's; assigned to senior managers and include outer year performance
Annual Report	Approval of Annual Report	<ul style="list-style-type: none"> <li>• Public comment considered</li> <li>• Final Annual Report submitted</li> <li>• Oversight committee report submitted</li> <li>• Proposed actions approved</li> </ul>
<b>Apr</b>		
Service Provider Performance	3 <sup>rd</sup> Quarter service provider report Review performance of service providers as per the approved policy	<ul style="list-style-type: none"> <li>• SCM to submit report to Council</li> <li>• Submit reports to SCM Unit</li> <li>• Address poor performance</li> </ul>
SDBIP Reporting	Update departmental SDBIP	<ul style="list-style-type: none"> <li>• Monthly progress reports to Executive Management and Portfolio Councillor</li> <li>• Actions to address GAPS</li> </ul>

## Performance Management Policy

<b>Performance Management Calendar</b>		
<b>Action</b>	<b>Activity</b>	<b>Comment</b>
Performance Reporting	3 <sup>rd</sup> Quarter performance Report: Top Level SDBIP	Each department to finalise SDBIP quarterly report
IDP & Budget	Public participation	Obtain public input in draft documents and consult key stakeholders
MM/s57 Performance	Informal performance discussion	How are we doing, progress and address possible shortcomings
<b>May</b>		
Service Provider Performance	Review performance of service providers as per the approved policy	<ul style="list-style-type: none"> <li>• Submit reports to SCM Unit</li> <li>• Address poor performance</li> </ul>
SDBIP Reporting	Update departmental SDBIP	<ul style="list-style-type: none"> <li>• Monthly progress reports to Executive Management and Portfolio Councillor</li> <li>• Actions to address GAPS</li> </ul>
IDP & Budget	Approval of IDP and Budget	Approval by Council
SDBIP	Departmental SDBIP development	Workshop with departments
<b>Jun</b>		
Service Provider Performance	Review performance of service providers as per the approved policy	<ul style="list-style-type: none"> <li>• Submit reports to SCM Unit</li> <li>• Address poor performance</li> </ul>
SDBIP Reporting	Update departmental SDBIP	<ul style="list-style-type: none"> <li>• Monthly progress reports to Executive Management and Portfolio Councillor</li> <li>• Actions to address GAPS</li> </ul>
SDBIP	Top Level SDBIP approval	<ul style="list-style-type: none"> <li>• SDBIP to be submitted to Mayor within 14 days after budget approval</li> <li>• Approval by Mayor within 28 days after budget approval</li> </ul>
SDBIP	Approval of departmental SDBIP	<ul style="list-style-type: none"> <li>• SDBIP to be address all Top Level KPI's</li> <li>• Address departmental responsibilities Key activities, challenges and risks; performance plans (project lifecycle); resource allocation; inputs and timeframes</li> </ul>
Work Place Skills Plan	Update and submit WPSP	Alignment with needs as per mid-year performance reviews

## 14. Conclusion

PMS cannot be implemented or transplanted directly from another organisation or copied from a text book or taken from the shelf. Each municipality or department or region is unique due to the ever-changing environment in which they operate. Therefore, when developing and implementing a PMS, it is essential that this intervention is properly understood and tested, before implementation, in order to facilitate effective performance.

No PMS operates in isolation as it is a systems-wide intervention which ensures control in the ultimate achievement of vision/mission, strategic objectives and goals. It is therefore important that the municipality takes ownership and “grows” into its own PMS with the help of experts.

It is important to note that a PMS is dynamic and will change and develop over time to reflect the unique features of the municipality. The municipality environment is no exception to this phenomenon and this policy framework lends itself to improvement and positive changes with even more focused alignment to its objectives and performance levels.

