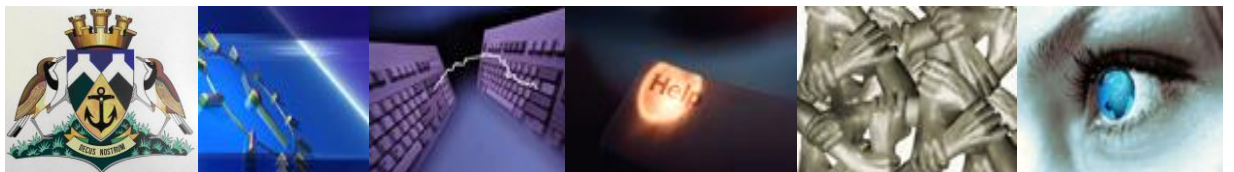# Performance Management Policy Framework

Overberg District Municipality

Version 3
Review December 2017

1. WHY PERFORMANCE MANAGEMENT?

Performance information indicates how well a municipality is meeting its aims and objectives, and which policies and processes are working. Making the best use of available data and knowledge is crucial for improving the execution of its mandate. Performance information is key to effective management, including planning, budgeting, implementation, monitoring and reporting. Performance information also facilitates effective accountability, enabling councilors, members of the public and other interested parties to track progress, identify the scope for improvement and better understand the issues involved.

The municipality delivers services essential to the well-being and development of the communities. To ensure that service delivery is as efficient and economical as possible, municipalities are required to formulate strategic plans, allocate resources to the implementation of those plans, and monitor and report the results. Performance information is essential to focus the attention of the public and oversight bodies on whether municipalities are delivering value for money, by comparing their performance against their budgets and service delivery plans, and to alert managers to areas where corrective action is required.

Performance information also plays a growing role in budget allocations and will increasingly be used to monitor service delivery. This means the information must be accurate, appropriate and timely.

The most valuable reason for measuring performance is that what gets measured gets done. If an institution knows that its performance is being monitored, it is more likely to perform the required tasks - and to perform them well. In addition, the availability of performance information allows managers to pursue results-based management approaches, such as performance contracts, risk management, benchmarking and market testing.

2. PURPOSE OF THE POLICY FRAMEWORK

The Municipal Systems Act of 2000 and the Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers of 2006, 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 policy framework will provide guidance in terms of the municipality's cycle and processes of performance planning, monitoring, measuring, reviewing, reporting, auditing and quality control. The Performance Management Policy as informed by the Municipal Systems Act (2000) and the Municipal Performance Regulations (2006).

This Framework 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 Parliament, provincial legislatures, municipal councils and the public with timely, accessible and accurate performance information.

3.   LEGAL FRAMEWORK

The following Policy and Legislative provisions governs performance management in the local government sphere:

Constitution of the RSA, 1996

The Constitution of the RSA, 1996, Section 152, which deals with the objects of local government, paves the way for performance management with the requirements for an "accountable government". Many of the democratic values and principles in terms of Section 195(1) of the Constitution can also be linked with the concept of performance management, with reference to the principles of, inter alia, the promotion of the efficient, economic and effective use of resources, accountable public administration, displaying transparency by making available information, being responsive to the needs of the community, and by facilitating a culture of public service and accountability amongst staff.

White Paper on Local Government (1998)

The White Paper on Local Government (1998), introduced the practice of performance management for local government as a tool to facilitate their developmental role. Such practice further serves to increase the accountability of the municipality and the trust of the community in such municipality.

Municipal Systems Act, 2000 (Act 32 of 2000)

The Municipal Systems Act, 2000 (Act 32 of 2000) also picks up on these 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, office bearers & Councillors and its administration, and administer its affairs in an economical, effective, efficient and accountable manner.

Section 39 stipulates that the Executive Committee (Exco) or the Executive Mayor is responsible for the development of a PMS, for which purpose they may assign responsibilities to the Municipal Manager. The Exco 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.

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 described 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 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. This 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.

Municipal Finance Management Act, 2003 (Act 56 of 2003) (MFMA)

The MFMA was promulgated to ensure that municipalities manage their finances in a sustainable way, and to be accountable and transparent. The Service Delivery and Budget Implementation Plan (SDBIP), forms part of the Budget process.

Section 53(c)(iii) stipulates that the annual performance agreements as required in terms of section 57(1)(b) of the Municipal Systems Act (as amended) for the municipal manager and all senior managers must:-

(aa) Comply with this Act in order to promote sound financial management;

(bb) are linked to the measurable performance objectives approved with the budget and to the service delivery and budget implementation plan; and

The MFMA also set timeframes when the SDBIP and performance agreements of section 57 appointees must be made public.

Section 72 deals with the mid-year budget and performance assessment for the first half of the financial year.

Chapter 12 deals with the annual report and gives effect to Section 45 and 46 of the Municipal Systems Act.

The Municipal Planning and Performance Management Regulations (No 796, 24 August 2001)

The regulations deal with provisions 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]

Local Government: Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers, 2006 (No R. 805, 1 August 2006)

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.

Local Government: Municipal System Act, (32/2000): Local Government: Regulations on appointment and conditions of employment of Senior Managers, (No. 21, 21 January 2014)

This regulation deals with the Staff Establishment, procedures on the filling of senior managers posts and their conditions of employment. Section 46 of the Regulation repeals certain regulations of the Local Government: Municipal Performance Regulation for Municipal Managers and Managers directly accountable to Municipal Managers (GN No. 805). Annexure A of the regulations deals with the Competency Framework for Senior Managers, which forms part of the performance contract of a Senior Manager.

