PMS OFFICE

"Ilifa lethu elixabisekileyo liyinkqubela"

PMS FRAMEWORK

MBHASHE MUNICIPALITY

Iifa lethu elixabisekileyo liyinkqubela

APPROVED BY:

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DATE : 17/06/22

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DATE : 17/06/22

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CHAPTER 1

1.1 INTRODUCTION

This document is a framework that defines the overview of Mbhashe Local Municipality's Performance Management System (PMS). This Framework aims to act as a tool to strengthen the performance-driven culture of this authority. It depicts the performance environment and outlines the key systematic procedures (processes) and approach (cycle) on how the system will operate and be managed or organised from planning, monitoring, measurement, review, reporting and improved whilst also defining or clarifying roles and responsibilities for the key role players.

It arises out of a number of revisions of previous Performance Management Frameworks (PMF) compiled, reviewed and adopted by Mbhashe Local Municipality from December 2009. The basis of reviews and revisions are done in order to respond to the experiences of implementation, legislative requirements and alignment with the District Performance Management Framework in order to facilitate support. It replaces the PMF approved and adopted by the Council in May 2016.

The framework constitutes council policy with regards to:

- The requirements that a PMS will need to fulfil,
- The principles that will inform its development and application,
- A model that describes what areas of performance will be managed,
- What processes will be followed in managing performance,
- What institutional arrangements are necessary for this,
- Who will take responsibility for parts of the system, and
- How this links to personnel or individual performance management, especially Section 54 (A) 56 (s56) Municipal Systems Act (MSA) managers and below.

In other words, the framework is a documented record of the municipality's performance management system as it will be implemented. Performance Management is a term that we frequently use but it is one that is not always understood. Performance Management is not solely concerned with the monitoring of performance indicators (PIs) but is a tool to drive improvement on performance across the authority.

What is performance management?

Performance Management is a process which measures the implementation of the organisation's strategy. At Local Government level this has become an imperative, with economic development, transformation, governance, and finance and service delivery being the critical elements in terms of Local Government Strategy. Performance Management provides the mechanism to measure whether targets to meet its strategic goals, set by the organisation and its employees, are met. National Government has also found it necessary to institutionalize and provide legislation on the Performance Management Process for Local Government.

The Municipal Systems Act (MSA), 2000 requires municipalities to establish a performance management system. Further, the MSA and the Municipal Finance Management Act (MFMA) requires the Integrated Development Plan (IDP) to be aligned to the municipal budget and to be monitored for the performance of the budget against the IDP via the Service Delivery and the Budget Implementation Plan (SDBIP).

In addition, Regulation 7 (1) of the Local Government: Municipal Planning and Performance Management Regulations, 2001 states that "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."

Performance Management, therefore, is not only relevant to the organisation as a whole, but also to the Individuals employed in the organization as well as the External Service Providers.

Given this background, it is important that a framework for Performance Management be established, implemented and monitored.

Aims of the framework

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.

- Promote accountability and transparency by providing parliament, provincial legislatures, municipal councils and the public with timely, accessible and accurate performance information.

1.2   LEGAL AUTHORITY, CONTEXT AND STATUTORY REQUIREMENTS

The Constitution of RSA (1996), section 152, dealing with the objectives of local government paves the way for performance management with the requirements for an "accountable government". The democratic values and principles in terms of section 195 (1) are also linked with the concept of Performance management, with reference to the principles of interalia:

- the promotion of efficient, economic and effective use of resources,

- accountable public administration

- to be transparent by providing information,

- to be responsive to the needs of the community, and

- to facilitate a culture of public service and accountability amongst staff.

The PMF is then developed in line with mandates and legislation that govern Performance Management (PM) in local government. The compliance of this framework is then linked to the following applicable policy prerogatives :

- The Constitution of the Republic of South Africa Act No 108 of 1996
- The White Paper on Local Government (1998)
- Batho Pele Principles (1998)
- Municipal Systems Act No. 32 of 2000
- Municipal Planning and Performance Management Regulations 2001
- Municipal Finance Management Act No. 56 of 2003
- Municipal Planning and Performance Management Regulations 2006

1.2.1   The RSA Constitution (1996)

The Constitution is the founding legal document framing local government. Chapter 7 of The Constitution establishes the sphere of local government and forms the premise for subsequent policy and legislative documents on local government.

Chapter 7, states the "Objects of local government", Section 152 (1), as the following –

(a) to provide democratic and accountable government for local communities;

(b) to ensure the provision of services to communities in a sustainable manner;

(c) to promote social and economic development;

(d) to promote a safe and healthy environment; and

(e) to encourage the involvement of communities and community organizations in the matters of local government.

152 (2) mentions that a municipality must strive, within its financial and administrative capacity, to achieve the objects set out in subsection (1).

Section 153, Developmental duties of municipalities, states that a municipality must -

(a) secure and manage its administration and budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community; and

(b) Participate in national and provincial development programmes.

The Constitution does not make explicit mention of the development and implementation of a performance management system, but the importance of the effective provision of services, accountability, development and management are mentioned. The subsequent White Paper on Local Government (1998)brings forth the idea of a performance management system for municipalities.

1.2.2 The White Paper on Local Government (1998)

The White Paper on Local Government (1998) stated that local government should introduce the idea of *performance management system*.

The white paper acknowledges 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).

1.2.3 Batho Pele Principles (1998)

The White Paper on Transforming Public Service Delivery (Batho Pele) puts forward eight principles for good public service. Our municipality is duty bound to uphold these principles:

Consultation:

Communities 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 provided.

Service standards:

Communities should know what standard of service to expect.

Access:

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

Courtesy:

Communities should be treated with courtesy and consideration.

Information:

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

Openness and transparency:

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

Redress:

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

Value-for-money:

Public services should be provided economically and efficiently in order to give communities 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 mobilized 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).

1.2.4   The Municipal Systems Act No. 32 of 2000

The Municipal Systems Act (2000) enforces the idea of a local government PMS and requires all municipalities to:

- Develop a performance management system

- Set *targets*, monitor and *review performance* based on indicators linked to their IDP

- Publish an *annual report* on performance for the councillors, staff, the public and other spheres of government

- Incorporate and report on a set of *general indicators* prescribed nationally by the minister responsible for local government

- Conduct an *internal audit* on performance before tabling the report.

- Have their annual performance report audited by the Auditor-General

- *Involve the community* in setting indicators and targets and reviewing municipal performance

1.2.5   Municipal Planning and Performance Management Regulations (2001)

The Municipal Planning and Performance Management Regulations set out in detail requirements for municipal PM systems. However, the regulations do not sufficiently constitute a framework that fully proposes how the system will work. Each component of the proposed framework in this document is strongly informed by the regulations. The regulations have been attached as Appendix VI.

1.2.6   Municipal Finance Management ActNo. 56 of 2003

The Municipal Finance Management Act states requirements for a municipality to include its annual municipal performance report with its financial statements and other requirements in constituting its annual report. This must be dealt with by the municipal council within 9 months of the end of the municipal financial year.

1.2.7   Municipal Performance Management Regulations (2006)

The Local Government Municipal Performance Regulations for municipal managers and managers directly accountable to municipal managers (Government Gazette No.29089, 1 August 2006), sets out how the performance of Section 57 staff will be uniformly directed, monitored and improved. The regulations address both the employment contract and performance agreement of municipal managers and managers directly accountable to municipal managers. It further provides a methodology for the performance management system as well as criteria for performance bonus payments. The regulations also provide an approach for addressing under-performance, should this occur. This policy framework document is in line with these regulations.

1.3 OBJECTIVES AND BENEFITS OF A PERFORMANCE MANAGEMENT SYSTEM

Organisational Performance

Performance Management fulfils the implementation, management, monitoring and evaluation of the Integrated Development Plan (IDP). It also fulfils legislative requirements of managing organisational and personnel performance (s54A and s56 managers). This then integrally links organization performance to that of its staff or employees thus making it vitally important to periodically review performance for both the organisation and its employees. A PMS is then used as a primary mechanism to improve, manage, monitor and review organisational and individual performance in enhancing service delivery thus improving the implementation of the IDP. This will have to be fulfilled by ensuring that the PMS achieves the following objectives:

1.3.1 Facilitate increased accountability and oversight

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

- The communities of Mbhashe Local Municipal Council,
- The political and administrative components of the municipality,
- Each department and the office of the municipal manager.

1.3.2 Facilitate learning and development

While ensuring that accountability is maximised, the performance management system must also provide a mechanism for learning and development. It should allow for the municipality to know which approaches (processes, systems and policies)have the desired impact, and enable the municipality to improve servicedelivery. It should form the basis for monitoring, evaluation and improving IDP implementation.

1.3.3 Provide early warning signals

The performance management system should provide Heads of Departments (Senior Managers), the Municipal Manager, Clusters, Standing Committees, Mayoral Committee and the Mayor with a diagnostic signal of the potential risks that are likely to affect the realisation of full IDP implementation. It is important that the system ensures that decision-makers are timeously informed of risks, so that they can facilitate interventions, where and when it is necessary and possible to do so.

1.3.4 Facilitate decision-making

The performance management system should provide appropriate management of information that will allow efficient, effective and informed decision-making, particularly in so far as indicating where the allocation of resources should be prioritised in order to meet institutional or strategic goals.

The following are also intended benefits of developing and implementing a performance management system but not limited to:

- Ensuring a continuous cycle of planning, coaching and feedback
- Compliance with applicable and relevant legislation
- Promoting community participation in local governance
- Inculcating a culture of performance amongst employees

Then performance management is not confined to measuring the organisation performance with regards to meeting it's strategic goals only, but it includes measuring budget or financial performance in meeting the objectives.

1.4   BENEFITS OF INDIVIDUAL PERFORMANCE ARE TO:

- Ensure alignment of individual goals and objectives with that of the organisation and to coordinate efforts in order to achieve those goals.

- Understand what is expected from the incumbents, by when it is expected and to what standard is expected

- Understand the incumbent"s key areas of accountability.

- Determine whether or not performance objectives are being met.

- Make qualified decisions within the incumbents level of competencies

- Avail the incumbents to learning and development opportunities in order to competently meet their performance targets.