## **Appendices**

## Appendix 1

### Key Concepts

CONCEPT	DEFINITION
<b>Performance Management</b>	A performance management framework that describes and represents how the municipal cycle and processes of performance planning, monitoring, measurements, review, reporting and improvement will be conducted, organised and managed, including determining roles of the different role players.
<b>Performance Management System (PMS)</b>	A strategic approach which provides a set of tools and techniques to plan regularly, monitor, measure and review performance of the organisation and individuals. Performance management is a system that is used to make sure that all parts of the municipality work together to achieve the goals and targets that are set.
<b>Organisational Performance Management</b>	Concerned with the overall performance of the Municipality/ Organisation in relation to giving effect to the IDP (Macro Dynamics).
<b>Individual Performance Management</b>	Linked to the Organisational Performance Management System are the individuals who contribute to the success or failure of the Municipality/ Organisation. Each individual will have performance objectives, targets and standards that are linked to objectives of his/her Division, Department and Municipality.
<b>Integrated Development Plan (IDP)</b>	Clearly defining 5-year Strategic Plan of a Municipality. IDP should be reviewed annually or as required.
<b>Key Performance Area (KPA)</b>	Key areas of responsibility and developed to achieve the objectives set
<b>Objective</b>	Statement about what outcomes we want to achieve. All components of the IDP need to be translated into a set of clear and tangible objectives. The statement of objectives requires a tangible, measurable and unambiguous commitment. In setting objectives, the municipality will need to: <ul style="list-style-type: none"> <li>Carefully consider the results desired.</li> <li>Review the precise wording and intention of the objective.</li> <li>Avoid overly broad results statements.</li> <li>Be clear about the scope and nature of change desired.</li> <li>Ensure that objectives are outcome and impact focused.</li> </ul>
<b>Core Competencies</b>	Every employee, no matter at what level or within what function, is required to demonstrate a number of behaviours and skill that are considered core to achieve the objectives of the municipality.
<b>Priorities</b>	The IDP delivers products such as a set of delivery priorities and objectives, a set of internal transformation strategies, priorities and objectives, identified projects that contribute to the achievement of the above objectives and a financial plan.
<b>Indicators</b>	Measures, which tell us whether we are making progress towards achieving our objectives. In setting key performance indicators the following criteria were taken into consideration. <ul style="list-style-type: none"> <li><b>Focused and Specific:</b> Indicators should be clearly focused and stated unambiguously.</li> <li><b>Measurable:</b> An indicator should by definition contain a unit of measurement.</li> <li><b>Valid and Relevant:</b> Validity is the degree to which an indicator measures what is intended to be measured. This correlates strongly to the relevance of the indicator to the objective being measured. It is also important that the whole set of indicators chosen should be contextually relevant to the South African context.</li> <li><b>Reliable:</b> Reliability is the degree to which repeated</li> </ul>

## Performance Management Policy

CONCEPT	DEFINITION
	<p>measures, under exactly the same conditions will produce the same result.</p> <ul style="list-style-type: none"> <li>• <b>Simple:</b> Good indicators will be simple, easy to communicate such that their relevance is apparent.</li> <li>• <b>Minimise perverse consequences:</b> Poorly chosen indicators, while nobly intended, can have perverse consequences in the behaviours it incentives.</li> <li>• <b>Data Availability:</b> Good indicators are reliable from data that is credible and available on a regular basis. This data should leave an audit trail and should be audited by the Office of the Auditor-General.</li> </ul>
<b>Key Performance Indicators (KPI)</b>	<p>Measures (qualitative or quantitative) that tell us whether we are making progress towards achieving our objectives. These indicators have the following characteristics:</p> <ul style="list-style-type: none"> <li>• Based on municipal operational functions</li> <li>• Based as far as possible, on existing measurements</li> <li>• Based on measurable functions</li> <li>• Compiled for monthly measurements (for organisational performance)</li> <li>• Target driven, which requires baseline information for the measurement of performance (performance is measured against targets, not demographics)</li> <li>• The indicators are split into input, output, outcome, process, legal requirements and national indicators as far as possible</li> <li>• All the indicators should be measurable, simple, precise, relevant, adequate and objective.</li> </ul>
<b>Input Indicators</b>	<p>These are indicators that measure what it costs the municipality to purchase the essentials for producing desired outputs (economy), and whether the municipality achieves more with less, in resources terms (efficiency) without compromising quality. The economy indicators may be the amount of time, money or number of people it took the municipality to deliver a service.</p>
<b>Output Indicators</b>	<p>These are the indicators that measure whether a set of activities or processes yield the desired products – effectiveness indicators. They are usually expressed in quantitative terms. These indicators relate to programme activities or processes.</p>
<b>Outcome Indicators</b>	<p>These are the indicators that measure the quality as well as the impact of the products/programmes in terms of the achievement of the overall objectives. In terms of quality, they measure whether the products meet the set standards in terms of the perceptions of the beneficiaries of the service rendered. In terms of impact, they measure the net effect of the products or services on the overall objective. Outcome indicators relate to programme objectives.</p>
<b>Target</b>	<p>The level of performance (or desired state of progress) of the indicator that is intended to be achieved within a specified time period. (Value)</p>
<b>Baseline Indicator</b>	<p>The value (or status quo) of the indicator before the start of the programme or prior to the period over which performance is to be monitored and reviewed.</p> <p>The base from which progress will be measured.</p>
<b>Measurement source and frequency</b>	<p>Should indicate where the data emanates from, how frequently it can be measured and reported. This information will assist the auditing process.</p>

## Performance Management Policy

CONCEPT	DEFINITION
<b>SMART</b>	The following <b>SMART</b> criteria were used for the objectives, KPAs and KPIs: <b>S</b> - specific <b>M</b> - measurable <b>A</b> - achievable <b>R</b> - realistic <b>T</b> - time-framed
<b>Benchmarking</b>	Refers to a process whereby organisations of a similar nature use each other's performance as a collective standard against which they can measure their own performance.