A list of legislation applicable to the municipality is attached as Annexure B.

4.   APPLICABILITY OF FRAMEWORK

This policy framework is applicable to The Municipality.

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 delegates the responsibility for the development and management of the PMS to the Municipal Manager of The Municipality. The Heads of Department will be responsible for executing the PMS in their respective departments according to the approved framework.

5. INTRODUCTION TO PERFORMANCE MANAGEMENT

In today's highly dynamic municipal environment strategy has never been more important. To succeed municipalities need to continuously reshape themselves. This requires tremendous strategic agility as well as superior execution of the chosen strategy. Municipalities that fail to engage their people to strategy execution fail to achieve their full potential. Success requires that employees are truly engaged and committed to their work and share the values and goals of the municipality.

Commit People to Objectives

Municipal employees need to be motivated to work for reaching mutual goals by allowing them to examine the municipality's vision, strategy, and operational targets. It enables personnel at all levels of the municipality to identify their individual responsibilities and targets so that strategy becomes understandable in an everyday operational sense.

Monitor, Analyse and Benchmark Performance

In terms of section 19 of the Structures Act, sections 39 – 41 of the Municipal Systems Act and section 7 (2) of the Municipal planning and performance management regulations the municipality must develop a performance management system (PMS) to monitor, analyse and benchmark its performance. Other legislative requirements include section 152 of the Constitution, Chapter 6 of the Municipal Systems Act, White Paper on Service Delivery and Chapter 6 of the MFMA. *Please refer Annexure B for the Legal Framework as well as a complete list of legislation that municipalities need to comply with.*

Execute Strategy

The PMS should be designed to drive organisational change, achieve continuous improvement and exceed performance targets. It should furthermore act as an excellent steering system for business management that commits people to objectives and processes. It should also focus on management processes and behaviours and it should not be considered an annual form filling in exercise.

Integrate Performance Management to the Municipality

The PMS should ultimately allow for automatically updated performance data in order to provide the Council and its people with the current status of the municipal performance. Firstly should the IDP and municipal budget be integrated into the SDBIP where after it should be linked to individual performance contracts.

Get Results Fast

The PMS should be implemented in such a way to enable the Council and its people to start enjoying the benefits of performance management from the first day of implementation.

Engage Employees and Communities

Intuition tells us that when *employees* are truly engaged in their work and in the values and goals of the municipality, their behaviour will generally be supporting municipal success. It seems equally self-evident that disengaged employees are unlikely to give their best. In order to confirm this intuition several studies have been conducted. Research indeed indicates that engaged employees are more loyal—and the greater the number of more loyal employees, the lower the costs of recruiting, hiring, training, and developing, not to mention the positive effects on productivity.

Engaged employees are also more willing to give extra effort when the municipality needs it. Engaged employees in customer-facing roles are more likely to treat customers in ways that positively influence customer satisfaction.

The same goes for communities. The *local communities* are required to be involved in the development, implementation and review of the municipality's PMS, specifically in relation to setting of appropriate key performance indicators and performance targets for the municipality.

Collaborative Management

Implementing Collaborative management significantly improves the quality of leadership by the means of performance and process management. It gives the municipality an understandable direction, definite priorities and clear goals.

Collaborative management also brings transparency and accountability to the leadership as well as introduces consistent and efficient management practices. Leadership is often thought of as an individual skill. This kind of thinking leads many municipalities to miss the bigger picture: what is their collective capacity to lead? This is the municipality's leadership capability. It includes both the effective behaviours and the effective processes of leadership.

Organisational and individual development is in the heart of every modern leadership philosophy. Collaborative Management takes the development effort to a new level by engaging everyone in the municipality to develop themselves as well as take the initiative into municipal improvement. It prioritizes the improvement activities and links them to targets. In addition, Collaborative Management also makes realization and follow-up of development initiatives systematic. Municipalities should provide employees with opportunities to develop their abilities, learn new skills, acquire new knowledge, and realise their creative potential. The people should be regarded as assets to be invested in, not as costs to be cut.

Empowered employees become committed employees. They are respected for their talents, and trusted to discharge their responsibilities in the way they see fit.

Municipalities collect and register an enormous amount of business and operational data and make this information available to people. However, the usage of this data is often limited by the fact that only very few people know what information is available and where to find it. Collaborative Management sets out to actively transform the information into knowledge communicating the information to all the relevant people and by creating insight by involving people to review, comment and analyse the information. The most crucial element of Collaborative Management is that it challenges the leadership to make decisions and take action based on this insight.
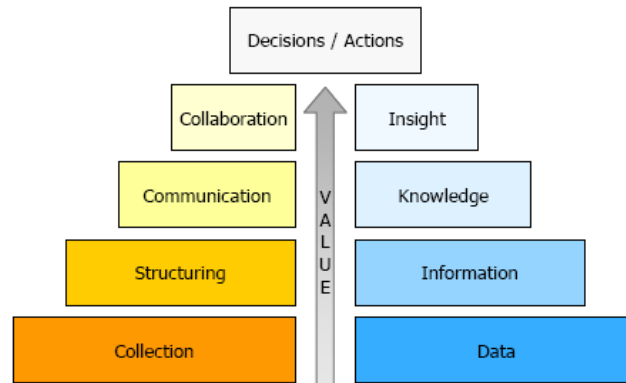
Traditional Corporate Performance Management (CPM) relies heavily on creating organisational success by providing decision-makers with detailed data about the activities and performance of the municipality as well as strict top-down target setting. Collaborative management builds on the same data, but sets out to cultivate that data into knowledge by letting people collaboratively process the information and by letting people participate in the measure definition and target setting process, thus also participate in giving strategic direction to the municipality. Replacing traditional top-down management with transparent and empowering leadership will create exceptional employee commitment. High levels of commitment are achieved not by telling employees what to think, but by listening to what they have to say.

