

THE CITY OF MATLOSANA



PERFORMANCE MANAGEMENT FRAMEWORK 2017

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2. ISSUE CONTROL

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Preamble

The Constitution of SA (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 inter alia:

- ▶ 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.

At local government level performance management is institutionalized through the legislative requirements on the performance management process for Local Government. Performance management provides the mechanism to measure whether targets to meet its strategic goals, set by the organisation and its employees, are met.

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1. Definitions and Key Steps in Performance Management

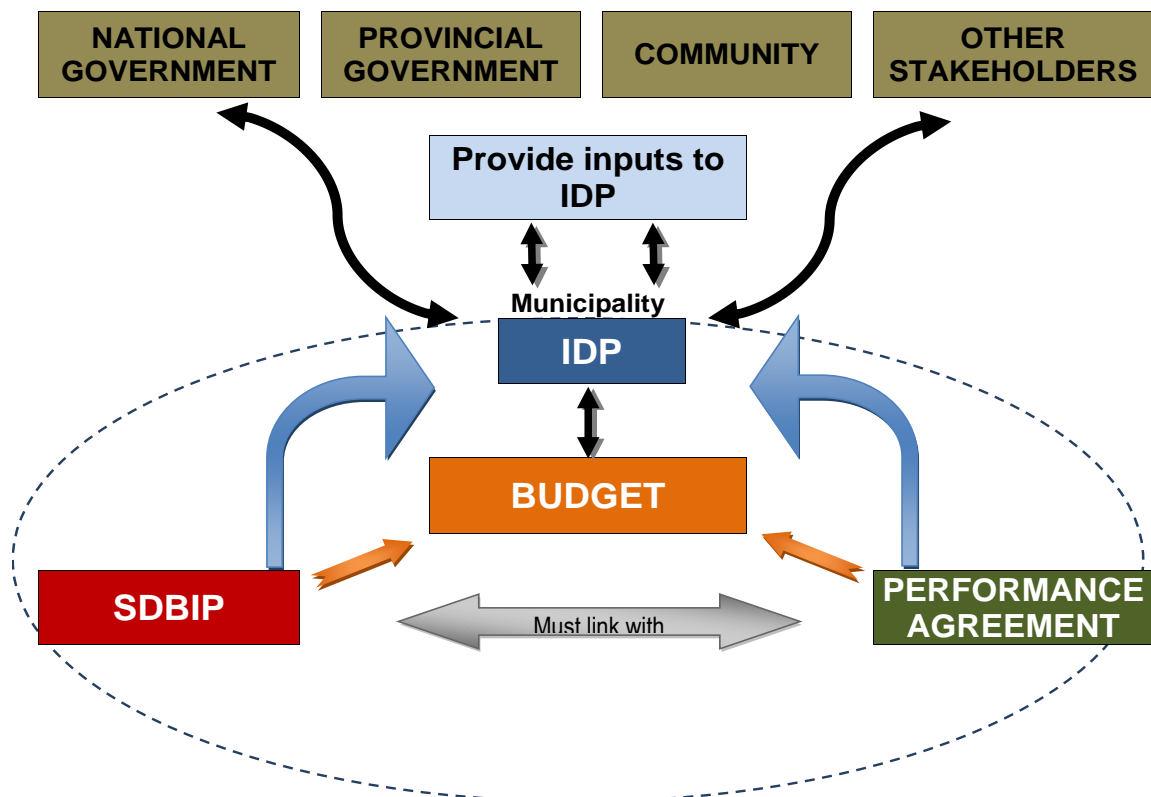
Performance Management System can be defined as a strategic approach to management, which equips councillors, managers, employees and stakeholders at different levels with a set of tools and techniques to regularly plan, continuously monitor, periodically measure and review performance of the organisation in terms of indicators and targets for efficiency, effectiveness and impact. This system will therefore in turn ensure that all the councillors, managers and individuals in the municipality are held accountable for their actions which should bring about improved service delivery and value for money.