## Appendix 2

### Section 3.2. Of the White Paper on Local Government

#### 3.2. Performance management

Performance management is critical to ensure that plans are being implemented, are having the desired development impact, and that resources are being used efficiently. Municipalities currently set their own measures of performance, or key performance indicators. Key performance indicators vary greatly from municipality to municipality, and cover both efficiency measures and *human development indices*\*.

Key performance indicators can provide valuable information for two purposes:

- Firstly, development indices (such as the Household Development Index) can help municipalities to know their areas better and plan more effectively. Development indices also assist municipalities to assess the impact and effectiveness of the development strategies which they adopt, and make adjustments to their plans as required. The Central Statistical Service already provides useful indicators to assist municipalities in planning for their areas. Following the demarcation of new municipal boundaries, it will be possible to disaggregate (separate into component parts) information according to municipal jurisdictions, which will be of particular value in the planning process. Development indicators should also be disaggregated according to gender to allow municipalities to assess the impact of their strategies on women, and ensure that the needs and interests of women are incorporated into municipal planning processes.
- Secondly, indicators which measure value-for-money in service provision can provide valuable guidance for municipal organisational transformation. Efficiency and quality indicators enable municipalities to set targets for continued improvement in their operations, to prioritise areas where organisational change is required, and assess the success of their transformation programmes.

Involving communities in developing some municipal key performance indicators increases the accountability of the municipality. Some communities may prioritise the amount of time it takes a municipality to answer a query, others will prioritise the cleanliness of an area or the provision of water to a certain number of households. Whatever the priorities, by involving communities in setting key performance indicators and reporting back to communities on performance, accountability is increased, and public trust in the local government system enhanced.

Municipal Councils will also find that developing some key performance indicators in consultation with internal municipal stakeholders (i.e., management and organised labour) can assist in developing a shared organisational vision and common goals for improved performance and delivery.

Performance monitoring indicators need to be carefully designed in order to accurately reflect the efficiency, quality and value-for-money of municipal services. International experience shows that poorly designed performance indicators can have a negative effect on delivery, and that it is critical that indicators focus on outcomes and not only inputs and outputs. For example, a municipality has a programme for cutting the grass verges. The aim is to maintain an orderly appearance in the streets and to discourage the dumping of rubbish in public spaces. However, if the municipality fails to collect the cut grass, it will build up and lead to the dumping of garden refuse by residents. This defeats the municipality's original objective. A performance management system which only measures the frequency of cutting the grass (the output) - and not the effect that this has on the maintenance of the public spaces (the outcome) - will give a misleading report on the effectiveness of the municipality's actions.

In the medium-term, a national performance management system is required to assess the overall state of local government, monitor the effectiveness of development and delivery strategies adopted by different municipalities and ensure that scarce resources are utilised efficiently. It would provide 'early warning' where municipalities are experiencing difficulties, and enable other spheres of government to provide appropriate support before a crisis develops. It would also enable municipalities to compare their own performance with

## Performance Management Policy

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that of similar municipalities across the country, identify successful approaches or 'best practice', and learn from one another.

National government will work closely with municipalities, provincial governments and other agencies that can contribute to the development of a national performance management system (such as the Central Statistical Service and the Auditor-General's Office) to develop a set of indicators which can be piloted by different municipalities and ultimately lead to the establishment of a national system.

While it is envisaged that the national system will apply in all municipalities, it will not replace the need for municipalities to set their own key performance indicators as part of the integrated development plan process. A national system can only incorporate indicators which are relevant to all municipalities. Municipalities will need to continue to develop key performance indicators which are specific to their local circumstances and goals, and to the priorities of local communities.

### **In summary**

Integrated development planning, budgeting and performance management are powerful tools which can assist municipalities to develop an integrated perspective on development in their area. It will enable them to focus on priorities within an increasingly complex and diverse set of demands. It will enable them to direct resource allocations and institutional systems to a new set of development objectives.

## Appendix 3

### Chapter 6 of the Municipal Systems Act (2000)

#### CHAPTER 6

#### PERFORMANCE MANAGEMENT

##### Establishment of performance management system

**38.** A municipality must—

(a) establish a performance management system that is—

- (i) commensurate with its resources;
- (ii) best suited to its circumstances; and
- (iii) in line with the priorities, objectives, indicators and targets contained in its integrated development plan;

(b) promote a culture of performance management among its political structures, political office bearers and councillors and in its administration; and

(c) administer its affairs in an economical, effective, efficient and accountable manner.

##### Development of performance management system

**39.** The executive committee or Executive Mayor of a municipality or, if the municipality does not have an executive committee or executive mayor,, a committee of councillors appointed by the municipal council must—

(a) manage the development of the municipality's performance management system;

(b) assign responsibilities in this regard to the municipal manager, and

(c) submit the proposed system to the municipal council for adoption.