Leadership

Translate the strategy into staff's "everyday speak"

Making strategy everyone's job

Understand the cause and effect of linkages between strategy/process capability

Creating transparency

Creating consistent management and review processes

Development

Emphasize development by setting clear measurable targets.

Systemize gathering of initiatives and action plans.

Plan and improve processes

Understand the cause and effect of linkages between strategy/process capability

An on-going feedback mechanism to make real-time, mid-course adjustments to priorities

Empowerment

Two-way communication and feedback

Delegate responsibility to the operative level.

Engage people in Organizational Development

Execute accountability with performance contracts

"Now I understand how I contribute to the business strategy — and the bottom line!"

6.   KEY CONCEPTS

The terminology behind the key concepts used in this policy framework is described in Annexure A attached to this document.

7.   ORGANISATIONAL PERFORMANCE MANAGEMENT LINKED TO INDIVIDUAL PERFORMANCE MANAGEMENT

The Municipal Systems Act requires the municipality to establish a PMS that is commensurate with its resources; best suited to its circumstances and in line with the IDP. It is required to create a culture of performance throughout the municipality.

The PMS should obtain the following core elements:
- Setting of appropriate performance indicators;
- Setting of measurable performance targets;
- Agree on performance measurement;
- Performance monitoring, reviewing and evaluation;
- Continuous performance improvement;
- Regular performance reporting; and
- Intervention where required.

In order to ensure that the municipality meets its organisational performance indicators, it must introduce a PMS that measures performance on organisational and individual level. Each individual is given performance objectives and targets that are linked to his/her team, department and the municipality.

Once the municipal objectives and targets have been set it is possible to cascade these down to departments, teams and employees.

8.   OBJECTIVES OF THE PERFORMANCE MANAGEMENT SYSTEM

The objectives of implementing a performance management system include:

- Facilitates strategy (IDP) deployment throughout the municipality and align the organization in executing its strategic objectives;
- Facilitate increased accountability;
- Continues and sustainable service delivery improvement;
- Create an organisational performance culture;
- Provide early warning signals;
- Develop open and constructive relationship between customers, leadership and employees;
- Encourage reward for good performance;
- Manage and improve poor performance;
- Link performance to skills development and career planning, therefore encourage learning and growth; and
- Comply with legislative framework.

9.   PRINCIPLES GOVERNING PERFORMANCE MANAGEMENT

The process of developing a performance management system for the Municipality was guided by a detailed process plan whereby the following principles   informed the municipality's performance management system:

Simplicity
The system is developed to operate accurately and effectively, but still in a simple and user-friendly manner which will enable the municipality to develop, implement, manage and review the system without placing an unnecessary great burden on the existing capacity of the municipality.

Politically acceptable and administratively manageable
The system is developed to be acceptable to political role players on all levels and flexible enough to be accepted by the municipal council and to enjoy the buy-in across   political differences. The

process will involve both Councilors and officials, but the day-to-day management of the process will be done administratively with regular progress reporting to the political level.

Implementable

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

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 public resources are being spent and who is responsible for what. The implementation framework, captured as part of this policy, will outline the implementation of this principle.

Efficient and sustainable

The PMS should, like other services within the municipality, be cost effective and should be professionally developed, managed and operated in a sustainable manner.

Public participation

The constituency of the municipality should be granted their legal rights, in terms of the Constitution and the MSA, through encouragement of public participation by the municipality during the development and implementation of a PMS. The implementation framework indicates the time, kind of involvement and responsibilities in terms of public participation.

Integration

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

Objectivity

The PM-System must be developed on a sound value system where the management of the system and the information is based upon being objective and credible. The adopted performance assessments ensure objectivity and credibility in the management of performance.