1.5   PRINCIPLES GOVERNING PERFORMANCE MANAGEMENT

The following principles inform and guide the development and implementation of the MLM Performance Management System:

1.5.1   Simplicity

The system must be a simple user-friendly system that enables the municipality to operate it within the existing capacity of its financial, human resources and information management system.

1.5.2   Politically driven

Legislation clearly defines the tasks and responsibilities for both the legislature (the Municipal Council) and Mayor in relation to the monitoring and development of the performance management system thus resting ownership to both. The Mayor is responsible for ensuring, developing, implementing and improvement of the system.

Legislation allows for the delegation of this responsibility or aspects of it to the Municipal Manager or other appropriate structure(s) as the Mayor may deem fit.

1.5.3   Incremental implementation

It is important that while a holistic performance management system is being developed, the municipality should adopt a phased approach to implementation, dependent on the existing capacity and resources within the municipality.

It is also important to note that municipal performance management is relatively a developmental approach to local government functioning and therefore requires adequate time to be given to the organization's process of change. The performance management system will not be perfect from the start, and it should be constantly improved based on its workability and practicality.

1.5.4   Transparency and accountability

Members of the organisation whose performance will be monitored and measured must ensure that the process of managing performance is inclusive, open and transparent. This can only be achieved by taking effective participation in the design and implementation of the system within the municipality.

Again, the process must involve and empower stakeholders so that they are able to understand how the municipality and its departments are run, how resources are spent, and who is in charge of particular services. Similarly, all information on the performance of departments should be available for other managers, employees, the public and specific interest groups.

1.5.5 Integration

The performance management system should be integrated into other existing management processes in the municipality, such that it becomes a tool for more efficient and effective management rather than an additional reporting burden. It should be seen as a central tool to the ongoing management functions.

1.5.6 Objectivity

Performance management must be founded on objectivity and credibility. Both the processes of managing performance and the information on which it relies need to be objective and credible. Sources of data for measuring indicators should be scrutinized to enhance credibility of information and therefore objective decision-making.

1.6 ALIGNMENT TO THE INTEGRATED DEVELOPMENT PLANNING (IDP) METHODOLOGY

The relationship between the IDP and Performance Management is therefore legislated and regulated. The Performance Management System serves to measure the performance of the municipality on meeting its Integrated Development Plan.

A good performance management model for a municipality in South Africa will align the processes of performance management to the IDP processes of the municipality. It will ensure that the IDP is translated into performance plans that will be monitored and reviewed. The categories of key performance areas provided by a model should be exactly the same or relate directly to the identified priority areas of the IDP and thus follow the IDP structure.

MLM will make use of the Service Delivery and Budget Implementation Plan(SDBIP)Scorecard. This embodies five Key Performance Areas of Local Government. Performance is then measured according to the five KPAs. This then caters for measuring the elements of performance management as required for the *Balanced Scorecard* such as Costs, Inputs, Outputs, Outcomes and Process. Below are 5 KPA's as per Local Government:

1.6.1 The 5 *Key Performance Areas* for Local Government are:

1. Municipal Transformation & Institutional Development
2. Service Delivery and Infrastructure Investment
3. Local Economic Development
4. Municipal Financial Viability & Management
5. Good Governance & Public Participation

KPA 1: Municipal Transformation and Institutional Development

In this KPA, the municipality will assess whether the desired impact is being achieved and will assess performance with respect to the management of municipal resources such as:

- Human Resources (Capital) Management and Development

- Information Management, Systems and Technology

- Business Systems and Process (Supply Chain, Fleet, Asset, Records, Performance Management)

- Policies and Frameworks

- Strategic Planning, Development and Strategic Plans

- Capacity Building and Skills Development

This relates to the inputs required to achieve the strategic goals of the municipality.

KPA 2: Service Delivery and Infrastructure Investment

In this KPA, the municipality will assess whether the desired impact is being achieved and will assess performance with respect to the delivery of municipal basic community services such as:

- Access Roads
- Storm Water
- Human Settlements
- Town Planning
- Community Safety
- Land use Management
- Waste Management
- Public Amenities
- EPWP

This relates to the outputs delivered by the municipality.

KPA 3: Local Economic Development

In this KPA, the municipality will assess whether the desired outcome is achieved and will assess performance with regards to the extent to which the policies and strategies are contributing towards the development in its area by measuring the impact it has on community lives improvement. It is expected that development priorities and indicators will often lies within the shared accountability of the municipality, other spheres of government and civil society. These will measure priorities such as:

- Economic growth and development
- SMME & Cooperatives Development
- Tourism
- Environmental Management
- Agriculture

KPA 4: Municipal Financial Viability and Management

In this KPA, the municipality will assess whether the desired impact is being achieved and will assess performance with respect to how the financial resources are managed and how viable is the municipality, thus looking but not limited to:

- Accounting and Reporting
- Asset Management
- Budget and Planning
- Revenue
- Supply Chain Management

KPA 5: Governance Process and Public Participation

In this KPA, the municipality will assess whether the desired impact is achieved and will assess performance with respect to engagements and relationships with its stakeholders in the process of local governance. This will include, amongst others:

- Public Participation
- Spatial and Integrated Development Planning
- Functionality and impact of municipal governance structures (council structures including the office of the speaker, and standing committees, oversight committees, clusters etc)
- Access to information
- Intergovernmental relations
- Stakeholder Relations, which sets out how the department will improve its relationship with its key stakeholders

- Corporate Governance (Performance, Audit Committees and MPAC)
- Special designated groups (Youth, gender, children, disable)
- Administrative Support to Council

This relates to the governance processes of the municipality.

1.7   Service Delivery Budget Implementation Plan (SDBIP)

The SDBIP gives effect to the Integrated Development Plan and budget of the Municipality. The budget gives effect to the strategic priorities of the municipality. The SDBIP therefore serves as a "contract" between the administration, council and community expressing the goals and objectives set by the council as quantifiable outcomes that will be implemented by the administration over the next twelve months. This provides the basis for measuring performance in service delivery against end-of- year targets and implementing the budget. The SDBIP measures the operational plan, whilst the PMS measures performance at a strategic level.

The SDBIP and the PMS provides the vital link between the Mayor, Council and the Administration, and facilitates the process for holding management accountable for its performance. The SDBIP and the PMS are management implementation and monitoring tools which will assist the Mayor, the Councillors, Municipal Manager, Senior Managers and the community in evaluating the performance of the Council. A properly formulated SDBIP and PMS will ensure that the appropriate information is circulated internally and externally for purposes of monitoring the execution of the budget performance of the senior management and the achievement of the strategic objectives set by council. The SDBIP and PMS enables the Municipal Manager to monitor performance of senior managers, the Mayor to monitor the performance of Municipal Manager and for community to monitor the performance of the municipality.

The SDBIP Scorecards will capture the performance of each municipal department including the organisation. There will be one scorecard derived directly from the IDP, only excluding the outer year targets. This means that the objectives, strategies, baseline, indicators and annual targets are translated as is, further expanded with quarterly targets, both delivery and financial. This is seldom referred to as service plans. The SDBIP (Service Delivery Budget and Implementation Plan) requires cash flow projections to be displayed and captured, then linked to the service delivery targets for performance measurement purposes. The SDBIP scorecard will then provide a comprehensive picture of the performance of that department as well as the organisation.

It is crucial to ensure that the SDBIP Scorecards do not duplicate current reporting, but rather be integrated as a core component of the municipality's vertical reporting system. It should simplify all regular reporting from departments to the Municipal Manager and any other Council structure including and mainly clusters.

The SDBIP's are also done inline with the legislative requirements as stipulated in the MFMA Circular 13 and National Treasury Guidelines for SDBIP's. Circular 13 of the MFMA stipulates five (5) components of an SDBIP, namely,

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

In this form, the SDBIP drawn from the IDP is regarded a top level SDBIP and it depicts the organisational performance, of which the Municipal Manager is measured against.

The process of assessing performance in the municipality is designed as follows:

Executive Mayor enters into a performance agreement with Municipal Manager
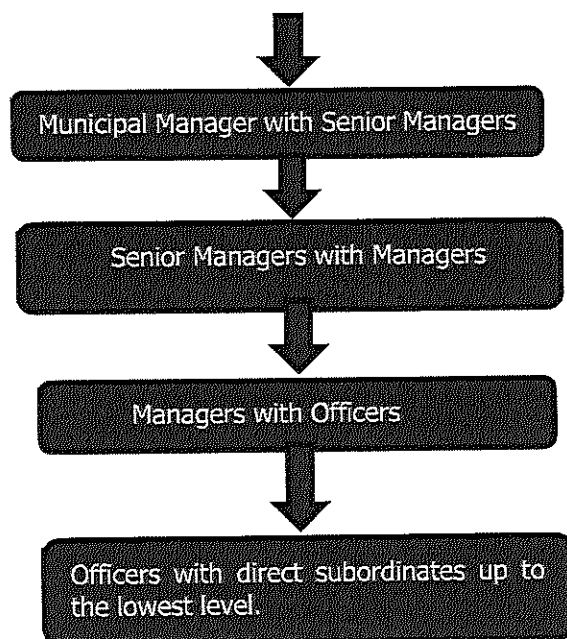
The flowchart above reflects how MLM cascades performance management to lower levels within the Institution.

Performance will be reported to Management, Standing Committees and Mayoral Committee (MAYCO)on a quarterly and monthly basis where applicable using a SDBIP Scorecard implementation tool.

An SDBIP and performance reports must be formulated at departmental meetings constituted at least by the Senior Manager and Unit Manager/Section Heads where applicable. Sectional planning must be informed by the SDBIP and performance reporting must feed into the SDBIP report. Therefore each section must have its own implementation plan that contributes to the overall implementation of the SDBIP.

DEPARTMENTAL SDBIP

The departmental SDBIP will capture the performance of each department. Unlike the municipal/organisational scorecard, which reflects on the strategic priorities of the municipality, the SDBIP will provide detail of each outcome for which top management are responsible for, in other words a comprehensive picture of the performance of that department. The departmental SDBIP will be compiled by departments 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 department.

APPROVAL OF DEPARTMENTAL SDBIP'S

The departmental SDBIP of each Directorate must be submitted to the municipal manager for approval within 14 days after the budget has been approved.