##### Monitoring and review of performance management system

**40.** A municipality must establish mechanisms to monitor and review its performance management system.

##### Core components

**41.** (1) A municipality must in terms of its performance management system and in accordance with any regulations and guidelines that may be prescribed—

(a) set appropriate key performance indicators as a yardstick for measuring performance, including outcomes and impact, with regard to the municipality's development priorities and objectives set out in its integrated development plan;

(b) set measurable performance targets with regard to each of those development priorities and objectives;

(c) with regard to each of those development priorities and objectives and against the key performance indicators and targets set in terms of paragraphs (a) and (b)—

(i) monitor performance; and

(ii) measure and review performance at least once per year;

(d) *take steps to improve performance with regard to those development priorities and objectives where performance targets are not met; and*

(e) *establish a process of regular reporting to—*

(i) the council, other political structures, political office bearers and staff of the municipality; and

## Performance Management Policy

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(ii) the public and appropriate organs of state.

(2) The system applied by a municipality in compliance with subsection (1)(c) must be devised in such a way that it may serve as an early warning indicator of under-performance.

### Community involvement

42. A municipality, through appropriate mechanisms, processes and procedures established in terms of Chapter 4, must involve the local community in the development, implementation and review of the municipality's performance management system, and, in particular, allow the community to participate in the setting of appropriate key performance indicators and performance targets for the municipality.

### General key performance indicators

43. (1) The Minister, after consultation with the MECs for local government and organised local government representing local government nationally, may—

*(a) by regulation prescribe general key performance indicators that are appropriate and that can be applied to local government generally; and*

*(b) when necessary, review and adjust those general key performance indicators.*

(2) Key performance indicators set by a municipality must include any general key performance indicators prescribed in terms of subsection (1), to the extent that these indicators are applicable to the municipality concerned.

### Notification of key performance indicators and performance targets

44. A municipality, in a manner determined by its council, must make known, both internally and to the general public, the key performance indicators and performance targets set by it for purposes of its performance management system.

### Audit of performance measurements

45. The results of performance measurements in terms of section 41(1)(c) must be audited—

*(a) as part of the municipality's internal auditing processes; and*

*(b) annually by the Auditor-General.*

### Annual Reports

46. (1) A municipality must prepare for each financial year an Annual Report consisting of—

*(a) a performance report reflecting—*

*(i) the municipality's, and any service provider's, performance during that financial year, also in comparison with targets of and with performance in the previous financial year;*

*(ii) the development and service delivery priorities and the performance targets set by the municipality for the following financial year; and*

*(iii) measures that were or are to be taken to improve performance;*

*(b) the financial statements for that financial year prepared in accordance with the standards of generally recognised accounting practice referred to in section 89 of the Public Finance Management Act, 1999 (Act No. 1 of 1999);*

*(c) an audit report on the financial statements and the report on the audit performed in terms of section 45(b); and*

*(d) any other reporting requirements in terms of other applicable legislation.*

(2) A municipality must table its Annual Report within one month of receiving the audit report referred to in subsection (1)(c).

(3) (a) The municipal manager must—

*(i) by prior notice in the media, inform the local community of the meeting or meetings of the council at which the municipality's Annual Report is tabled or discussed, which meetings must be open to the public;*

## Performance Management Policy

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- (ii) give written notice of such meetings to the Auditor-General and the MEC for local government in the province;
- (iii) submit copies of the minutes of those meetings to the Auditor-General and the MEC for local government in the province;
- (b) Representatives of the Auditor-General and the MEC for local government in the province are entitled to attend and to speak at such meetings, and the municipal manager must be available to respond to questions related to the Annual Report.
- (4) The municipality must adopt its Annual Report, and within 14 days—
  - (a) make copies of the report accessible to the public, interested organisations and the media, free of charge or at a reasonable price; and
  - (b) submit a copy of the report to—
    - (i) the MEC for local government in the province;
    - (ii) the Auditor-General; and
    - (iii) such other institutions as may be prescribed by regulation.

### Reports by MEC

47. (1) The MEC for local government must annually compile and submit to the provincial legislatures and the Minister a consolidated report on the performance of municipalities in the province.
- (2) 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*.
- (3) The MEC for local government must submit a copy of the report to the National Council of Provinces.

### Reports by Minister

48. (1) The Minister must annually compile and submit to Parliament and the MECs for local government a consolidated report of local government performance in terms of general key performance indicators.
- (2) The report must be published in the *Gazette*.