Reliability

The PMS should provide reliable information on the progress made by the municipality in achieving the objectives as set out in its IDP. The system provides for the use of source documents to verify the information put into the system.
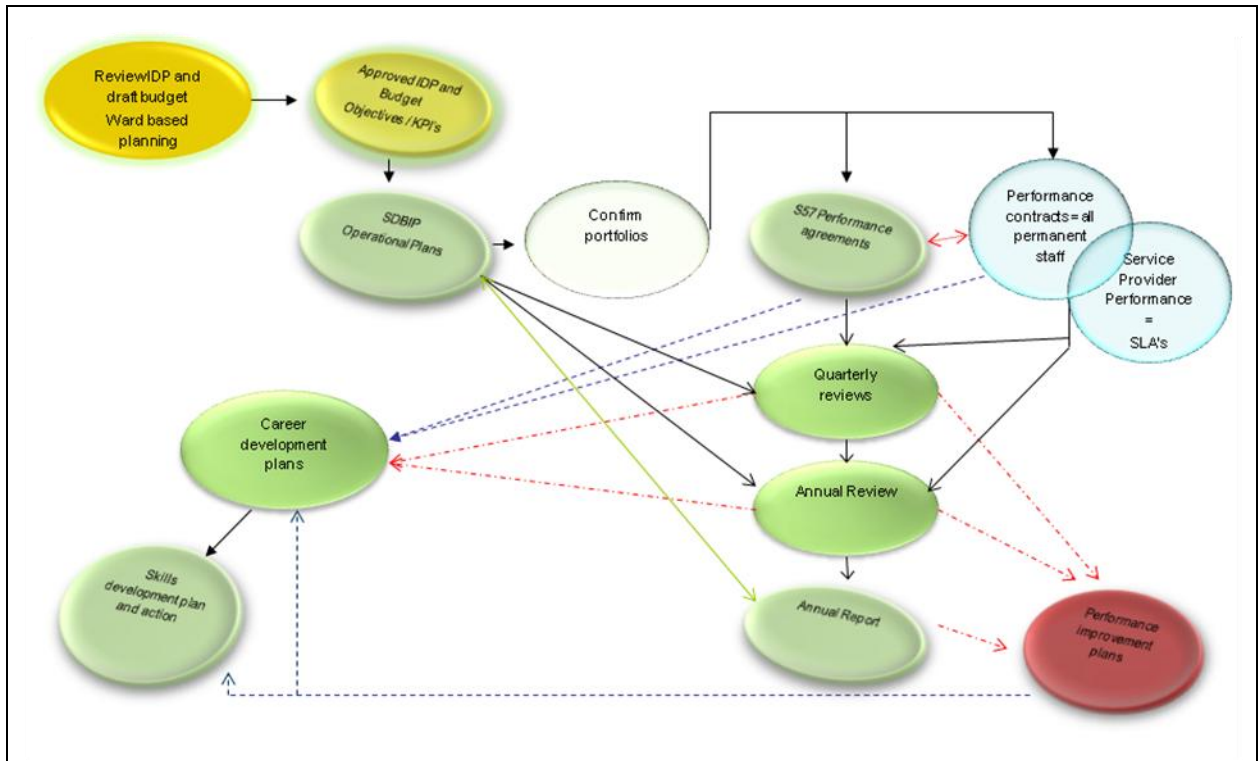
10. PERFORMANCE MANAGEMENT CYCLE

The municipality needs to adopt a performance management and reporting cycle which include timeframes to complete the process. The cycle should start with the strategy session of Council and include the IDP and budget processes. The IDP and budget should be converted to a Service Delivery Budget Implementation Plan (SDBIP) as corporate performance management tool and cascaded down to the PMS of the municipality.

The interaction of the performance management and reporting framework and other business processes is summarized in the diagram below.
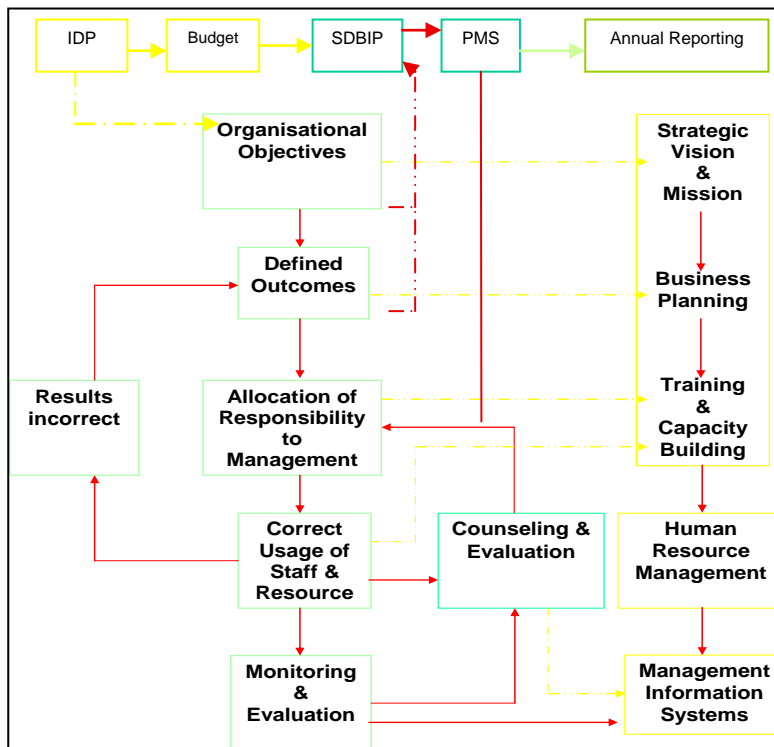
The Key Milestones are depicted in the following diagram:
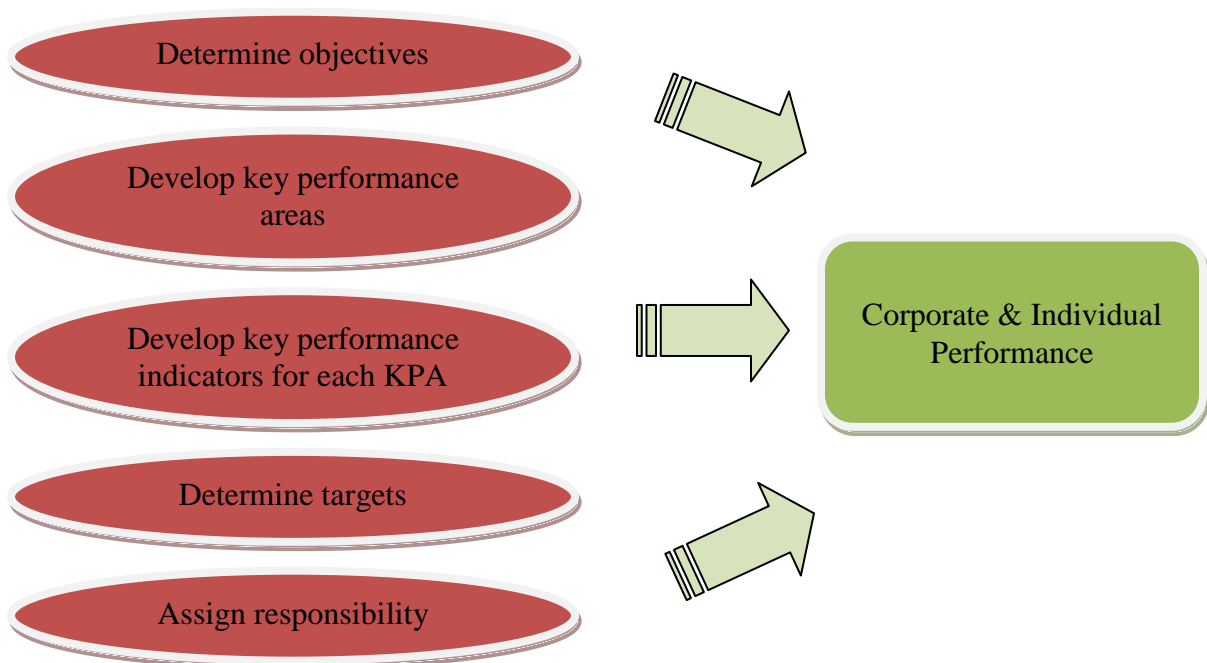