Performance management is aimed at ensuring that municipalities monitor their IDP's and continuously improve their operations and in terms of Section 19 of the Local Government Municipal Structures Act (MSA), that they annually review their overall performance in achieving their constitutional objectives.

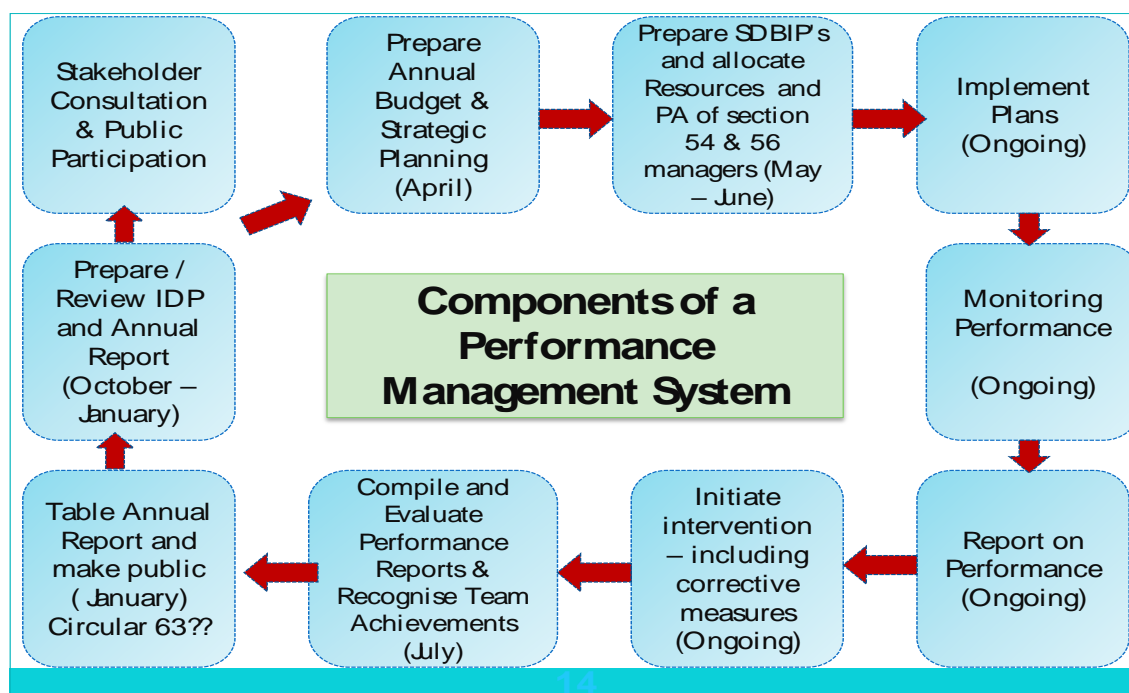
The performance management system can assist to make a significant contribution to organisational and individual performance. The system is designed to improve strategic focus and organisational effectiveness through continually seeking to improve the performance of the municipality as a whole and the individuals in it.

1.1 PERFORMANCE CYCLES

The overall planning, budgeting and reporting cycle can be summarised as follows:



The performance cycle can be summarised in the following diagram and each component will be addressed in the remainder of this framework:



As can be seen from the above, the management cycle effectively begins at the planning stage with the development or review of the existing IDP and strategic plans. This is followed by the preparation of the annual budget and the cycle then flows through its various phases and ends with the compilation and evaluation of performance reports and recognising of team achievement. The consolidated information will then be considered when developing/ reviewing the IDP and the strategic plans. The review of the IDP then begins again. All these phases in the management cycle are discussed below together with an explanation as to how each phase relates to the PMS.