### Regulations and guidelines

49. (1) The Minister may for the purposes of this Chapter make regulations or issue guidelines in terms of section 120 to provide for or regulate—
- (a) incentives to ensure that municipalities establish their performance management systems within the applicable prescribed period, and comply with the provisions of this Act concerning performance management systems;
  - (b) the setting of key performance indicators by a municipality with regard to its development objectives;
  - (c) the identification of appropriate general key performance indicators that can be applied to municipalities generally and that reflect the object and intent of section 23;
  - (d) the regular review by a municipality of its key performance indicators;
  - (e) the setting of a framework for performance targets by municipalities consistent with their development priorities, objectives and strategies set out in their integrated development plans;
  - (f) mechanisms, systems and processes for the monitoring and measurement of performance by a municipality with regard to its development objectives;
  - (g) the internal auditing of performance measurements;

## Performance Management Policy

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- (h) the assessment of those performance measurements by a municipality;
  - (i) the assessment of progress by a municipality with the implementation of its integrated development plan;
  - (j) the improvement of performance;
  - (k) any other matter that may facilitate—
    - (i) the implementation by municipalities of an efficient and effective system of performance management; or
    - (ii) the application of this Chapter.
- (2) When making regulations or issuing guidelines in terms of section 120 to provide for or to regulate the matters mentioned in subsection (1) of this section, the Minister must—
- (a) take into account the capacity of municipalities to comply with those matters; and
  - (b) differentiate between different kinds of municipalities according to their respective capacities.
- (3) The Minister, by notice in the *Gazette*, may phase in the application of the provisions of this Chapter which place a financial or administrative burden on municipalities.
- (4) A notice in terms of subsection (3) may—
- (a) determine different dates on which different provisions of this Chapter becomes applicable to municipalities;
  - (b) apply to all municipalities generally;
  - (c) differentiate between different kinds of municipalities which may, for the purpose of the phasing in of the relevant provisions, be defined in the notice in relation to categories or types of municipalities or in any other way; or
  - (d) apply to a specific kind of municipality only, as defined in the notice.

## **Appendix 4**

### **Municipal Planning and Performance Management Regulations**

#### **GOVERNMENT NOTICE**

#### **DEPARTMENT OF PROVINCIAL AND LOCAL GOVERNMENT**

No. R. 796 - 24 August 2001

#### **LOCAL GOVERNMENT: MUNICIPAL PLANNING AND PERFORMANCE MANAGEMENT REGULATIONS, 2001**

Under section 120, read with sections 37, 43 and 49 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000), I, Fholisani Sydney Mufamadi, after consultation with the MEC's for local government and organised local government representing local government nationally, hereby make the regulations in the Schedule.

**F. S. MUFAMADI**

**Minister for Provincial and Local Government**

#### **SCHEDULE**

#### **CHAPTER 1**

#### **INTERPRETATION**

##### ***Definitions***

1. In these regulations a word or phrase to which a meaning has been assigned in the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000), has that meaning and, unless the context otherwise indicates "ad hoc committee" means a committee appointed in terms of section 33(1) of the Act;

**"financial year"** means the financial year of municipalities that end on 30 June of each year;

**"input indicator"** means an indicator that measures the costs, resources and time used to produce an output;

**"outcome indicator"** means an indicator that measures the quality and or impact of an output on achieving a particular objective;

**"output indicator"** means an indicator that measures the results of activities, processes and strategies of a program of a municipality;

**"the Act"** means the Local Government: Municipal Systems Act, 2000.

#### **CHAPTER 2**

## INTEGRATED DEVELOPMENT PLANNING

### *Detail of integrated development plan*

2. (1) A municipality's integrated development plan must at least identify-
  - (a) the institutional framework, which must include an organigram, required for-
    - (i) the implementation of the integrated development plan; and
    - (ii) addressing the municipality's internal transformation needs, as informed by the strategies and programmes set out in the integrated development plan;
  - (b) any investment initiatives in the municipality;
  - (c) any development initiatives in the municipality, including infrastructure, physical, social, economic and institutional development;
  - (d) all known projects, plans and programs to be implemented ' within the municipality by any organ of state; and
  - (e) the key performance indicators set by the municipality.
- (2) An integrated development plan may
  - (a) have attached to it maps, statistics and other appropriate documents; or
  - (b) refer to maps, statistics and other appropriate documents that are not attached, provided they are open for public inspection at the offices of the municipality in question.
- (3) A financial plan reflected in a municipality's integrated development plan must at least
  - (a) include the budget projection required by section 26(h) of the Act;
  - (b) indicate the financial resources that are available for capital project developments and operational expenditure; and
  - (c) include a financial strategy that defines sound financial management and expenditure control, as well as ways and means of increasing revenues and external funding for the municipality and its development priorities and objectives, which strategy may address the following:
    - (i) Revenue raising strategies;
    - (ii) asset management strategies;
    - (iii) financial management strategies;
    - (iv) capital financing strategies;
    - (v) operational financing strategies; and
    - (vi) strategies that would enhance cost-effectiveness.
- (4) A spatial development framework reflected in a municipality's integrated development plan must-
  - (a) give effect to the principles contained in Chapter 1 of the Development Facilitation Act' 1995 (Act No. 67 of 1995);
  - (b) set out objectives that reflect the desired- spatial form of the municipality;
  - (c) contain strategies and policies regarding the manner in which to achieve the objectives referred to in paragraph (b), which strategies and policies must-
    - (i) indicate desired patterns of land use within the municipality;
    - (ii) address the spatial reconstruction of the municipality; and