11. CORPORATE PERFORMANCE

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.

Corporate performance is the first step to seamlessly integrate the IDP and performance management. Corporate performance is measured through the SDBIP.

The SDBIP is a plan where the IDP and budget is converted 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 departments to deliver the services in the IDP and budget. The SDBIP needs to be approved by Mayor within 28 days after the budget has been approved. Any changes to the service delivery targets and performance indicators must be with the approval of Council, following approval of an adjustments budget (section 54(1)(c) of the MFMA.

In order to ensure the achieving of objectives, the municipality must structure key performance information in such a way that would focus on the effective monitoring and assessment of outcomes and impacts. The key performance information concepts are defined in Annexure A and the responsibilities of individuals are assigned as per paragraph -13 below.

The process in determining the performance measures can be summarized as follows:

Performance against the SDBIP needs to be reviewed on at least a quarterly basis and the performance against the set criteria needs to be entered on the SDBIP.

The leadership team should use the web-based SDBIP system to manage corporate performance and as an early warning system to identify areas of poor / slow performance and take performance improvement actions. It will be tabled quarterly at Council meetings as part of Section 52(d) report of the MFMA.

The following diagram illustrates the integration of performance management and sets the scene for managing performance on individual level:
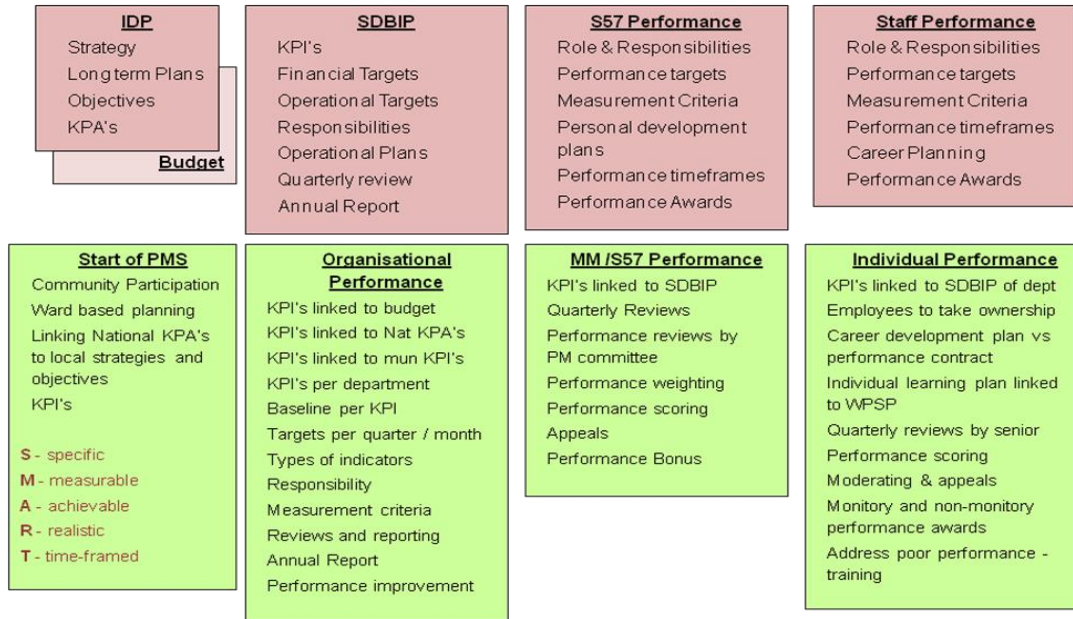
12. STANDARD OPERATING PROCEDURES (SOP'S)

The purpose of SOP's is to establish procedures to be followed in order to update KPI's on the SDBIP. These procedures provide instructions on the execution and updating of Key Performance Indicators (KPI's) and give guidance on the execution their off. It also ensures the updating of KPI's on the web-base tool (SDBIP) in the absence of KPI drivers.

A set of SOP's must be developed for at least each KPI on the Top Layer SDBIP and must be revised annually and when the SDBIP is reviewed.

13. INDIVIDUAL PERFORMANCE

Once the SDBIP has been approved, the portfolios of the council, departments and S57 appointees need to be confirmed.