1.2 KEY STEPS FOR IMPLEMENTING A PERFORMANCE MANAGEMENT CYCLE

The key steps in implementing the performance management cycle are as follows:

- ▶ IDP consultation and strategic processes to determine
 - ✓ Strategic Objectives aligned with the National Agenda and local needs
 - ✓ Establish the Municipal KPA's
 - ✓ Design Strategic Focus Areas
- ▶ Priorities capital projects for budgeting purposes aligned with municipal strategy and approved methodology
- ▶ Start with budget processes
- ▶ Determine organisational KPI's in terms of strategy, budget and MTAS
- ▶ Obtain baseline figures and past year performance
- ▶ Set multi-year performance target dates
- ▶ Determine in consultation with directorates the steps / plans to achieve budget and KPI's
- ▶ Assign strategic focused KPI's to Senior Management (Top Layer SDBIP)
- ▶ Prepare individual performance agreements aligned with budget and SDBIP (s.54A and s.56 employees)
- ▶ Provide quarterly reports on progress with KPI achievements
- ▶ Evaluate performance on quarterly basis of s.56 managers

- ▶ Compilation of various performance reports
- ▶ Auditing of performance reported and portfolio of evidence(POE's)
- ▶ Performance Audit Committee to analyse and prepare report on improvement of performance
- ▶ Submit year-end report (Annual Report) to various stakeholders

Link between the Management Cycle and the PMS

MANAGEMENT CYCLE		RELATIONSHIP EXPLANATION
1	Prepare/ Review IDP (October – January) With the promulgation of the Municipal Systems Act, the IDP has become the main planning vehicle for developmental local government – the strategic plan with a strong development bias.	During the IDP process the vision, mission and strategic goals of the municipality are formulated or reviewed. This is followed by the identification of key performance areas (KPA's), development objectives and key performance indicators (KPI's) that are the building blocks of a PMS. During the IDP review process the KPA's, development objectives and KPI's will be revisited and prioritised. Later on, during phase 4 of developing a PMS, this information will form the basis of the set of measures, or indicators, against which the municipality's performance will be measured. The previous year's Annual Report will be discussed during November before tabling in Council meeting.
2	Prepare Annual Budget (April) After the IDP has been adopted, funds will have to be provided to realise the specific goals set out in the IDP. This entails the preparation of the annual budget. The municipal budget clearly specifies the finances available for the different development initiatives for a financial year. A certain amount of money will therefore be allocated to different departments to finance their projects.	From a performance management perspective it is important to monitor the spending patterns by comparing the allocation of resources and the amounts spent, as the year progresses, against the amounts made available in the budget. Furthermore, the financial reports will provide vital information for calculating unit costs that can be used for comparison purposes and doing projections. The mid-term review report will be discussed during the meeting and the proposed remedial steps incorporated into the strategic plan
3	Prepare Operational Plans and allocate Resources (May – June) After the Annual Budget has been prepared, more detailed operational plans will have to be compiled setting out who has to do what, within what period and to what specifications. Once the operational plans have been prepared, the municipality will have to secure all the non-financial resources such as personnel, service providers, equipment and material in order to realise the objectives set out in the operational plans. This will involve a process of staffing, procurement and tendering so the projects can be activated.	The operational plans should set out the detailed planning for each project which should include a complete set of measures, including KPA's, development objectives, KPI's, performance targets, target dates and who takes responsibility for what. This information forms the basis for performance measurement. In the allocation of resources, detailed information has to be provided of the cost of the resources, when they have to be provided and the standard or quality to which they must perform.