APPROVAL OF THE INSTITUTIONAL/TOP LAYER SDBIP

The Institutional scorecard must be submitted by the Municipal Manager to the Executive Mayor after 14 days of the budget being approved. The Mayor needs to consider and 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 the Mayor with the respective motivation for the changes suggested, for approval. The Institutional SDBIP is the summary of all the departmental SDBIP's.
The Institutional SDBIP should be published on the municipal website once approved.

Adjustments to KPI's

The SDBIP and its targets cannot be revised without the approval of the Executive Mayor, and if there is to be changes made in service delivery targets and performance indicators, this must be with the approval of the Mayor, following approval of an adjustments budget (section 54(1)(c) of MFMA). Approval of the Mayor is necessary to ensure that the Municipal Manager does not revise service delivery targets downwards in the event where there is poor performance.

KPI's should be adjusted to be aligned with the adjustment estimate (incl. capital projects) and the reason for the adjustment in the indicator / target should be submitted in a report to the Mayor. The KPI's can only be changed after the approval of the adjustment budget by Council.

The SDBIP Scorecards should be presented in a consistent format so that they are easy to use and understand. Several concepts that are commonly used in the scorecard concept are defined below:

KPA: A Key Performance Area is defined as a broad focus area, or group of objectives within the Integrated Development Plan, for example; the provision of Access Roads, Storm Water, Refuse Removal and Electricity can be grouped under a Key Performance Area of Service Delivery.

MLM has adopted the **5 KPA's** as contained in the 5 year Local Government Strategic Agenda as the core KPA"s in its organisational performance scorecard.

The Key Performance Areas as transferred directly from the IDP to the SDBIP,   which then forms the basis for a PMS. Refer to section 5 for details regarding the 5 key performance areas for local government. The KPAs are weighted in percentages and in terms of priority. The underlying principle in this regard is that KPAs pertaining to the core business of a department, e.g. Service Delivery and Infrastructure for Engineering department are allocated a higher percentage weighting than the other KPAs. The KPA weighting therefore represents the significance assigned to by the particular department as its contribution to the strategy of the MLM and service delivery. The KPAs will be weighted up to 100%.

Objectives: are statements drawn from the IDP about what a service wants to achieve that are specific, outcome and impact focused. These should not be general statements.

Indicators: are variables (qualitative or quantitative) that tell us whether we are making progress towards achieving our objectives. The following **SMART** criteria must be used for the setting of indicators and targets:

- Specific

  Is the target specific or vague? By being specific, the municipality commits itself to a standard of delivery. E.g. 140km of access roads will be constructed, the municipality is committing to a specific target opposed to a statement "to provide people with access roads"

  Further, the municipality needs to be absolutely sure what element of objective it wants to measure e.g. the quality of service being provided or the number of kilometres being constructed. Therefore, the KPI"s which needs to be measured should be identified and prioritized and specific targets set.

  Care should be taken not to mix the different targets in one KPI measurement, as it will make measurement of it difficult.

- Measurable

  In deciding what specific part of the KPI a municipality wants to measure it must decide:

- If the municipality can measure the targets set (example, does it have the staff, funding, information/data to do this)

- If the municipality can provide proof (information / data) that the target set was actually achieved

- If a municipality cannot measure a target for any reason, it should amend or remove it.
- If the municipality wants to measure any target, it must decide on the most appropriate manner for obtaining such proof, and whether it is justified to employ additional staff or incur additional expenditure on providing the proof that a specific target was achieved?

- Also, there should be a purpose or reason for measuring a target, e.g. there is no reason to measure the reduction in the incidences of cholera if the Municipality has no clear strategy and objective in place to address this aspect and is not doing anything to reduce the impact.

- Measure against backlogs or and baseline.

- Achievable/Attainable

Can the municipality meet the target set? Does it have the human, financial, infrastructure and other resources to deliver on the target set?

In determining if a target is attainable, the municipality must determine if it has a total executive control over the objective, KPI and Target set. E.g., provision of education is a national and provincial Government function. Thus, developing a KPI of "constructing schools" and setting a target of "building 5 schools" would not be attainable as it falls outside the control of the municipality (Operationally)

Further, the municipality need to determine/ identify whether there are real risks (Political, financial; human, natural etc.) involved, in firstly setting the target, and secondly meeting it. (This relates to the realistic element of the target as well)

- Realistic

By setting a realistic target the municipality must take its capacity into consideration. There is no point in setting a target of "500kms in one year "if the municipality only has the capacity (human, infrastructural and financial) to deliver "500 kms in one year."

Similarly in a non core-function, if a municipality does not have the capacity and the responsibility to build a school, the targets set should reflect the aim of that municipality to liaise and lobby with the Department of Education and Culture. By setting the unrealistic targets, the municipality will only set itself up for failure.

Risk identification: it is important for the municipality to identify all possible (high level) risks that can impact on the delivery of target/s.

- Time-bound

Quarterly and annual targets are set, it must relate to a timeframe. These timeframes should in themselves be specific, attainable and realistic. Time frames are not necessarily related to a financial year, but could span over several years. Applicable target dates for each KPI must be determined.

However, a municipality should annually monitor its achievements towards the target and review/adapt if required. If a target cannot be met in one year, extend the time frame or reduce the target so that it can be met in the time frame specified. Consequently, a "SMART" target could be to construct 500 kms within the financial year (time related).

Note that for IDP purposes a five year target needs to be determined using the same criteria. The quarterly and annual target then feeds into the five year, which reduces each year.

The timeframes and the responsible person are critical areas which need to be considered when setting the targets.

A baseline measure: is 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. For the purpose of standardising the setting of baselines and for the sake of clarity, the following descriptions will be used:

- If the indicator is measurable on an annual basis, the baseline will be its measure in the last financial year.

- The baseline for annual targets that are incrementally measurable per quarter or per month will be the measure at the end of the last financial year but the targets can be set incrementally.

- The baseline for quarterly targets that are not incrementally contributing to an annual target will be the indicator's measure in the last quarter it was measured unless by its nature it is seasonally variable in which case it will be an average of the last four quarterly measures.

- The baseline for monthly targets that are not incrementally contributing to a quarterly or annual target will be its measure in the last month it was measured unless by its nature it varies monthly in which case it will be an average of the last three monthly measurements.

A target: is the value (or desired state of progress) of the indicator that is intended to be achieved by a specified time period. These are the annual targets that are split into quarterly targets both delivery and financial (based on cashflows) This then achieves the compliance in terms of SDBIP legal requirement. There are two types viz, planned and actual.

All targets should follow the following principles:

- SPECIFIC
- MEASURABLE
- ACHIEVABLE
- REALISTIC
- TIMELY

The measurement source and frequency: should indicate where the data for measuring the quarterly targets or annual indicator will emanate from, and how frequently the indicator/target will be measured and reported. This information is crucial for the auditing process as it is required that an audit evidence file be compiled. This is seldom referred to portfolio of evidence. Management is urged to prepare evidence files as part of the planning phase as quarterly targets are already known at this stage. The evidence files can be prepared at the beginning of each quarter using the quarterly targets. Refer to annexure B.

Variance / Correction Measures: refers to the comments and explanation of why a target is not met and also by how far. It further requires corrective measures to be captured to list activities to bring target inline and recovered so it not lost and forgotten as it has an overall impact on the objective. An activity/ action plan is a by product of this.

Indicator custodian: refers to the person that takes responsibility for the monitoring of change in the indicator and reports on it.

The performance management plan for MLM will have various indicators for the goals that are set in the IDP. These indicators, including those that will be further developed for SDBIP Scorecards as quarterly breakdown of the annual target and should be assessed against the following criteria.

1.7.1 Criteria for setting good indicators

In setting indicators it is important that one understand the core performance information concepts illustrated below.
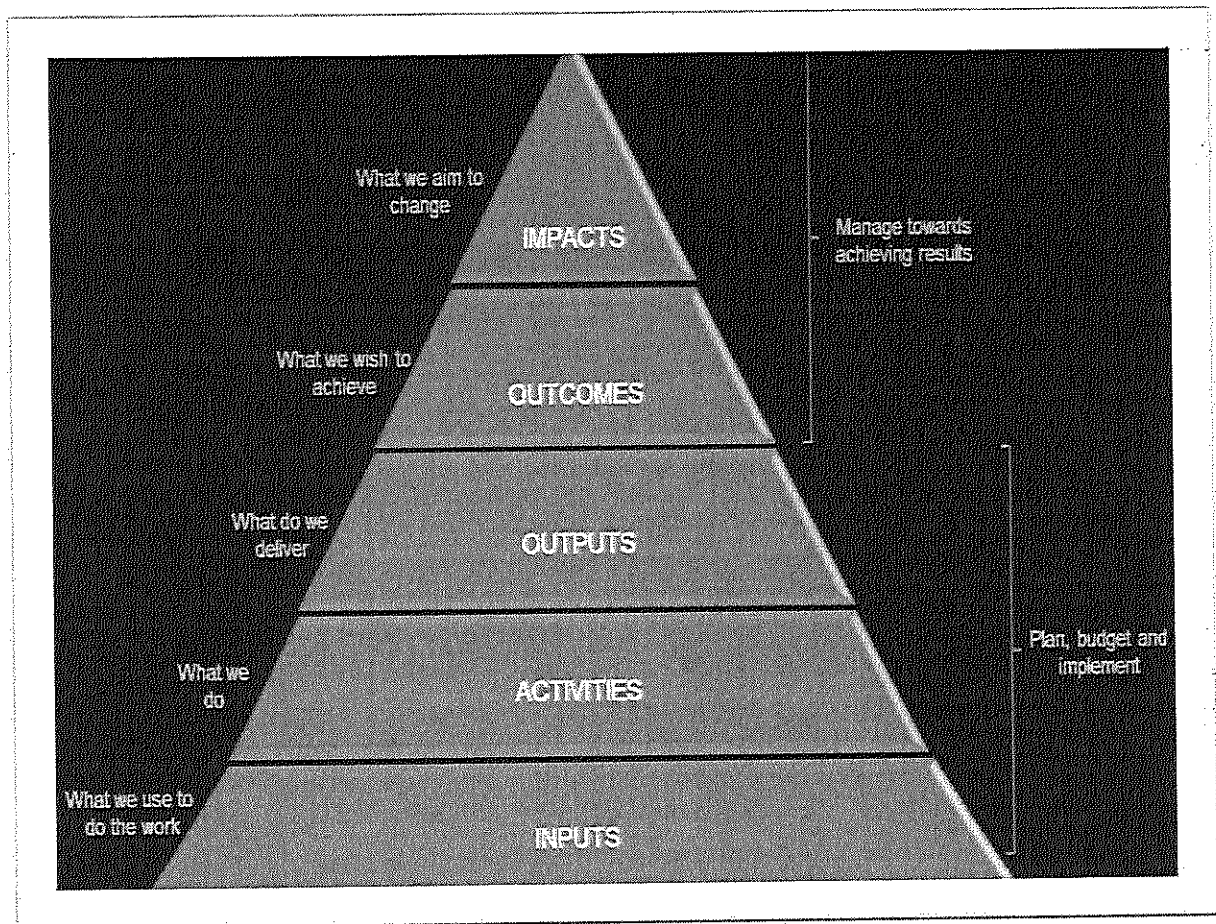
And also the municipality will ensure that they adhere to the following principles:

1.7.1.1 Focused and Specific

Indicators should be clearly focused and stated unambiguously.