## Performance Management Policy

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- (iii) provide strategic guidance in respect of the location and nature of development within the municipality;
- (d) set out basic guidelines for a land use management system in the municipality;
- (e) set out a capital investment framework for the municipality's development programs;
- (f) contain a strategic assessment of the environmental impact of the spatial development framework;
- (g) identify programs and projects for the development of land within the municipality;
- (h) be aligned with the spatial development frameworks reflected in the integrated development plans of neighbouring municipalities; and
- (i) provide a visual representation of the desired spatial form of the municipality, which representation:
  - (i) must indicate where public and private land development and infrastructure investment should take place;
  - (ii) must indicate desired or undesired utilisation of space in a particular area;
  - (iii) may delineate the urban edge;
  - (iv) must identify areas where strategic intervention is required; and
  - (v) must indicate areas where priority spending is required.

### ***Process for amending integrated development plans***

3. (1) Only a member or committee of a municipal council) may introduce a proposal for amending the municipality's integrated development plan in the council.
- (2) Any proposal for amending a municipality's integrated development plan must be-
  - (a) accompanied by a memorandum setting out the reasons for the proposal; and
  - (b) aligned with the framework adopted in terms of section 27 of the Act.
- (3) An amendment to a municipality's integrated development plan is adopted by a decision taken by a municipal council in accordance with the rules and orders of the council.
- (4) No amendment to a municipality's integrated development plan may be adopted by the municipal council unless-
  - (a) all the members of the council have been given reasonable notice;
  - (b) the proposed amendment has been published for public comment for a period of at least 21 days in a manner that allows the public an opportunity to make representations with regard to the proposed amendment;
  - (c) the municipality, if it is a district municipality, has complied with sub regulation (5); and
  - (d) the municipality, if it is a local municipality, has complied with sub regulation (6).
- (5) A district municipality that considers an amendment to its integrated development plan must-
  - (a) consult all the local municipalities in the area of the district municipality on the proposed amendment; and
  - (b) take all comments submitted to it by the local municipalities in that area into account before it takes a final decision on the proposed amendment.
- (6) A local municipality that considers an amendment to its integrated development plan must-
  - (a) consult the district municipality in whose area- it falls on the proposed amendment; and
  - (b) take all comments submitted to it by the district municipality into account before it takes a final decision on the proposed amendment.

***Procedure and manner of referring an objection to ad hoc committee***

4. (1) Whenever a MEC for local government decides to refer an objection to an ad hoc committee in terms of section 33(4) of the Act, the MEC must-
- (a) within seven days of such decision, notify the relevant municipal council that the municipal council's objection is being referred to an ad hoc committee;
  - (b) submit the following to the ad hoc committee as soon as it is appointed:
    - (i) A copy of the MEC's request in terms of section 32(2) of the Act;
    - (ii) written reasons for the MEC's proposals referred to in section 32(2)(a) of the Act;
    - (iii) a copy of the municipal council's objection and the reasons for disagreeing with the MEC's proposals.
- (2) An ad hoc committee must-
- (a) inform the relevant municipal council in writing of the date or dates on which the ad hoc committee would consider the municipal council's objection; and
  - (b) afford the relevant municipal council at least seven days before such date or dates to make written representations to the ad hoc committee regarding the reasons for the MEC's proposals referred to in sub regulation (1)(b)(ii).
- (3) An ad hoc committee must, within, 21 days of the date on which it was appointed, notify the relevant municipal council and the MEC concerned in writing of the committee's decision regarding the municipal council's objection.

***Proceedings of ad hoc committee***

5. (1) (a) A MEC for local government who appoints an ad hoc committee must convene the first meeting of the ad hoc committee.
- (b) The chairperson of the ad hoc committee convenes the subsequent meetings of the ad hoc committee.
- (2) (a) At the first meeting of the ad hoc committee, the members of the ad hoc-committee must elect a member of the committee as chairperson after nominations have been called for.
- (b) If the chairperson of the ad hoc committee is absent from a specific meeting of the committee, the members present must elect a chairperson from the members present to act as chairperson for that meeting
- (3) An objection referred to an ad hoc committee must be decided on the written documentation submitted to it.
- (4) (a) An ad hoc committee may determine its own voting procedure for deciding a matter before it, taking into account the requirement of section 33(4) of the Act that at least two spheres of government must agree on the matter.
- (b) No sphere of government represented in an ad hoc committee may abstain from voting.

***Giving effect to integrated development plan***

6. A municipality's integrated- development plan must -
- (a) inform the municipality's annual budget that must be based on the development priorities and objectives referred to in section 26(c) of the Act and the performance targets set by the municipality in terms of regulation 12; and

(b) be used to prepare action plans for the implementation of strategies identified by the municipality.