SECTION 57 MANAGERS:

The Local Government Municipal Systems Act 2000 requires the Municipal Manager and the Managers reporting directly to the Municipal Manager to enter into annual Performance Agreements. The employment contract of the Municipal Manager and other Section 57 Managers should be directly linked to their Performance Agreements. These Performance Agreements therefore consist of two distinct parts:

- Performance Agreement: This is an agreement between the Section 57 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 is normally for a period of 5-years, but 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 Departmental Business Plan or scorecard (sorted per Department) transcends into the Performance Plan/s of the respective Section 57 Managers according to their areas of responsibility.

OTHER EMPLOYEES:

The data obtained from sorting the information in the SDBIP according to Individuals, will provide the user with the respective Individual performance contracts.

Individual performance contracts are agreed with each employee as part of his / her career development plan. Performance contracts will include the following:

- Performance agreed for all employees on a specific level. Performance Agreements for all departmental heads and other employees' development contracts.

- Performance agreed with the individual employee unique to the employees daily tasks

- Growth performance – activities agreed that will allow the employee to grow to higher levels

A *career development plan* should be agreed for all employees and include the following:

- Performance contract – including core competencies;
- Career path for the respective employee, including long term and intermediate goals; and
- Training or other skills development needs of the employee.

The *skills development plan* needs to be compiled / updated with the information obtained from the career development plans. The human resources manager together with the respective line manager is responsible to facilitate

Formal performance reviews need to be done at least bi-annually with the required skills development interventions.

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

WEIGHTINGS / RATINGS

Weightings show the relative importance of input or output against another input or output. Every input or output in the performance agreement of Senior Managers must be assigned to a weighting. The weightings / ratings and the distribution of the ratings per level need to be determined by leadership in the beginning of each financial year and agreed with the employer or group of employers.

REPORTING

Reports need to be prepared for management to act timorously and tabled as required by the respective legislation and this policy framework. The municipal manager should delegate the responsibility of preparing reports on SDBIP progress and employee performance to one or a group of employees.

PERFORMANCE IMPROVEMENT

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 performance management team will initiate an evaluation report annually, taking into account the input provided by Departments. This report will then be discussed by the Management Team and finally submitted to the Council for discussion and approval.

While good and excellent performance must also be constantly improved to meet the needs of communities 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 casual and contributory reasons for poor performance are analysed. Poor performance may arise out of one or more of the following:

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

It is suggested that the municipality implement a *customer care* system, not only to improve service delivery but to obtain and capture feedback on municipal performance from our customers.

The table below provides a clear timeframe for the key milestones for performance management:

PHASE	ORGANISATIONAL ACTIVITY	INDIVIDUAL ACTIVITY	TIME-FRAME
STRATEGY	Approve IDP and Budget		May
PLANNING	Draft Development of Service Delivery Implementation Plan (SDBIP)		March
	Finalise Service Delivery Implementation Plan (SDBIP)		June/July
	Confirm portfolio's of Council and Departments	Confirm Portfolio's of managers	July
		Performance Agreements of Section 57 Managers	July
		Performance Contracts/Plans with rest of staff	August
	Update Skills Development Plan (SDP)	Finalise Career Development Plans	April
MONITOR, MEASURE & REVIEW	Monthly Monitoring SDBIP and SDP		Monthly
	Quarterly Review/s SDBIP and SDP	Bi-annual or quarterly reviews	June September December March
		Annual Performance Appraisal	June
REPORTING	Quarterly Report/s		September December March
	Mid-year assessment to Council	Mid-year Assessment Report	Jan
	Annual Report	Annual Staff Performance Report	July

14. REWARD AND RECOGNITION

Reward and recognition on staff performance will be addressed in the Performance Reward and Recognition Policy.

15. APPEALS PROCEDURE

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 follow the municipality's normal grievance procedures.

16. ROLES AND RESPONSIBILITIES

The responsibility for Performance Management and Integrated Development Planning should be located in one unit or section to ensure close alignment and co-ordination.

The following table sets the **Roles and Responsibilities of Stakeholders** in performance planning, measurements and analysis and performance reporting and reviews:

STAKEHOLDERS	INVOLVEMENT	BENEFITS
	ADMINISTRATIVE OVERSIGHT	
Executive Mayor	Facilitates the development of a long term Vision regarding IDP and PMS. Mayor is responsible for performance management and needs to approve the SDBIP and to submit the quarterly, mid-year and annual performance reports to Council	Optimum and equitable service delivery.
Mayoral Committee	Provides strategic awareness and to manage the development of the IDP and PMS.	Promotes public awareness and satisfaction.
Portfolio Committee	• To manage the implementation of the strategy. • To review and monitor the implementation of the IDP and the PMS.	Facilitates the process of benchmarking and collaboration with other municipalities.
Council	Adopts the PMS policy and approve the IDP. Monitor performance.	Provides a mechanism for the implementation and review of PMS and IDP achievement.
MPAC	• Considers the content of the annual report and examine the financial statements and audit report. • Evaluates the implementation of the Audit Committee and Auditor General recommendations	Provides an oversight mechanism Promotes good governance, transparency and accountability

STAKEHOLDERS	INVOLVEMENT	BENEFITS
	OFFICIALS	
Municipal Manager	• Ensures the implementation of the IDP and the PMS. • Communicates with the Executive Mayor and Management Team.	Clarifies goals, targets and work expectations of the executive management team, other senior managers, line managers and individual employees.
Management Team	To manage Departmental Business / Operational Plans and Performance Involved in the entire performance management cycle.	Facilitates the identification of training and development needs at different levels in the municipality.
Line Managers	Implement the departmental business / operational plans and monitor the Individual Performance Plans.	Provide an objective basis upon which to reward good performance and correcting under performance.
Individual Employees	Execute individual performance plans.	Mechanism for early warning indicators to check and ensure compliance.
Internal Audit	To assess the functionality, effectiveness and legal compliance with the PMS.	• Enhances the credibility of the PMS and the IDP. • Enhances the status and role of Internal Audit.
Risk Management Unit	To assess information, identify, mitigate and or accept risks that may have an impact on effective and efficient service delivery	To Identify, mitigate and or accept risks that may affect effectiveness and efficient service delivery
Performance Management Unit	To implement effective performance management process	Performance processes
IDP Manager	Ensures alignment of strategic objectives and performance targets	Community needs