4	Implement Plans (Ongoing) Once the resources have been provided, the implementation of various projects can commence. As the projects are implemented the municipality will have to determine whether the projects are proceeding according to schedule, within budget, quality and other specifications.	During the implementation phase the action steps related to the various projects will be carried out and it will be necessary to constantly track progress and communicate with all those involved.
5	Monitoring Performance (Ongoing) Measuring the performance against the KPIs and performance targets will continue throughout the life of the project	This is where the PMS fits into the management cycle. This is in essence the PMS.
6	Report on Performance (Ongoing) The data collected during the measurement and monitoring phase would have to be reported on a regular basis and in an agreed upon and uniform format. This reporting will take place throughout the financial year.	This is also where the PMS fits into the management cycle. The data collected during the measurement phase would be monitored, evaluated and reviewed on a regular basis.
7	Initiate intervention as and when required – including corrective measures (Ongoing) If it is established from performance reports that the implementation of projects is not on schedule and in accordance with the required standards it will be necessary to intervene and take corrective action.	The intervention taken in the form of corrective action would be as a direct result of the evaluation and review of performance reports.
8	8. Compile and Evaluate Performance Reports & Recognise Team Achievements (July) Performance reports for the year must be consolidated so that this information can be compiled and performance evaluated when developing/reviewing the IDP and strategic plans in Phase 1. If it is established that the performance of the municipality's departments or teams are above the norm specified in the performance measures, recognition commensurate with the performance of the department or team should be given.	The Municipal Systems Act and its Regulations prescribe that the results of performance measurements must be audited as part of the municipality's internal auditing process. In addition, the Auditor-General must also audit the results of the performance measurements annually. This process will automatically identify the departments and teams that are achieving above average results and which are deserving of special recognition.

2. Developing a Performance Management Model

2.1 INTEGRATED DEVELOPMENT PLANNING (IDP)

Although IDP is not described in detail in this framework, it is important to provide some level of background as performance start during the IDP process.

The IDP is an inclusive and strategic plan for the development of the Municipality which links, integrates and co-ordinates plans, aligns resources and forms the framework on which annual budgets must be based on. The IDP also addresses the National and Provincial Strategies.

In terms of Section 34 of the Municipal Systems Act, 2000: as amended, a municipal council must review its Integrated Development Plan –

- ▶ Annually in accordance with an assessment of its performance measurements
- ▶ To the extent that changing circumstances so demand; and
- ▶ May amend its IDP in accordance with the prescribed process

An IDP is therefore the principal strategic instrument guiding all planning, management, investment, developmental and implementation decisions taking into account input from all stakeholders and reflects on:

- ▶ The profile of the municipal area including the economic and spatial data
- ▶ The Municipal Council's vision for the long term development of the municipality
- ▶ An assessment of the existing level of development and performance
- ▶ The Council's developmental priorities and strategic objectives
- ▶ The Council's development strategies
- ▶ A spatial development framework
- ▶ Sectoral plans
- ▶ Disaster management plans
- ▶ The Council's operational strategies
- ▶ Prioritised action plans / projects / capital projects
- ▶ A financial plan
- ▶ The key performance indicators and performance targets (multi-year municipal scorecard)
- ▶ Monitoring and governance framework

The relationship between 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.

2.2 THE SERVICE DELIVERY BUDGET IMPLEMENTATION PLAN (SDBIP)

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

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

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

The MFMA Circular No. 13 prescribes that:

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

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

Municipal performance must be measured and analysed at least quarterly. Municipal performance will be measured during the mid-year review where after the municipal scorecard (TL SDBIP) must be adjusted and actions plans developed to address poor performance. On approval of the mid-year performance assessments and adjustment budget, the SDBIP and performance agreements of senior managers, must be amended accordingly.

2.2.1 The municipal scorecard (TL SDBIP)

The municipal scorecard (TL SDBIP) must consolidate service delivery targets set by senior management and provide an overall picture of performance for the municipality as a whole, reflecting performance on its strategic priorities. The SDBIP is a one-year detailed plan, but should include a three-year capital plan (IDP).