1.7.1.2 Measurable

An indicator should by definition contain a unit of measurement.

1.7.1.3 Valid and Relevant

Validity is the degree to which an indicator measures what is intended to be measured. This correlates strongly with 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 MLM and South African contexts.

1.7.2 Reliable

Reliability is the degree to which repeated measures, under exactly the same set of conditions will produce the same results. This is particularly relevant to those indicators that use ratios (formulas) and figures.

1.7.2.1 Simple

Good indicators will be simple, easy to communicate such that their relevance is apparent.

1.7.2.2 Minimise perverse consequences

Poorly chosen indicators, while nobly intended, can have perverse consequences in the behaviours it incentivizes. Chosen indicators should ensure that the performance behaviours likely to emerge from its pursuance are those that are intended to contribute to the objectives.

1.7.2.3 Data Availability

Good indicators will also rely on data that is, or intended to be, available on a regular basis.

1.7.3   Core Local Government Indicators

1.7.2.1. National Indicators

The municipality's performance management indicators will incorporate the following indicators prescribed by the Minister of Provincial and Local Government as per the Municipal Planning and Performance Management Regulations of 2001:

1. The percentage of households with access to basic level of water,   sanitation, electricity and solid waste removal;
2. The percentage of households earning less than R1100 per month with   access to free basic services;
3. 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;
4. The number of jobs created through municipality's local economic development initiatives including capital projects;
5. 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;
6. The percentage of a municipality's budget actually spent on implementing its workplace skills plan; and
7. Financial viability as expressed by the following ratios:

   (i)   B - C
   $$A = \frac{B-C}{D}$$
   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)   B
   $$A = \frac{B}{C}$$
   Where -
   "A" represents outstanding service debtors to revenue
   "B" represents total outstanding service debtors
   "C" represents annual revenue actually received for services;

   (iii)   B + C
   $$A = \frac{B+C}{D}$$
   Where -
   "A" represents cost coverage
   "B" represents all available cash at a particular time
   "C" represents investments "D" represents monthly fixed operating expenditure.

While there is no legal requirement to incorporate any other local government performance monitoring indicators used by other spheres of government other than those prescribed by the

Minister, MLM will, in addition to indicators prescribed by the Minister, as practically feasible as possible incorporate the core set of local government indicators used by other spheres of government into its performance management system. Among these will be the indicators for other awards for Municipal Performance Excellence for the following reasons:

- It will ensure that the municipality is tracking its performance in line with national priorities, at least the indicators that are valued nationally.

- It will ensure that the municipality has the performance information on hand to enter the Awards

It will allow benchmarking and comparison with other municipalities who are also using the same set of indicators.

A core set of Local Government indicators
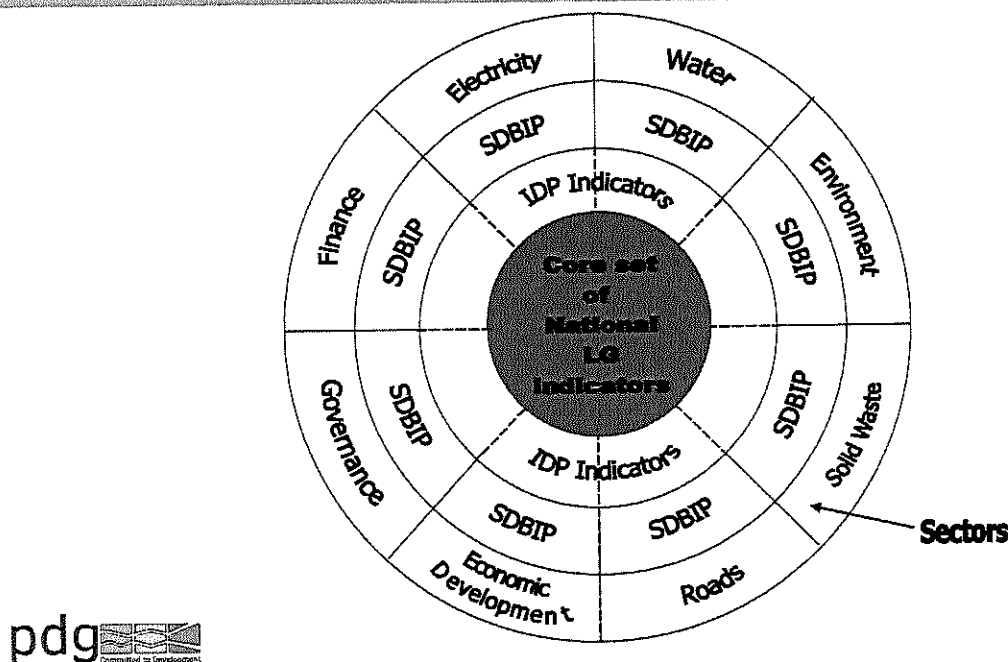
Figure 1: Local Government Indicators

The schematic above suggests an approach to incorporating a core set of LG indicators such as those used in other Awards into a municipal set of indicators. It notes that they need to be complemented for local use with IDP indicators and SDBIP indicators. Other sets of indicators deemed to be important, in each sector, such as the Waste Management sector benchmarking indicators can be included.

There is also a national initiative aimed at establishing a Local Government Management Improvement Model (LGMIM), which intends to include a core set of local government indicators. If these differ from the indicators, and are available in time, they may be included as part of the municipality's scorecard.

CHAPTER 2

2.1 MONITOR, EVALUATE AND REVIEW

International experience in both the private and public sectors has shown that traditional approaches to measuring performance, which have been heavily reliant on only financial measures, are severely lacking. The performance management system measures organisation performance with regards to meeting its strategic goals (service delivery targets) together with

financial targets and participation of communities in local governance. This then gives rise to a multi-perspective view that is balanced for organisational performance assessment as seen by different stakeholders. This is done in line with acceptable standards, norms and methodologies for performance management. To ensure that this balanced multi-perspective view for the assessment of MLM performance, a municipal scorecard model is adopted as opposed to the more complex Balanced Scorecard model which was in the previous PMS Framework. This is done in order to guide performance management in the entire municipal organisation. This reviewed framework uses an improved version of the municipal scorecard model.

2.2 MONITORING (WHAT IS HAPPENING?)

Monitoring is process of watching to see how well the municipality is doing throughout the year or whether it is on track to meet its targets and to check whether the broader development objectives are being achieved. Monitoring should give the municipality early warning signs – it is like a mini-performance review that shows whether the municipality is doing well or not at any point. Monitoring is intended to ensure that the right information is obtained, and that this information is not manipulated to produce misleading results. At this stage, reports are submitted giving an account on performance per indicator, highlighting shortcoming / problems and also indicating improvement measures.

2.3 EVALUATION (MAKING SENSE OF WHAT IS HAPPENING)

The information gathered through the process of monitoring described above, is assessed to understand its relevance and implications to the priority issues, objectives, indicators and targets. Irrelevant and incorrect information should be discarded. The relevant information is analysed and synthesized for its relevance to the IDP. Performance evaluation is a deeper, more detailed process of analysis. The evaluation process does not just look at whether a municipality is performing adequately - it also analyses why there is under-performance or what were the factors that allowed good performance in a particular area.

2.4 REVIEW (DECIDING ON AND MAKING THE RELEVANT CHANGE)

Performance review, in which a comprehensive evaluation of the municipal performance will be conducted, takes place during the mid-year Budget and Performance Assessment in January and at the end of each financial year when the annual performance report is prepared. In this process the municipality carefully analyses its performance in order to understand why it has performed well or badly during the review period. The analysis is intended to draw conclusions from trends in performance over time and in all political and administrative structures of the municipality. A municipality is required to review its key performance indicators annually as part of their performance review process. Additionally, whenever the municipality amends its IDP, it must also review its KPIs and targets that will be affected by such an amendment. The annual review is informed by reports which are audited by the Audit Committees and measures that were taken during the year to improve performance. The results of the review process will be used to develop corrective measures to improve performance and it also informs the annual report that must be submitted to the Office of the Auditor General and informs the planning stage of the following financial year.

2.5 THE CYCLES OF ORGANISATIONAL PERFORMANCE MANAGEMENT

The process of performance management is central to modern notions of management i.e. it is inseparable from the things that a manager must do. It is important that performance management is mainstreamed in municipality as an approach to daily management.
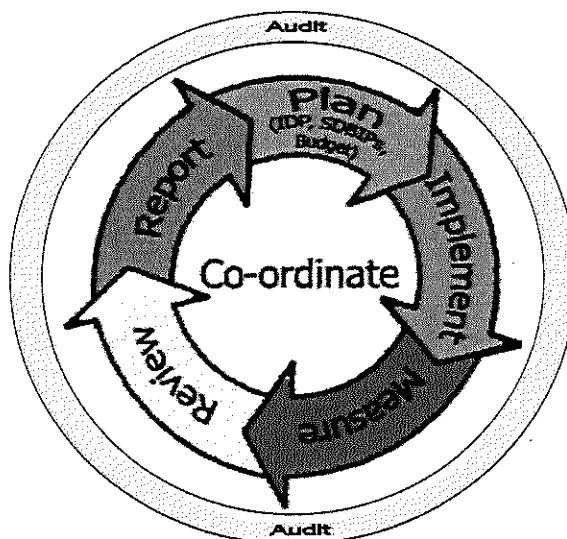
Figure 2: Performance Management as an Approach to Management

The annual process of managing the performance of the MLM will involve the following components:

- Co-ordination

- Performance Planning

- Performance Measurement, Analysis

- Performance Reviews & Reporting

- Performance Auditing

For each of these components, this chapter sets out the role stakeholders in the performance management system will play and how these components are to happen.