## CHAPTER 3

### PERFORMANCE MANAGEMENT

#### *Nature of performance management system*

7. (1) A municipality's performance management-system entails a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role-players.
- (2) In developing its performance management system, a municipality must ensure that the system-
- (a) complies with all the requirements set out in the Act;
  - (b) demonstrates how it is to operate and be managed from the planning stage up to the stages of performance and reporting;
  - (c) clarifies the roles and responsibilities of each role-player, including the local community, in the functioning of the system;
  - (d) clarifies the processes of implementing the system within the framework of the integrated development planning process;
  - (e) determines the frequency of reporting and the lines of accountability for performance;
  - (f) relates to the municipality's employee performance management processes;
  - (g) provides for the procedure by which the system is linked to the municipality's integrated development planning processes; and

#### *Adoption of performance management system*

8. 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.

#### *Setting of key performance indicators*

- 9 (1)(a) A municipality must set key performance indicators, including input indicators, output indicators and outcome indicators, in respect of each of the development priorities and objectives referred to in section 26(c) of the Act.
- (b) A key performance indicator must be measurable, relevant, objective and precise.
- (2) In setting key performance indicators, a municipality must ensure that-
- (a) communities are involved; and
  - (b) the key performance indicators inform the indicators set for
    - (i) all its administrative units and employees; and
    - (ii) every municipal entity and service provider with whom the municipality has entered into a service delivery agreement.

**General key performance indicators**

10. The following general key performance indicators are prescribed in terms of section 43 of the Act:

- (a) The percentage of households with access to basic level of water, sanitation, electricity and solid waste removal;
- (b) the percentage of households earning less than R1100 per month with access to free basic services;
- (c) the percentage of a 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 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 a municipality's approved employment equity plan;
- (f) the percentage of a municipality's budget actually spent on implementing its workplace skills plan; and
- (g) financial viability as expressed by the following ratios:

$$(i) \quad A = \frac{B - C}{D}$$

Where -

"A" represents debt coverage

"B" represents total operating revenue received

"C" represents operating grants

"D" represents debt service payments (i.e. interest + redemption) due within the financial year;

$$(ii) \quad A = \frac{B}{C}$$

Where -

"A" represents outstanding service debtors to revenue

"B" represents total outstanding service debtors

"C" represents annual revenue actually received for services;

$$(iii) \quad A = \frac{B + C}{D}$$

Where -

"A" represents cost coverage

"B" represents all available cash at a particular time

"C" represents investments "D" represents monthly fixed operating expenditure.

**Review of key performance indicators**

11. (1) A municipality must review its key performance indicators annually as part of the performance review process referred to in regulation 13.
- (2) Whenever a municipality amends its integrated development plan in terms of section 34 of the Act, the municipality must, as part of the process referred to in regulation 3, review those key performance indicators that will be affected by such amendment.

**Setting of performance targets**

12. (1) A municipality must, for each financial year, set performance targets for each of the key performance indicators set by it.
- (2) A performance target: set in terms of sub regulation (1) must -
- (a) be practical and realistic;
  - (b) measure the efficiency, effectiveness, quality and impact of the performance of the municipality, administrative component, structure, body or person for whom a target has been set;
  - (c) be commensurate with available resources;
  - (d) be commensurate with the municipality's capacity; and
  - (e) be consistent with the municipality's development priorities and objectives set out in its integrated development plan.

**Monitoring, measurement and review of performance**

13. (1) A municipality must, after consultation with the local community, develop and implement mechanisms, systems and processes for the monitoring, measurement and review of performance in respect of the key performance indicators and performance targets set by it.
- (2) The mechanisms, systems and processes for monitoring in terms of sub regulation (1) must-
- (a) provide for reporting to the municipal council at least twice a year;
  - (b) be designed in a manner that enables the municipality to detect early indications of under-performance; and
  - (c) provide for corrective measures where under-performance has been identified.
- (3) Performance measurement in terms of sub regulation (1) must include the measurement of -
- (a) costs, resources and time used to produce outputs in accordance with the input indicators referred to in regulation 9;
  - (b) the extent to which the municipality's activities or processes produced outputs in accordance with the output indicators referred to in regulation 9; and
  - (c) the total improvement brought by outputs in accordance with the outcome indicators referred to in regulation 9.
- (4) The mechanisms, systems and processes for review in terms of sub regulation (1) must at least-
- (a) identify the strengths, weaknesses, opportunities and threats of the municipality in meeting the key performance indicators and performance targets set by it, as well as the general key performance indicators prescribed by regulation 10;
  - (b) review the key performance indicators set by the municipality in terms of regulation 9; and
  - (c) allow the local community to participate in the review process.