The 5 necessary components of the top-layer SDBIP includes:

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

2.2.2 Preparing the TL SDBIP

The Top Layer KPI's must be prepared based on the following:

- ▶ KPI's should be developed for the programmes / activities identified to address the Strategic Objectives as documented in the IDP. The KPI's must be aligned with the national and municipal KPA's
- ▶ KPI's identified during the IDP and KPI's that need to be reported to key municipal stakeholders should be included in the TL SDBIP to confirm alignment

- ▶ KPI's should be developed to address the required National Agenda Outcomes, priorities and minimum reporting requirements
- ▶ KPI's must be aligned with the Strategic Objectives, and the national and municipal KPA's
- ▶ The municipal turnaround strategy (MTAS) should be reviewed to determine any actions to be translated into KPI's and to be included in the TL SDBIP. These KPI's must be aligned with the Strategic Objectives, and the national and municipal KPA's.
- ▶ The risk register should be reviewed to identify the risks that need to be addressed by strategic KPI's. These KPI's should be developed and be aligned with the Strategic Objectives, and the national and municipal KPA's.
- ▶ It is also proposed that each directorate consider at least 2 KPI's that are output focused and that will make the municipality more developmental or enhance the effectiveness of the municipality.
- ▶ Clear quarterly targets should be set and the KPI's must be assigned to a senior manager. In the instance where a target will not be achieved during the current financial year, the target should be included in the outer years.
- ▶ These targets should be set after available resources and past year performance has been considered.

The KPI's must be analysed to ensure that the objectives set in the IDP will be achieved by delivering on the KPI's.

2.2.3 Approval of TL SDBIP

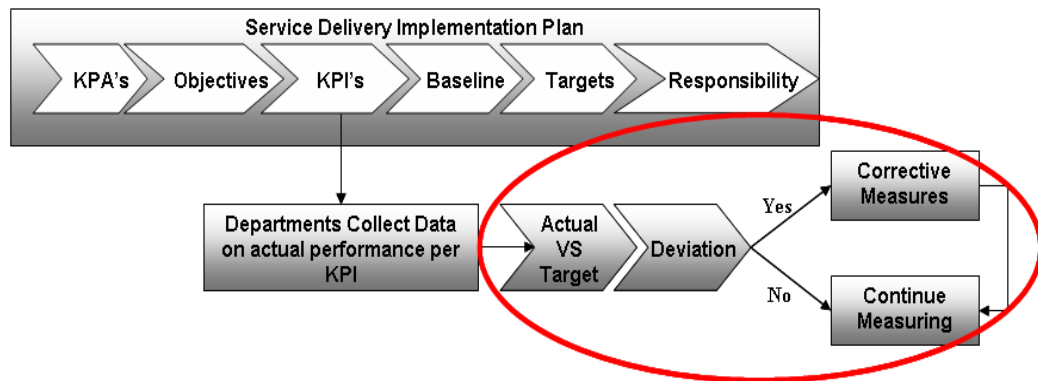
The draft SDBIP needs to be considered by the Municipal Manager within 14 days after the budget has been approved. The Executive Mayor should then review the document for compliance, alignment and adherence to the council's agenda, as the municipal manager and senior managers will use the TL SDBIP as a basis for reporting on performance to the Executive Mayor, Council and the public. The performance agreements of the municipal manager and senior managers will also be based on this document.

The Executive Mayor needs to approve the SDBIP within 28 days after the budget has been approved.

The SDBIP must be updated after the adjustment estimate has been approved and any changes to the SDBIP must be submitted to council, with the respective motivation for the changes suggested, for approval.

2.2.4 Update actual performance

The directors should report on the results of the KPI by properly documenting the information in the performance response fields and make reference to the POE files. In the instance of poor performance, reasons for deviations and corrective measures must be identified and documented. The POE should proof that the KPI was delivered and that the expected outcome / impact has been achieved.



The actual performance should be monitored quarterly in terms of the objectives, KPI's and targets set. In order to measure the outcomes of the KPI's, the outputs and performance evidence (POE's) should be evaluated and documented.

It is important to note that the municipal manager needs to implement the necessary systems and processes to provide the POE's for reporting and auditing purposes.