2.5.1 Co-ordination

The executive authority with regards to the implementation of this policy framework will be the responsibility of the Executive Mayor. The Executive Mayor will be accountable to the Council in this regard.

The Municipal Manager will be responsible for the management and administrative responsibilities related to implementation of the performance management system and will be accountable to the Mayor in this regard. The Senior Manager Operations in the Office of the Municipal Manager, as a form of support to the Municipal Manager, will be responsible for co-ordinating the implementation of the planning, measurement, reporting and review processes of the PMS.

The office of the Municipal Manager will develop planning and reporting templates and will coordinate their completion, submission and analysis. It will also ensure that the Senior Management, Standing Committees, MAYCO, Council, Performance Audit Committee and Evaluation Panel have the necessary technical support to meet their responsibilities in terms of the performance management system.

2.5.2   Performance Planning

The IDP, budget and the Municipal Service Delivery and Budget Implementation Plans constitute the planning components of municipal performance management. Through the IDP review processes, the strategic objectives, strategies and SDBIP will be developed.

This is the stage where Key Performance Area's and Key Performance Indicators are aligned to the IDP and national requirements, and targets are set.

Once the top level SDBIP (from the IDP) is approved as part of the IDP, the next step will be to develop SDBIP (with quarterly targets) that should support the realisation of the objectives and targets set in the top level SDBIP Scorecard. These are referred to as Service Delivery and Budget Implementation Plan (SDBIP).

The SDBIP, which provides a comprehensive picture of the performance of each department and unit, will be diffused through each department, into the departmental sections, and will be monitored within each department.
Each department is made up of units/sections and the head of each section or unit manager is responsible for reporting to the Senior Manager. Sectional/Unit reporting must be fed into the SDBIP report, which implies that each section/unit must have its own implementation plans that contribute to the overall implementation of the SDBIP.

Note: Leadership is responsible for planning in any institution. In this spirit, it is responsible leadership to endorse, all SDBIPs, at a Senior Management meeting attended by all Senior Managers (of which minutes are to be kept) before submitting the SDBIPs to the Mayor for approval. The endorsement is commitment to planning and discipline during subsequent phases performance management being implementation, measurement and analysis, evaluation and reporting.

Furthermore upon approval by the Executive Mayor, the SDBIPs ought to be locked for editing. If, for any reason, a KPI or target needs to be altered, this must be done with prior approval of the Executive Mayor following the Municipal Manager's recommendation.

With these in place, the Municipality is now on track to implement and monitor the implementation of the IDP.

The following diagram shows the links among the plans referred to above.

Figure 3: Municipal planning
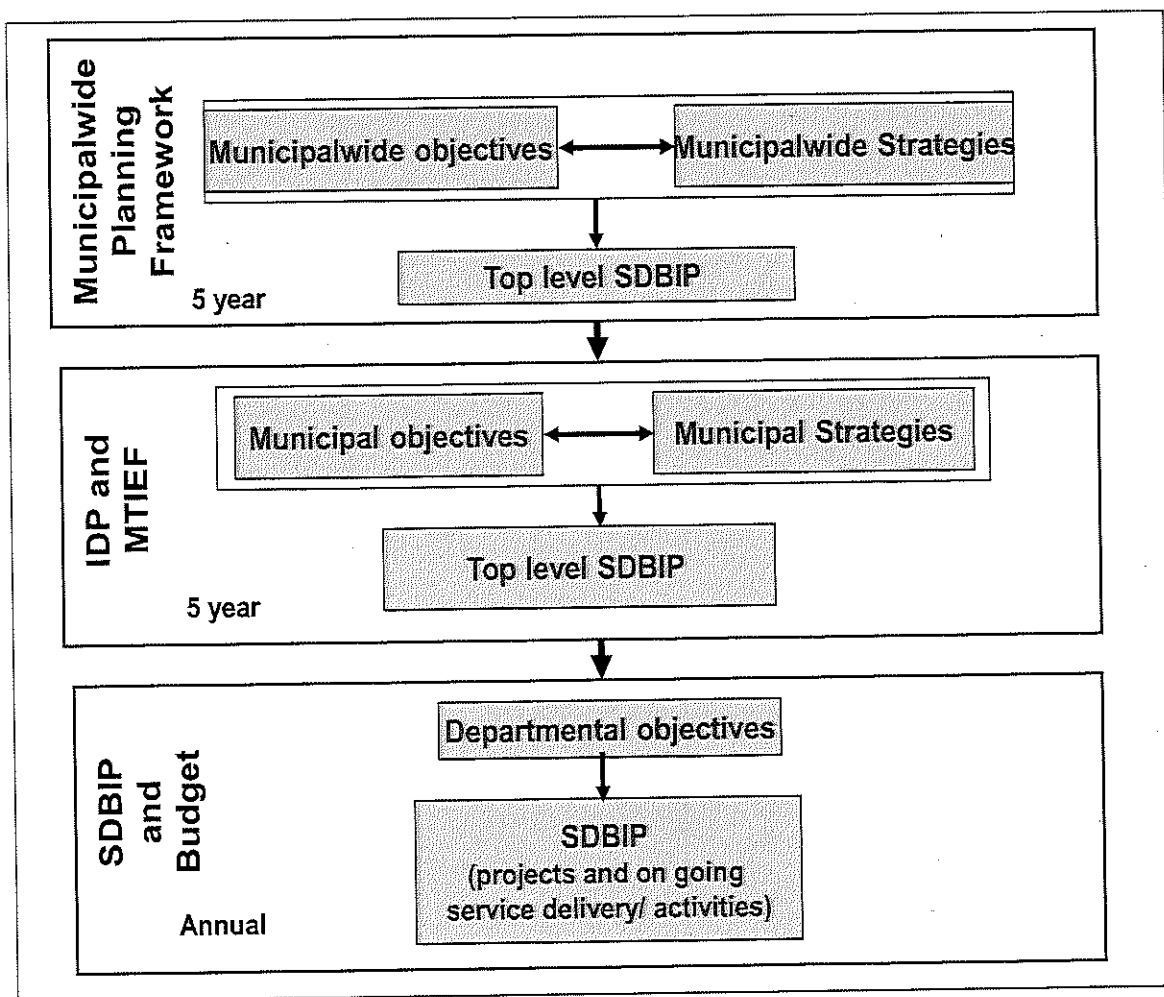
2.5.3 Performance Measurement and Analysis

Measurement is the act of collecting data on identified performance indicators while analysis is the act of interpreting the meaning of such data in terms of performance.

It is an ongoing process to determine whether performance targets have been met, exceeded or not met. Projections can also be made during the year as to whether the final target and future targets will be met. It occurs during key points in a process – for example, on a quarterly and annual basis.

For each Municipal Scorecard indicator (indicators in the SDBIP Scorecards), a relevant custodian has to be designated. The custodian will be accountable for performance and will be responsible for conducting measurements of the applicable indicators, analysing and reporting these for reviews.

Analysis requires that current performance be compared with targets and past performance, where data is available, to determine whether or not performance is poor. It should provide reasons for performance levels and suggest corrective action where necessary.

There may be indicators that would require data gathering on municipal-wide outcome indicators and satisfaction surveys. This may need to be co-ordinated centrally instead of each department doing its own. The Office of the Municipal Manager will be responsible for this.

The Office of the Municipal Manager may also undertake the following surveys to provide data for indicators organisationally:

- A citizen satisfaction survey conducted for households and business in the MLM area.

- An employee satisfaction survey that is conducted internally.

2.5.4 Performance Reporting & Reviews

Entails reporting twice a year to management, the performance audit committee, council and the public. In addition, a quarterly report is also prepared and sent to Internal Audit to be audited, prior it being sent to council and the performance audit committee.

Reviews/auditing - is a key element of the monitoring and evaluation process. This involves verifying that the measurement mechanisms are accurate and that proper procedures are followed to evaluate and improve performance. According to section 45, of the Systems Act, results of the performance measurement must be audited as part of the municipality's internal auditing process and annually by the Auditor-General. The Municipality will therefore have to establish frameworks and structures to evaluate the effectiveness of the municipality's internal performance measurement control systems.

Reviews will be undertaken by the Municipal Manager, Evaluation Panels, Performance Audit Committee, and report to Council. Prior to reviews taking place, performance reporting will need to be tracked and co-ordinated. The Municipal Manager's Office will be responsible for this process.

The Municipal Manager's Office will provide an overall analysis of municipal performance, for quarterly, bi-annual and annual reviews. Such an analysis will aim to pick up trends in performance over time and over all departments.

The diagram below provides a picture of the annual process of reporting and reviews.

2.5.5 Departmental Reviews

It is intended that departments review their performance monthly, using their SDBIP. Decision-makers should be immediately warned of any emerging failures to service delivery such that they may intervene if necessary.

Departments should use these reviews as an opportunity for reflection on their goals and programmes and whether these are being achieved. Minutes of these reviews should be forwarded to the office of the Municipal Manager. Changes in indicators and targets may be proposed at this meeting but can only be recommended for approval by the Municipal Manager to the Mayor.

On a monthly basis the Senior Managers (SM) will submit a report on the department's performance using the SDBIP to the Senior Management Meeting to be held on the first Monday of the month.

SM will formulate their SDBIP reports by taking into account the performance of the various units/sections within each department. The SDBIP requires inputs from each unit/section such that a comprehensive report is collated on the performance of each department. The Unit Manager/Sectional Head is responsible for the provision of unit/sectional reports to the SM.