**Internal auditing of performance measurements**

14. (1) (a) A municipality must develop and implement mechanisms, systems and processes for auditing the results of performance measurements as part of its internal auditing processes.
- (b) Any auditing in terms of paragraph (a) must include assessments of the following:

## Performance Management Policy

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- (i) The functionality of the municipality's performance management system;
- (ii) whether the municipality's performance management system complies with the Act; and
- (iii) the extent to which the municipality's performance measurements are reliable in measuring performance of municipalities on indicators referred to in regulation 9 and 10

(c) A municipality's internal auditors must -

- (i) on a continuous basis audit the performance measurements of the municipality; and
- (ii) submit quarterly reports on their audits to the municipal manager and the performance audit committee referred to in sub regulation (2).

(2) (a) A municipality must annually appoint and budget for a performance audit committee consisting of at least three members, the majority of which may not be involved in the municipality as a councillor or an employee.

(b) A performance audit committee appointed in terms of paragraph (a) must include at least one person who has expertise in performance management.

(c) A municipality may utilise any audit committee established in terms of other applicable legislation as the performance audit committee envisaged in paragraph (a), in which case the provisions of this sub regulation, read with the necessary changes, apply to such an audit committee.

(d) The council of a municipality must designate a member of the performance audit committee who is not a councillor or an employee of the municipality as chairperson of the committee.

(e) If the chairperson of the performance audit committee is absent from a specific meeting of the committee, the members present must elect a chairperson from the members present to act as chairperson for that

meeting.

(f) In the event of a vacancy occurring amongst the members of the performance audit committee, the municipality concerned must fill that vacancy for the unexpired portion of the vacating member's term of appointment.

(g) A municipality must provide secretariat services for its performance audit committee.

(h) (i) A local municipality may instead of appointing a performance audit committee elect to make use of the performance audit committee of the district municipality in whose area it falls, and that performance audit committee is to be regarded as the performance audit committee of the local municipality in question.

(ii) A local municipality that elects to make use of the performance audit committee of the district municipality in whose area it falls, must notify that district municipality of its decision and make suitable arrangements with the district municipality regarding the availability of that performance audit committee.

(i) A member of the performance audit committee who is not a councillor or an employee of the municipality concerned, may be remunerated taking into account the tariffs determined by the South African Institute of Chartered Accountants in consultation with the Auditor-General.

(3) (a) A performance audit committee must meet at least twice during the financial year of the municipality concerned.

(b) A special meeting of the performance audit committee may be called by any member of the committee.

(c) A performance audit committee may determine its own procedures after consultation with the Executive Mayor of the municipality concerned, as the case may be.

(4) (a) A performance audit committee must-

- (i) review the quarterly reports submitted to it in terms of sub regulation (1)(c)(ii);

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- (ii) review the municipality's performance management system and make recommendations in this regard to the council of that municipality; and
  - (iii) at least twice during a financial year submit an audit report to the municipal council concerned.
- (b) In reviewing the municipality's performance management system in terms of paragraph (a)(ii), the performance audit committee must focus on economy, efficiency, effectiveness and impact in so far as the key performance indicators and performance targets set by the municipality are concerned.
- (c) A performance audit committee may -
- (i) communicate directly with the council, municipal manager or the internal; and external auditors of the municipality concerned;
  - (ii) access any municipal records containing information that is needed to perform its duties or exercise its powers;
  - (iii) request any relevant person to attend any of its meetings, and, if necessary, to provide information requested by the committee; and
  - (iv) investigate any matter it deems necessary for the performance of its duties and the exercise of its powers.

## CHAPTER 4

### MISCELLANEOUS

#### ***Community participation in respect of integrated development planning and performance management***

15. (1) (a) In the absence of an appropriate municipal wide structure for community participation, a municipality must establish a forum that will enhance community participation in -
- (i) the drafting and implementation of the municipality's integrated development plan; and
  - (ii) the monitoring, measurement and review of the municipality's performance in relation to the key performance indicators and performance targets set by the municipality.
- (b) Before establishing a forum in terms of paragraph (a), a municipality must, through appropriate mechanisms, invite the local community to identify persons to serve on the forum, including representatives from ward committees, if any.
- (c) A forum established in terms of paragraph (a) must be representative of the composition. of the local community of the municipality concerned.
- (2) A municipality must-
- (a) convene regular meetings of the forum referred to in sub regulation (1) to -
    - (i) discuss the process to be followed in drafting the integrated development plan;
    - (ii) consult on the content of the integrated development plan;
    - (iii) monitor the implementation of the integrated development plan;
    - (iv) discuss the development, implementation and review of the municipality's performance management system; and
    - (v) monitor the municipality's performance in relation to the key performance indicators and performance targets set by the municipality; and
  - (b) allow members of the forum at least 14 days before any meeting of the forum to consult their respective constituencies on the matters that will be discussed at such a meeting.

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(3) A municipality must afford the local community at least 21 days to comment on the final draft of its integrated development plan before the plan is submitted to the council for adoption.

### **Short title**

16. These regulations are called the Local Government: Municipal Planning and Performance Management Regulations, 2001.