2.2.5 Quarterly reviews

The municipal manager conduct 4 reviews / assessments with section 56, in terms of the Municipal Systems Act, as amended and Performance Management Regulations, section 7. Record of the assessments should be kept. This principal will also apply to the Executive Mayor which must assess / review the municipal manager (Records to be kept).

These reviews will take place in October (for the period July to end of September), January (for the period October to the end of December), April (for the period January to the end of March) and July (for the period April to the end of June).

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

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

The review will also include:

- ▶ An evaluation of the validity and suitability of the KPI's and recommending any changes.
- ▶ An analysis to determine whether the Municipality is performing adequately or underperforming.

2.2.6 Council Reviews

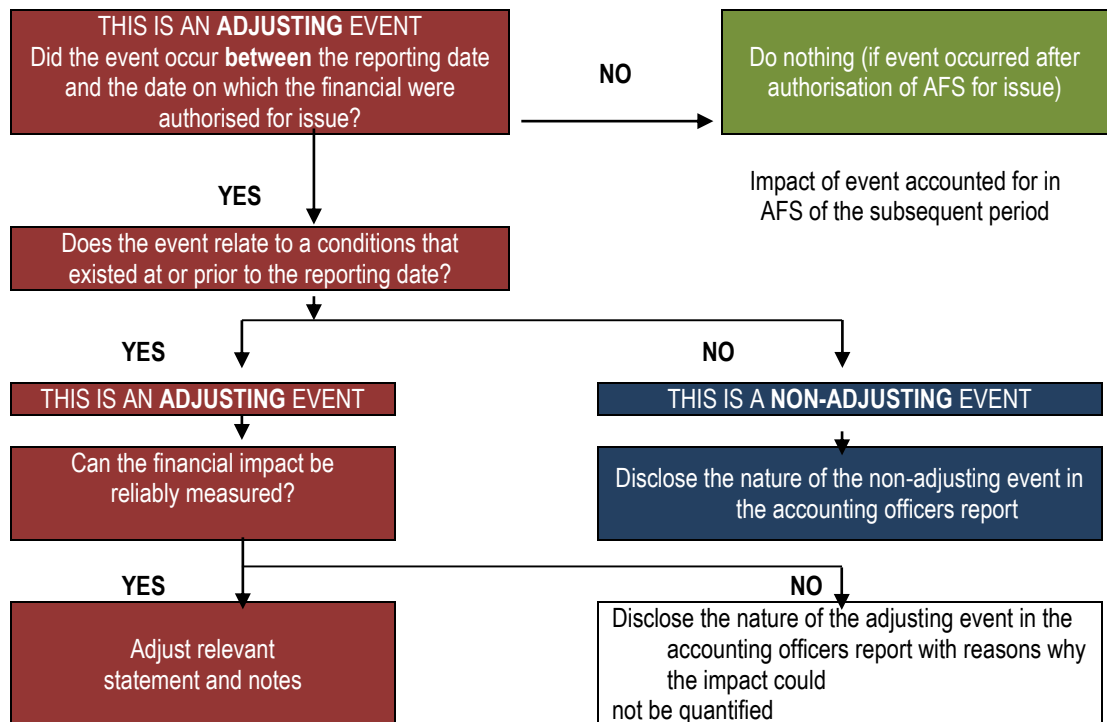
The Executive Mayor will be required to report annually to the full council on the overall municipal performance. This reporting will utilize the SDBIP in an annual performance report format as per the Municipal Systems Act, as amended. The said annual performance report will form part of the municipality's Annual Report as per section 121 of the Municipal Finance Management Act.

2.2.7 Public Reviews

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

2.2.8 Adjustments to KPI's

The following diagram indicates how to distinguish between adjusting and non-adjusting events:-



KPI's can only be adjusted after the mid-year assessment and/or after the adjustment budget has been approved. 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 Council. The KPI's can only be changed on the system after Council approval has been obtained.