2.5.6 Municipal Manager's Review Panel

The municipal panel will sit annually to review annual performance of the institution. The review panel setup by the Municipal Manager (in terms of the Section 27(4)(e) of the Local Government: Municipal Performance Regulations) will review the departmental performance (SM's or manager's reporting directly to the Municipal Manager) using the SDBIP Scorecards for departments. It will
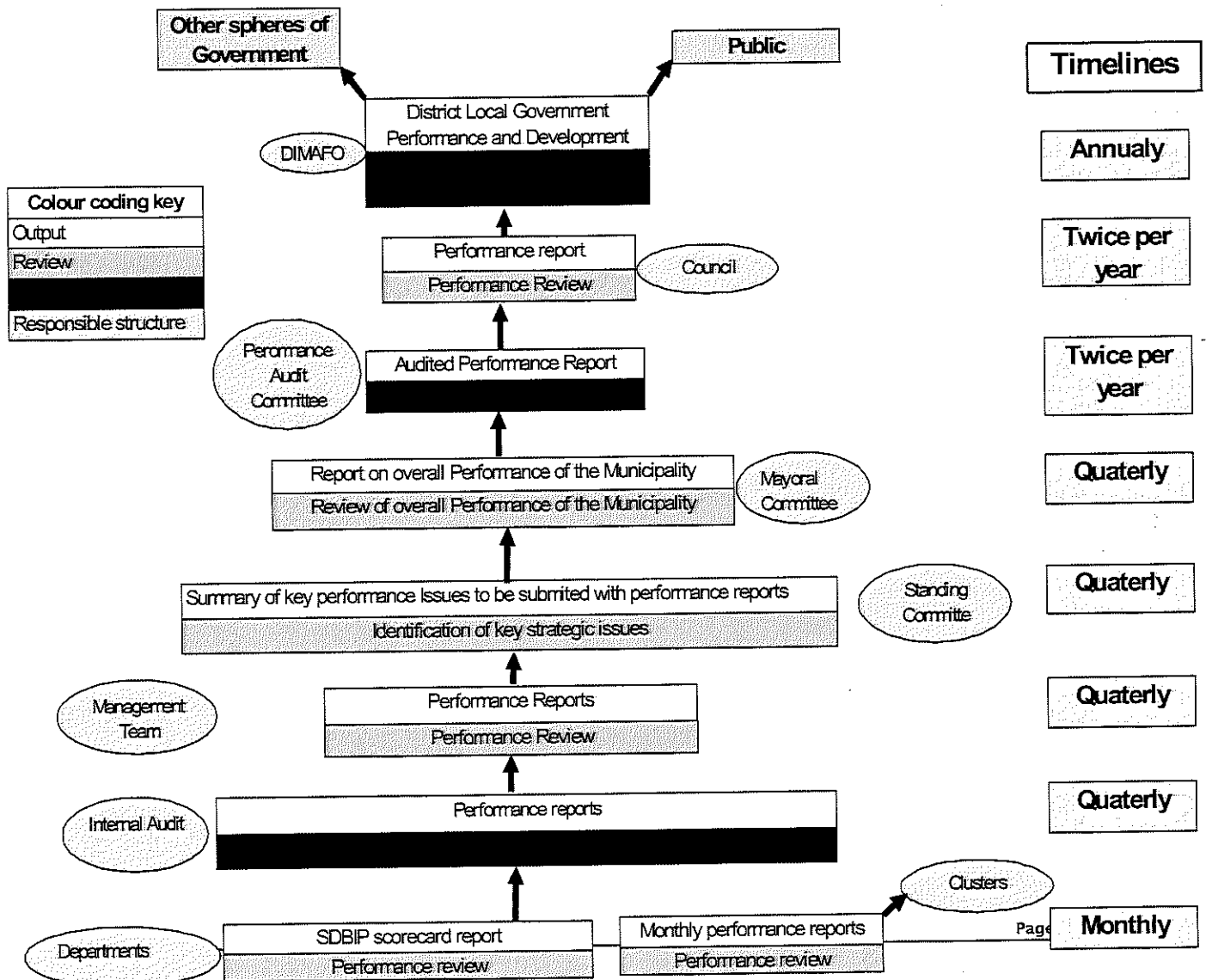
then submit reports from this review to MAYCO, Performance Audit Committee then to the Executive Mayor to submit to Council.

The Municipal Manager's Review Panel will need to reflect on whether targets are being achieved, what are the reasons for targets not being achieved where applicable and corrective action that may be necessary. Where targets need to be changed, the Municipal Manager can endorse these, for recommendation to the Executive Mayor for approval.

In preparation for and prior these reviews, the office of the Municipal Manager must develop an analysis of performance.

2.5.7 Executive Mayor's Review Panel

The Executive Mayor's panel will sit annually to review annual performance of the institution. The review panel setup by the Mayor (in terms of the Section 27(4)(d) of the Local Government: Municipal Performance Regulations) will review the top organisational performance (municipal manager) using the Top level SDBIP Scorecard. It will then submit reports from this review to the Performance Audit Committee and then the Mayor to submit to Council.

The Mayor's Review Panel will need to reflect on whether targets are being achieved, what are the reasons for targets not being achieved where applicable and corrective action that may be necessary. Where targets need to be changed, a recommendation will be submitted to the Mayor for approval.

In preparation for and prior these reviews, the office of the Mayor must develop an analysis of performance.

2.5.8 Performance Audit Committee Reviews

On a quarterly basis, the Performance Audit Committee will review the departmental and municipal performance (municipal manager) using the SDBIP. Other function that is linked to the Performance Audit Committee is the auditing and assurance guarantee on the assessment and processes of the framework and the system. This is further detailed in section dealing with Auditing and Quality Control.

The quarterly report will be submitted quarterly and bi-annually to Council.

The Performance Audit Committee will need to reflect on whether targets are being achieved, what are the reasons for targets not being achieved where applicable and corrective action that may be necessary. Furthermore, they will verify and give assurance to the process of reviews undertaken by the panels and recommendation.

Where targets need to be changed, a recommendation will be submitted to the Executive Mayor for approval.

2.5.9 Council Reviews

The Council reviews performance on a quarterly basis. The council will use the report submitted by the Performance Audit Committee.

The reviews will be done in preparation for the budget adjustment and annual reviews. This will form part of the annual report as required by the Municipal Systems Act.

An annual report will be submitted to the Provincial Government as required by section 46 of MSA by the legislation.

An annual report will be publicised to the municipal Website for the consumption of all stakeholders

2.5.10. Public Reviews

The Municipal Systems Act requires the public to be given the opportunity to review municipal performance and they will be part of the panels established by the municipality. An annual report should be a simple, easily readable and attractive document that summarises the performance of the municipality for public consumption.

An annual report will be developed and be open for public comments on the assessment of the municipality's performance.

It is also proposed that a public campaign be annually embarked on to involve communities in the review of municipal performance. Such a campaign could involve the following methodologies:

- Various forms of media including radio, newspapers and billboards can be used to convey the communities' report. The public should be invited to submit comment via telephone, fax, email and public hearings to be held in a variety of locations.

- The public reviews should be concluded by a review by the IDP Representative Forum.

Summary of Reviews

Reporting Structure	Reviewing structure	Report	When
Units/Sections (Unit Managers/Sectional Heads)	Department (Senior Manager)	SDBIP	Monthly and Quarterly
Departments (Senior Manager)	Senior Management Meeting	SDBIP	Monthly and Quarterly
Departments (Senior Manager)	Municipal Manager's Review Panel	SDBIP	Monthly and Quarterly
Organisation (Municipal Manager)	Mayor's Review Panel	Institutional SDBIP	Quarterly
Organisation (Municipal Manager)	Performance Audit Committee	Institutional SDBIP	Quarterly
Organisation (Mayor)	Council	Institutional SDBIP	Quarterly

Summary of Reports

Reporting Structure	Report to structure	Report	When
Unit	Department	SDBIP	Monthly
Department	Senior Management Meeting	SDBIP	Monthly
Department	Municipal Manager	SDBIP	Quarterly
Senior Managers	Municipal Manager's Review Panel	SDBIP	Twice-yearly
Municipal Manager	Mayor's Review Panel	Organisational Scorecard	Twice-yearly
Municipal Manager's Review Panel	Mayor	Organisational Scorecard	Twice-yearly

Mayor's Review Panel	Mayor	Organisational Scorecard	Twice-yearly
Mayor	Council	Organisational Scorecard	Twice-yearly
Council	IGR Forums	Annual Report	Annually
Council	Province	Annual Report	Annually
Council	Public	Annual Report	Annually

2.6 CRITICAL DATES AND TIMELINES

The MLM will facilitate the implementation of a coordinated annual cycle of municipal performance management within the municipal area. This cycle will have agreed critical dates and timelines for the following activities:

1. Development of Organisational Scorecard (as part IDP Process)
2. Development of SDBIP Scorecards by all departments at MLM (as part of the IDP processes)
3. Conclusion of Performance Contracts, Performance Agreements, Accountability Agreements and Performance Promises
4. Completion of the first quarter reviews and audits
5. Completion of the midyear/ second quarter reviews and audits
6. Completion of the third quarter reviews and audits
7. Completion of the annual reviews and audits
8. Submission of inputs to the Annual Report

CHAPTER 3

3.1 AUDITING AND QUALITY CONTROL

All auditing will comply with Section 14 of the Municipal Planning and Performance Management Regulations (2001). Auditing of performance reports will be conducted by the internal audit unit prior to submission to the municipality's Performance Audit Committee and Auditor General.

3.1.1 Quality Control and Co-ordination

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

3.1.2 Performance Investigations

The Executive Mayor or Performance Audit Committee will 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 for this purpose.

3.1.3 Internal Audit

The municipality's internal audit function will be continuously involved in auditing the performance reports, evidence file and SDBIP. As required by the regulations, they will be required to produce an audit report on a quarterly basis, to be submitted to the Executive Mayor, Municipal Manager, and Performance Audit Committee.

Auditing is necessary to prevent:

- Inconsistencies in performance management definition or methodology of data collection;
- Incorrect processing and poor documentation of performance management;
- Biased information collection and reporting by those whose image is at stake in the performance management process;

The Regulations specify that any auditing must include assessment of:

- The functionality of the municipality's performance management system;
- The compliance of the system with the legislation; and
- The extent to which performance measurements are reliable in measuring performance of the municipality.