STAKEHOLDERS	INVOLVEMENT	BENEFITS
	COMMUNITY / PUBLIC	
Representative Forums Local Municipalities	• Inform the identification of community priorities. • Public involvement in service delivery of the municipality.	Provide a platform for the public / communities to inform and communicate with Council.
	OTHER PARTNERS	
Auditor-General	Ensures legal compliance.	Provides warning signals of under- performance which can provide pro-active and timely interventions and place reliance on performance results.
Performance Audit Committee	Independent oversight on legal compliance.	Provides warning signals of under- performance.

Process of managing performance

The annual process of managing the performance of the Municipality will include performance planning, measurement, analysis, reporting, performance reviews and performance auditing.

Council Reviews

It is obligatory for the Mayoral Committee in terms of the Systems Act to report to Council on municipal performance and the diagram for reporting and reviewing indicates that the Mayoral Committee will report biannually to Council in the required format. The annual performance report will form part of the Municipality's annual report as per section 121 of the Municipal Finance Management Act.

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 comments in connection with the annual report.

17. AUDITING AND QUALITY CONTROL

All auditing should comply with Section 14 of the Municipal Planning and Performance Management Regulations (2001). Auditing of performance reports must be conducted by the Internal Audit structure prior to submission to the Municipality's Audit Committee and Auditor-General.

Continuous quality Control and Co-ordination

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

Performance Investigations

The Mayoral Committee or 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.

Audit and Performance Committee

The results of performance measurement must be audited as part of the Municipality's internal auditing process, as well as annually by the Auditor-General. Municipalities are therefore expected to establish frameworks and structures, in order to examine the effectiveness of their internal performance measurement control systems and make recommendations as an independent advisory body to the Municipal Council, the Political Office Bearers, the Accounting Officer and the Management staff of the municipality.

Internal Audit

The Municipality's internal auditors in terms of Section 165 of the MFMA, in auditing the performance reports of services and the corporate PAW's as required by the regulations, 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:

- Review and comment on compliance with statutory requirements and performance management best practices and standards;
- Review and comment on the alignment of the IDP, the Budget, SDBIP an performance agreements;
- Review and comment on relevance of indicators to ensure they are measureable and relate to services performed by the municipality and its entities;
- Review compliance with in-year reporting requirements;
- Review quarterly performance reports submitted by internal audit;
- Review and comment on municipality's and entities annual financial statements and annual report and timely submission to the Auditor-General by 31 August, each year
- Review and comment on the municipality's performance management system and make recommendations for its improvement.

Legislation provides municipalities with the option of establishing a separate performance audit committee. However, the policy proposes only one audit committee regarding the financial and performance management matters of the municipality.

The Municipality has already established an Audit Committee as far as performance auditing and management are concerned and the powers and functions of the committee are set out in its terms of reference and encompasses the MFMA and related legislative requirements.

18. MEASUREMENT AND ANALYSIS

Analysis requires that line managers compare current performance with targets, past performance and possibly the performance of other municipalities, where data is available, to determine whether or not performance is poor. They should also analyse the reason for performance levels and suggest corrective action where necessary.

Municipal – wide outcome indicators will be co-ordinated centrally by the PM Unit.

Prior to reviews taking place by the Management Team, the Mayoral Committee and Council, the corporate performance reporting will need to be tracked and co-ordinated by the PMS Manager. Therefore accumulative quarterly reports will be submitted to the Audit Committee and the Executive Mayor as part of the Section 52(d) (MFMA) quarterly report.

Annexure A – Key Concepts

CONCEPT	DEFINITION
Performance Management	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.
Performance Management System (PMS)	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.
Organisational Performance Management	Concerned with the overall performance of the Municipality/ Organisation in relation to giving effect to the IDP (Macro Dynamics).
Individual Performance Management	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.
Integrated Development Plan (IDP)	Clearly defining 5-year Strategic Plan of a Municipality. IDP should be reviewed annually or as required.
Key Performance Area (KPA)	Key areas of responsibility and developed to achieve the objectives set
Objective	Statement about what outcomes do we want to achieve.
Core Competencies	Every employee, no matter at what level of within what function, is required to demonstrate a number of behaviours and skill that are considered core to achieve the objectives of the municipality.
Key Performance Indicators (KPI)	Measures (qualitative or quantitative) that tell us whether we are making progress towards achieving our objectives.
Input Indicators	Indicator that measures resources economy and efficiency.
Output Indicators	Indicator that measures whether a set of activities yields the desired results or products/service.
Outcome Indicators	Measures the broader results achieved through the provision of goods and services (impact).
Target	The level of performance (or desired state of progress) of the indicator that is intended to be achieved by a specified time period.
Baseline Indicator	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. The base from which progress will be measured.
Benchmarking	Refers to a process whereby an organisation of a similar nature uses each other's performance as a collective standard against which to measure their own performance.