2.3 DIRECTORATE / DEPARTMENTAL SCORECARDS (BL SDBIP)

The bottom layer SDBIP must be compiled by **senior managers** for his / her **directorate** and will consist of objectives, indicators and targets derived from the TL SDBIP and any annual business or services plans compiled for the directorate.

The bottom layer SDBIP must capture the performance of each defined department or section. The BL SDBIP will provide detail of each outcome for which senior management are responsible for.

The Directorates will review their performance at least monthly and report their performance in terms of the BL SDBIP to the Municipal Manager. Directorates must use these reviews as an opportunity for reflection on their goals and programmes and whether these are being achieved.

Top management meeting must have a standing agenda item to discuss and analyse performance at these monthly meetings.

Changes in indicators and targets may be proposed at this meeting, but can only be approved by Council.

3. Design of Key Performance Indicators and Targets

Key performance indicators are measurements that indicate what needs to be done to measure progress in implementing the strategic objectives of the municipality. Indicators are important as they:

- ▶ Provide a common framework for collecting data for measurements and reporting.
- ▶ Translate complex concepts into simple operational measurable variables.
- ▶ Enable the review of goals and objectives.
- ▶ Help provide feedback to the municipality and staff.
- ▶ Identify the gaps between IDP strategies and the operational plans of the various departments.

3.1 KEY PERFORMANCE INFORMATION CONCEPTS

During the process of designing indicators and targets, it is important to understand the following key concepts:

CONCEPT	DEFINITION
Performance Management	A performance management framework that describes and represents how the municipal cycle and processes of performance planning, monitoring, measurements, review, reporting and improvement will be conducted, organised and managed, including determining roles of the different role players.
Performance Management System (PMS)	A strategic approach which provides a set of tools and techniques to plan regularly, monitor, measure and review performance of the organisation and individuals. Performance management is a system that is used to make sure that all parts of the municipality work together to achieve the goals and targets that are set.
Organisational Performance Management	Concerned with the overall performance of the Municipality/ Organisation in relation to giving effect to the IDP (Macro Dynamics).

Individual Performance Management	Linked to the Organisational Performance Management System are the individuals who contribute to the success or failure of the Municipality/ Organisation. Each individual will have performance objectives, targets and standards that are linked to objectives of his/her Division, Department and Municipality.
Integrated Development Plan (IDP)	Clearly defining 5-year Strategic Plan of a Municipality. IDP should be reviewed annually or as required.
Key Performance Area (KPA)	Key areas of responsibility and developed to achieve the objectives set
Objective	<p>Statement about what outcomes we want to achieve. All components of the IDP need to be translated into a set of clear and tangible objectives. The statement of objectives requires a tangible, measurable and unambiguous commitment. In setting objectives, the municipality will need to:</p> <ul style="list-style-type: none"> ▶ Carefully consider the results desired. ▶ Review the precise wording and intention of the objective. ▶ Avoid overly broad results statements. ▶ Be clear about the scope and nature of change desired. ▶ Ensure that objectives are outcome and impact focused.
Core Competencies	Every employee, no matter at what level or within what function, is required to demonstrate a number of behaviours and skill that are considered core to achieve the objectives of the municipality.
Priorities	The IDP delivers products such as a set of delivery priorities and objectives, a set of internal transformation strategies, priorities and objectives, identified projects that contribute to the achievement of the above objectives and a financial plan.
Indicators	<p>Measures, which tell us whether we are making progress towards achieving our objectives. In setting key performance indicators the following criteria were taken into consideration.</p> <ul style="list-style-type: none"> ▶ Focused and Specific: Indicators should be clearly focused and stated unambiguously. ▶ Measurable: An indicator should by definition contain a unit of measurement. ▶ Valid and Relevant: Validity is the degree to which an indicator measures what is intended to be measured. This correlates strongly to the relevance of the indicator to the objective being measured. It is also important that the whole set of indicators chosen should be contextually relevant to the South African context. ▶ Reliable: Reliability is the degree to which repeated measures, under exactly the same conditions will produce the same result. ▶ Simple: Good indicators will be simple, easy to communicate such that their relevance is apparent. ▶ Minimise perverse consequences: Poorly chosen indicators, while nobly intended, can have perverse consequences in the behaviours it incentives. ▶ Data Availability: Good indicators are reliable from data that is credible and available on a regular basis. This data should leave an audit trail and should be audited by the Office of the Auditor-General.
Key Performance Indicators (KPI)	<p>Measures (qualitative or quantitative) that tell us whether we are making progress towards achieving our objectives. These indicators have the following characteristics:</p> <ul style="list-style-type: none"> ▶ Based on municipal operational functions ▶ Based as far as possible, on existing measurements