3.1.4 Performance Audit Committee

The Municipal Council will ensure that there is a Performance Audit Committee. To this end, the Council will ensure that the

- majority of members of the Performance Audit Committee are not councillors or employees of the municipality;
- chairperson of the Performance Audit Committee is neither a councillor nor an employee of the municipality;
- members of the Performance Audit Committee have credibility within all Mbhashe's communities and organs of civil society; and the
- composition of the Performance Audit Committee sufficiently caters for the following competencies:
  - an understanding of performance management
  - an understanding of municipal finances
  - an understanding of development, including rural development
  - an insight into the municipality's IDP objectives

The operation of the Performance Audit Committee will be governed by section 14 (2-3) of the regulations.

As per the regulations, the performance audit committee will:

- 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 the municipality
- assess whether the performance indicators are sufficient
- at least twice during a financial year submit an audit report to the municipal council

The Performance Audit Committee will also be tasked with assessing the reliability of information reported.

In order to fulfil its function a performance audit committee may, according to 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.

3.1.5 Performance Evaluation Committee for S54A and s56 Managers

The Evaluation Panel Committee evaluates Section s54A and s56 employees' (including the Municipal Manager's) performance through approval of their final performance ratings, based on the Performance Evaluation Committee's recommendations. The 2006 Municipal Performance Regulations prescribe the composition of the Evaluation Panel and also stipulates in detail how the evaluation process should be undertaken.

For purposes of evaluating the annual performance of the Municipal Manager (Organisation), The Mayor must establish an evaluation panel, herein referred to Executive Mayor's Review Panel, constituted of the following persons:

- Executive Mayor;
- Executive Mayor from another municipality
- Chairperson of the performance audit committee or the audit committee in the absence of a performance audit committee;
- Member of the MAYCO
- Member of a ward committee as nominated by the Mayor.

For purposes of evaluating the annual performance of managers directly accountable to the municipal manager (SM/Department), the Municipal Manager must establish an evaluation panel, herein referred to Municipal Manager's Review Panel, constituted of the following persons:

- Municipal Manager;
- Chairperson of the performance audit committee or the audit committee in the absence of a performance audit committee;
- Member of the MAYCO
- Municipal Manager from another municipality.

The Evaluation Panel committee will then prepare a report with the recommendations to the Executive Mayor for the payment of Bonuses to the Municipal Manager and s54A and s56 Managers.

Criteria for payment of Bonuses

A performance bonus, based on affordability may be paid to Senior Managers after:

1. the annual report for the financial year under review has been tabled and adopted by the municipal council
2. an evaluation of performance in accordance with the provisions of the Regulation
3. approval of such evaluation by the municipal council as a reward for a level of performance deserving of a performance bonus in terms of the bonus criteria

3.1.6 Review Process

Performance appraisal of each employee in relation to his or her performance will be reviewed on quarterly basis. MLM took a decision that all its 4 assessments be formal.

Review Periods:

Performance review must be conducted as follows:

First Quarter	:	July to September	: Informal Assessment
Second Quarter:		October to December	: Formal Assessment
Third Quarter	:	January to March	: Informal Assessment
Fourth Quarter	:	April to June	: Formal Assessment

Informal reviews are also done by the Municipal Manager on a monthly basis with s54A and s56. This is aimed at preventing a scenario where poor performance is only recognised during the mid – year or annual assessment

Table 1: Core Competency Requirements from Regulations (2014)

COMPETENCY FRAMEWORK FOR SENIOR MANAGERS					
LEADING COMPETENCIES		Achievement Levels	Weight	HOD's Achievement Level	Municipal Managers Score Level
Strategic Direction and Leadership	• Impact and Influence	Basic			
	• Institutional Performance Management	Competent	8.4		
	• Strategic Planning and Management	Advanced			
	• Organisational Awareness	Superior			
People Management	• Human Capital Planning and Development	Basic			
	• Diversity Management	Competent	8.4		
	• Employee Relations Management	Advanced			
	• Negotiation and Dispute Management	Superior			
Programme and Project Management	• Program and Project Planning and Implementation	Basic			
	• Service Delivery Management	Competent	8.4		
	• Program ad Project Monitoring and Evaluation	Advanced			
		Superior			
Financial Management	• Budget Planning and Execution	Basic			
	• Financial Strategy and Delivery	Competent			
	• Financial Reporting and Monitoring	Advanced	8.4		
		Superior			
Change Leadership	• Change Vision and Strategy	Basic			
	• Process Design and Improvement	Competent			
	• Change Impact Monitoring and Evaluation	Advanced	8.4		
		Superior			
Governance Leadership	• Policy Formulation	Basic			
	• Risk and Compliance Management	Competent			
	• Cooperative Governance	Advanced	8.4		
		Superior			
CORE COMPETENCIES					
Moral Competence		Basic			
		Competent	8.3		
		Advanced			
		Superior			
Planning and Organising		Basic			
		Competent	8.3		
		Advanced			
		Superior			
Analysis and Innovation		Basic	8.3		
		Competent			
		Advanced			
		Superior			
Knowledge and Information Management		Basic			
		Competent	8.3		
		Advanced			
		Superior			
Communication		Basic			
		Competent	8.3		
		Advanced			

	Superior			
Results and Quality Focus	Basic			
	Competent			
	Advanced	8.3		
	Superior			
Total		100%		

Achievement Level Descriptions

The achievement levels indicated in the table below serve as a benchmark for appointments, succession planning and development interventions.

i. Individuals falling within the Basic range are deemed unsuitable for the role of senior manager, and caution should be applied in promoting and appointing such persons.

ii. ii. Individuals that operate in the Superior range are deemed highly competent and demonstrate an exceptional level of practical knowledge, attitude and quality. These individuals should be considered for higher positions, and should be earmarked for leadership programs and succession planning.

Achievement Levels	Description
Basic	Applies basic concepts, methods, and understanding of local government operations, but requires supervision and development intervention
Competent	Develops and applies more progressive concepts, methods and understanding. Plans and guides the work of others and executes progressive analyses
Advanced	Develops and applies complex concepts, methods and understanding. Effectively directs and leads a group and executes in-depth analyses
Superior	Has a comprehensive understanding of local government operations, critical in shaping strategic direction and change, develops and applies comprehensive concepts and methods

Personal Development Plan

As part of the performance agreement, a personal development plan will be included. This section should state the activities, including training, that the employee wishes to undertake to improve themselves or is required to take to better fulfil the needs of the job.

CHAPTER 4

4.1 Process & Scoring

Performance will be reviewed on a quarterly basis within two weeks after completion of the evaluation of a unit (department or section) to which the employee belongs or is responsible for managing. The employer will keep a record of all the review meetings which take place during the financial year. The performance plan will include a Personal Development Plan, in order to address any weaknesses or skills gaps which may have been identified.

In summary, the annual performance appraisal will involve an assessment of results as outlined in the performance plan, discussed below:

KPI and KPA assessment

1. Each KPA will be assessed according to whether performance indicators have been met on all the KPIs in that specific KPA.

2. An indicative rating on a 5-point scale will be provided for each KPI and that will be added to determine the total summarized rating for the KPA

3. The applicable assessment rating calculator will be used to add to the scores and calculate the final KPA score based on a weighted average score.

CCR assessment

1. Each CCR will be assessed according to performance indicators have been met
2. An indicative rating on a 5-point scale will be provided for each CCR
3. The rating is multiplied by the weighting given to each CCR, to provide a score
4. The applicable assessment rating calculator will be used to add to the scores and calculate the final CCR score, based on a weighted average score.

Table 2: Scoring suggested by the Regulations (2006)

Level	Terminology	Description
5	Outstanding performance	Performance far exceeds the standard expected *of* an employee at this level. The appraisal indicates that the Employee has achieved above fully effective results against all performance criteria and indicators as specified in the **PA** and Performance plan and maintained this in all areas of responsibility throughout the year.
4	Performance significantly above expectations	Performance is significantly higher than the standard expected in the job. The appraisal indicates that the Employee has achieved above fully effective results against more than half of the performance criteria and indicators and **fully** achieved all others throughout the year.
3	Fully effective	Performance fully meets the standards expected in all areas of the job. The appraisal indicates that the Employee has fully achieved effective results against all significant performance criteria and indicators as specified in the PA and Performance Plan.
2	Performance not fully effective	Performance is below the standard required for the job in key areas. Performance meets some of the standards expected for the job. The review/assessment indicates that the employee has achieved below fully effective results against more than half the key performance criteria and indicators as specified in the PA and Performance Plan.
1	Unacceptable performance	Performance does not meet the standard expected for the job. The review/assessment indicates that the employee has achieved below fully effective results against almost all of the performance criteria and indicators as specified in the PA and Performance Plan. The employee has failed to demonstrate the commitment or ability to bring performance up to the level expected in the job despite management efforts to encourage improvement.

The combined KPA and CCR assessment scores, weighted 80% and 20% respectively, will make up the overall assessment of the individual manager's score. Where the KPA portion is the departmental performance score from the SDBIP scorecards, and CCR is the result of an assessment on its own. The following table depicts the split as follows:

Table 3 Senior Manager's performance measurement

Component	Weighting	Source

Score for departmental performance	80%	SDBIP score
CCR score of a manager	20%	CCR appraisal result

The combined KPA and CCR assessment scores, weighted 80% and 20% respectively, will make up the overall assessment of the individual manager's score. Where the KPA portion is the organisational performance score from the Organisational scorecard, and CCR is the result of an assessment on its own. The following table depicts the split as follows:

Table 4 Municipal Manager's performance measurement

Component	Weighting	Source
Score for organisational performance	80%	Overall municipal performance based on the Organisational SDBIP score
CCR score of a manager	20%	CCR appraisal result

The regulations do not deal with the detail of how to convert the points from the 5-point rating scale into percentage of performance even though the bonus calculation, as per regulations, will be based on the percentage level of performance achieved.