Annexure B – Legal Framework

CONCEPT	DEFINITION
Constitution 1996 (Section 152)	**Mandates Local Government to:** Provide democratic and accountable government for local communities; Ensure the provision of services to communities in sustainable manner; Promote social and economic development; Promote a safe and healthy environment; Encourage the involvement of communities and community organisations in the matters of local government.
Municipal System Act Act 32 of 2000 (Chapter 6)	**A Municipality must:** Establish a Performance Management System. Promote a performance culture. Administer its affairs in an economical, effective, efficient and accountable manner. **It further outlines the core components of a performance management system as follows:** Set KPI's as a yardstick for measuring performance. Set measurable performance targets with regard to each of those development priorities and objectives. Monitor measure and review performance once per year. Take steps to improve performance. Report on performance to relevant stakeholders.
White Paper on Service Delivery (Batho Pele) 1998	PMS is based on the 8-principles of improved service delivery as outlined in the White Paper: Consultation Service Standards Access Courtesy Information Openness/ Transparency Redress Value for Money
MFMA – Act 56 of 2003	Establish a performance management system. Development of a performance management system. Monitoring and review of performance management system. Community involvement. General key performance indicators. Audit of performance measurement. Annual performance reports.

OCCUPATION	LEGISLATION
Municipal Manager	White Paper on Local Government (1998) Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998) Local Government: Municipal Structures Amendment Act (No. 1 of 2003) Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998) Transfer of Staff to Municipalities Act Local Government Laws Amendment Act (No. 51 of 2002)
Arts, Culture & Heritage	Traditional Leadership and Governance Framework Act, 2003 (Act No. 41 of 2003) Archive Act Cultural Laws Amendment Act 2001 National Heritage Resources Act 1999
Libraries, Social Development and Sport & Recreation	Social Assistance Act No. 13 of 2004 National Council for Library and Information Service Act of 2001, Pension Fund Second Amendment Act 2001 SA Sport Commission Second Amendment act 1999,
Legal, IT, HR, Administration	Skills development Amendment act (No. 31 of 2003) Access to Information Act, 2000 (Act no. 2 of 2000) Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998) Local Government: Municipal Structures Amendment Act (No. 1 of 2003) Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) Labour Relations Act 66 of 1995 Labour Relations Amendment Act (No. 12 of 2002) Basic Conditions of Employment Act 75 of 1997 (BCEA) Basic Conditions of Employment Amendment Act (No. 11 of 2002) Employment Equity Act 1998 Skills Development Act 97 of 1998 Occupational Health and Safety Act Unemployment Insurance Fund Act Pensions Fund Act

OCCUPATION	LEGISLATION
	Unemployment Insurance Amendment Act (No. 32 of 2003) Promotion of Equality and Prevention of Unfair Discrimination Amendment Act (No. 52 of 2002) Smoking and Other Workplace Legislation Public Holidays Act 35 of 1994, amended by 48 of 1995 Promotion of Equality and Prevention of Unfair Discrimination Act Unemployment Insurance Contributions Act (No. 4 of 2002)
Electricity	Eskom Conversion Act No.13 of 2001 Blueprint on the Restructuring of The Electricity Distribution (2001)
Revenue and Expenditure	Local Government: Municipal Finance Management Act (No. 56 of 2003) Local Government: Remuneration of Public Office Bearers Act, 1998 (Act No. 20 of 1998) Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998) Local Government: Municipal Structures Amendment Act (No. 1 of 2003) Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) Procurement Act Division of Revenue (No 7 of 2003), (No 5 of 2004) and (N0 1 of 2005) Local Government Municipal Property Rates Act (No. 6 of 2004) Division of Revenue Act (No. 7 of 2003)
GIS	Local Government: Municipal Finance Management Act (No. 56 of 2003) Access to information Special framework and SDF Spatial data infrastructure act (No. 54 of 2003)
IDP / Strategic Planning	Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998) Local Government: Municipal Structures Amendment Act (No. 1 of 2003) Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) Constitution 1996 PMS Regulations 2001
PMS	Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998) Local Government: Municipal Structures Amendment Act (No. 1 of 2003) Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000)

OCCUPATION	LEGISLATION
	PMS Regulations 2001 Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) Constitution Local Government: Municipal System Act, (32/2000): Local Government: Regulations on appointment and conditions of employment of Senior Managers, (No. 21, 21 January 2014)
Municipal Police & Traffic	National Road Traffic Amendment Act (No. 20 of 2003) SAP Service Amendment Act
Parks & Cemeteries	Cemeteries Act
Planning : Environment, Land, Transport & Town/Urban Planning	Squatter Acts Land Use Management Act Land Restitution Act Town Urban Planning, Communal Land Rights Act No. 11 of 2004 Land Transport Transition Amendment Act 2001 National Environmental Management Amendment Act (No. 8 of 2004) National Environmental Management: Biodiversity Act (No. 10 of 2004) Adjustments Appropriation Act (No. 27 of 2004) Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998)
Roads & Storm Water	Water Service Act, Road Traffic Act No. 29 of 1998
Valuation	Municipal Property Rates Act, 2004 (Act No. 6 of 2004) Property Valuers Profession Act 2000 Local Government Municipal Property Rates Act (No. 6 of 2004) Deeds Registries Amendment Act (No. 9 of 2003)
Water & Sanitation	Sanitation Act, National Water Act 1998 Water Services Amendment Act (No. 30 of 2004)
Waste Management	Environment Management Act Solid Waste Disposable Act National Environmental Management Amendment Act (No. 8 of 2004) National Environmental Management: Biodiversity Act (No. 10 of 2004)
Health	Primary Health Act National Health Act (No. 61 of 2003)
Disaster Management	Disaster Management Act (No. 57 of 2002) Drought Relief Adjustments Appropriation Act (No. 3 of 2004)

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