In MLM the scoring will be allocated as follows based on the performance achieved per key performance Indicator that MLM is using limited to 80% weighting and the other 20% will be for Core Competency Requirements:

LEVEL OF PERFORMANCE	LEVEL OF ATTAINMENT	PERCENTAGE ACHIEVED
Unacceptable	1	33%
Not Fully Effective	2	67%
Fully Effective	3	100%
Above Expectation	4	133%
Outstanding	5	167%

4.2 Performance Bonuses

The regulations provide that a performance bonus between 5% and 14% of the inclusive annual remuneration package may be paid to the employee after the end of the financial year and only after an evaluation of performance and approval of such evaluation by the Municipal Council, as a reward for a level of performance deserving of a bonus in terms of the bonus criteria. In determining the bonus payment, the regulations specify that the relevant percentage depends on the overall rating, calculated by using the applicable assessment rating calculator:

1. A score of 150% and above is awarded a performance bonus ranging 10% - 15%.

2. A score of 130% - 149% is awarded a performance bonus ranging between 5%-9%.

In cases where a Municipal Manager and/ Senior Manager does not complete a full cycle (1 year), a bonus will be calculated Pro Rata.

Bonus Criteria

i. Performance bonuses shall be awarded to individual employees who have a total score of 4 and above. This means that the employee's performance must be significantly higher than

the standard expected in the job or the performance must be outstanding.

ii. Performance rewards can only be made after independent verification of evidence and performance plan by the Internal Audit.

iii. Performance bonus must be paid once a year provided the Municipality has budget for bonuses.

Below is a scale that will be used in calculating the performance bonuses of the Municipal Manager and Section 54A/56 employees (Senior Manager):

If (Bonus Score > = 130 - 133) bonus = 5%
If (Bonus Score > = 134 -137) bonus = 6%
If (Bonus Score > = 138 -141) bonus = 7%
If (Bonus Score > = 142 - 145) bonus = 8%
If (Bonus Score > = 146 - 149) bonus = 9%
If (Bonus Score > = 150 - 153) bonus = 10%
If (Bonus Score > = 154 - 157) bonus = 11%
If (Bonus Score > = 158 - 161) bonus = 12%
If (Bonus Score > = 162 - 165) bonus = 13%
If (Bonus Score > = 166 - plus) bonus = 14%

A performance bonus, based on affordability may be paid to the employees, after:

1. the annual report for the financial year under review has been tabled and adopted by the municipal council

2. an evaluation of performance in accordance with the provisions of the 2001 and 2006 Regulation

3. approval of such evaluation results by the municipal council as a reward for a level of performance deserving a performance bonus in terms of the bonus criteria.

Mbhashe Local municipality currently does not have a rating calculator to calculate a performance bonus that may be paid to Municipal Manager or Senior Managers, but a 1.6 factor will be used to determine the bonus percentage, which will be calculated on the 80% and 20% overall score e.g. 80% of KPA + 20% OF CCR's x 1.6 (166- maximum score/100) will give a bonus score which will determine the bonus percentage due.

In addition to the annual cost-of-living increase, the employee (Senior Managers) shall be eligible to be considered for a performance related increase (pay progression) on an annual basis.

In addition to the manual system that is being used for the calculation of performance overall scores for the organisation and performance bonuses, the municipality further considers Core competency requirements (CCRs) as agreed between the MM for Senior Managers and the Executive Mayor for the Municipal Managers when signing performance agreements, and multiplies each CCR by the weightings obtained by each Senior Manager as agreed with the MM and Executive Mayor. NB - all the calculations should be within the 100 % i.e. KPAs and CCRs together.

In terms of Section 32(1) and (2) of Local Government: Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers, 2006.

i. The evaluation of the employee's performance will form the basis for rewarding outstanding performance or correcting unacceptable or poor performance.

ii. Employees (Section 54 Managers) will be assessed on two components, which are Key Performance Areas (KPA) and Core Competency Requirements (CCR) both contained in the performance agreements.

iii. The KPA's contribute 80% and the CCR' will contribute 20% of the total score and added together account to 100% of the final score.

iv. A performance bonus ranging from 5% to 14% of the entire inclusive remuneration package may be paid to an employee (S54 Managers) in recognition of outstanding performance.

4.3   Dispute resolution

Any disputes about the nature of the employee's performance agreement, whether it relates to key responsibilities, priorities, methods of assessment and/ or salary increment in the agreement, must be mediated by –

(a) In the case of the Municipal Manager, the MEC for local government in the province within thirty (30) days of receipt of a formal dispute from the employee, or any other person designated by the MEC; and

(b) In the case of managers directly accountable to the Municipal Manager, the Mayor within thirty (30) days of receipt of a formal dispute from the employee; whose decision shall be final and binding on both parties.

Any disputes about the outcome of the employee's performance evaluation, must be mediated by –

(c) In the case of the municipal manager, the MEC for local government in the province within thirty (30) days of receipt of a formal dispute from the employee, or any other person designated by the MEC; and

(d) In the case of managers directly accountable to the municipal manager, a member of the Municipal Council, provided that such member was not part of the evaluation panel provided for in sub-regulation 27(4)(e), within thirty (30) days of receipt of a formal dispute from the employee; whose decision shall be final and binding on both parties.

CHAPTER 5

5.1 ROLES AND RESPONSIBILITIES

DESIGNATION	ROLE	RESPONSIBILITIES
Municipal Council	Approval and Oversight	• Adopts Framework • Adopts Priorities and Objectives of the IDP • Adopts Municipality's corporate strategy that includes KPI and Performance targets • Adopts SDBIP • Approves the review of KPI's and targets • Reports Municipal performance to the community twice a year
Mayoral Committee	Oversight	• Oversees the development of the municipality's performance management system • Assigns the responsibility of development to the Municipal Manager • Submits the PMS Framework to Council • Submits the priorities and objectives of the IDP to Council

		• Approves the SDBIP
		• Assigns the responsibility for management of the PMS to the Municipal Manager
		• Quarterly evaluates the performance of the municipality
		• Approves implementation of Internal Audit recommendations in performance and PMS
		• Receives performance audit report from the AG and makes recommendations to Council
Communities/Ward Committees	Participatory	• Advise the Mayor on priorities and objectives of the IDP
		• Participates in the drafting and implementation of the IDP
		• Participates in the monitoring, measurement and review of the municipality's PM System
		• Monitors the municipality's performance
		• Participates in the development of the KPI's
		• Participate in the formulation of proposals for performance improvements
		• Reports to the Mayor recommendations for the improvement of the PM System
		• Participate in the annual review of performance
Municipal Manager	Monitoring	• Manages the development of the performance management function/framework
		• Ensures that a high level scorecard, linked to the IDP and budget is developed
		• Ensures that all role players implement the provision of the PMS framework
		• Receives the quarterly and annual audited performance reports from Internal Audit
		• Submits all necessary reports on performance to EXCO and Council
Performance Management	Establish, monitor and control	• Ensure compliance with the Systems Act
		• Establish a performance management system for the municipality
		• Promote a culture of performance management among its political structures, political office bearers and councillors and its administration
		• Administer the PMS in an economical, effective and efficient and accountable manner
		• Establish a framework which demonstrates the operation and management of performance management

		• Ensure PMS links to the Integrated Development Planning processes • Ensure that key performance indicators in respect of development priorities and objectives are set • Ensure community participation in the various performance management processes • Obtain quarterly information on progress on targets set in the organizational scorecard • Review KPI's annually • Ensure that performance targets are set • Develop and implement mechanisms, systems, and processes for monitoring, measurement and review of performance • Establish a process of regular reporting to the Council, political office bearers and staff, the public and appropriate organs of state • Prepare quarterly and annual reports on organizational performance • Ensure that an early warning system is in place to detect indications of under-performance • Ensure corrective measures for under-performance have been identified • Ensure that a performance audit committee is appointed • Ensure that a budget exists for the audit committee • Ensure performance audit committee complies with the Systems Act regulations • Ensure that at secretariat service is provided for the performance audit committee
Internal Audit	Monitor and review	• Assess the functionality of the PMS using the E-Performance system • Ensure the system complies with the Act • Determine whether the performance measurements are reliable in measuring performance • Continuously audit the performance measurements of the municipality • Annually audit the results of performance measurement • Submit quarterly reports on the audits to the municipal manager and the performance audit committee

Audit Committee	Oversight review	• Must meet at least twice during the financial year
		• Review quarterly reports
		• Review the municipality's performance management system and make recommendations to Council
		• Submit an audit report to Council at least twice during the financial year

5.2   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 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 Executive Committee for discussion and approval. The evaluation should assess:

- The adherence of the performance management system to the Municipal Systems Act.

- The attainment of the benefits for a performance management system captured in Section 1 of this document.

- The adherence of the performance management system to the objectives and principles captured in Section 1 of this document.

- Opportunities for improvement and a proposed action plan.

It must once again be emphasised that there are no definitive solutions to managing municipal performance. The process of implementing a performance management system must be seen as a learning process, where there is a conscious buy-in to incremental improvement of the way the system works in order to fulfil the objectives of the system and address the emerging challenges from a constantly changing environment.

5.3 **FRAMEWORK REVIEW**

This Framework will be reviewed or amended annually and the amendments must be approved by Council.

CHAPTER 6

6.1 PERFORMANCE MANAGEMENT OF EXTERNAL CONTRACTORS/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.

The service level agreement must serve as a reference tool in respect of obligations attached to the contractual relationship between the Municipality and the external service provider/contractor. The service level agreement must be attached to a fixed time-line and must indicated the starting date, end date and performance milestones, set in line with the Municipality's framework for the development of key performance indicators and targets.

The project manager must evaluate the performance of the service provider/contractor in line with performance intervals and upload such information on the Contractor Management Information System, in line with reporting time lines on institutional performance.Non-performance/ Non delivery of contractual obligations must result in the payment of services being withheld by the Municipality, the contract terminated and the service provider/contractor blacklisted.

CONCLUSION

This framework provides a guide for the measurement of organisational performance. It is subject to change due to new legislative requirements which occur from time to time. Performance is a consultative process and it needs to be clearly understood by all levels of staff and management, so that each individual in the municipality can play a role in meeting the vision of the organisation. Clearly in order to achieve this, the municipality and its employees need to establish a culture of performance driven management.

POLICY GOVERNANCE

PMS Framework
Policy Governance

Policy Title	PMS Framework	
Policy Version	2019/20	
Role & Process	Responsible Individual Name and/or Date	Responsibility Accepted Signature
Senior Manager Operations		
Policy Custodian		
Policy Author		
Council Approval Date		
Council Approval Reference		

(UNIT) eg. PMS Coordinator		
Policy Approved		
Policy Inception Date		
Review Start Date		
Review Completion Date		
Legislative References		
Policy Review "Triggers"		
Comments		