	<ul style="list-style-type: none"> ▶ Based on measurable functions ▶ Compiled for monthly measurements (for organisational performance) ▶ Target driven, which requires baseline information for the measurement of performance (performance is measured against targets, not demographics) ▶ The indicators are split into input, output, outcome, process, legal requirements and national indicators as far as possible ▶ All the indicators should be measurable, simple, precise, relevant, adequate and objective.
Input Indicators	These are indicators that measure what it costs the municipality to purchase the essentials for producing desired outputs (economy), and whether the municipality achieves more with less, in resources terms (efficiency) without compromising quality. The input indicators are indicating what we need to do the work and may be the amount of time, money or number of people it took the municipality to deliver a service
Output Indicators	These are the indicators that measure whether a set of activities or processes yield the desired products – effectiveness indicators. They are usually expressed in quantitative terms and respond to what we have produced. These indicators relate to programme activities or processes.
Outcome Indicators	These are the indicators that measure the quality as well as the impact of the products/programmes in terms of the achievement of the overall objectives. In terms of quality, they measure whether the products meet the set standards in terms of the perceptions of the beneficiaries of the service rendered. In terms of impact, they measure the net effect of the products or services on the overall objective. Outcome indicators relate to programme objectives and responds to what we wish to achieve.
Activity indicators	The process or activities that use a range of inputs to produce the desired outputs and ultimately outcomes. It therefore responds to the question “what we do”
Impact indicators	The results of achieving specific outcomes, such as reducing poverty and creating jobs.
Direct indicators	Data collected mainly by management information systems viz., <ul style="list-style-type: none"> ▶ Quantity ▶ Quality ▶ Cost/Price ▶ Timelines ▶ Start and end times ▶ Distribution ▶ Adequacy ▶ Accessibility
Opinion based indicators	Data collected through surveys
Relationship indicators	Calculated using a combination of direct and other data
Target	The level of performance (or desired state of progress) of the indicator that is intended to be achieved within a specified time period. (Value)
Baseline	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. If the baseline did not exist, then “new” will be used.
Measurement source and frequency	Should indicate where the data emanates from, how frequently it can be measured and reported. This information will assist the auditing process.

SMART	<p>The following SMART criteria were used for the objectives, Keas and Kips:</p> <p>S - specific M - measurable A - achievable R - realistic T - time-framed</p>
Benchmarking	<p>Refers to a process whereby organisations of a similar nature use each other's performance as a collective standard against which they can measure their own performance.</p>
General reporting indicators	<p>The following 7 general key performance indicators are prescribed in terms of section 43 of the Municipal Systems Act, 2000: These indicators must appear on the SDBIP in addition to all the KPI's which have been set by the Municipality.</p> <p>7 General Key Performance Indicators:</p> <ul style="list-style-type: none"> ▶ The percentage of households with access to basic level of water, sanitation, electricity and solid waste removal ▶ The percentage of households earning less than R2,700 per month with access to free basic services ▶ 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 IDP ▶ The number of jobs created through the municipality's local economic development initiatives including capital projects ▶ The number of people from employment equity targets groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan ▶ The percentage of a municipality's budget actually spent on implementing its workplace skill plan ▶ Financial viability as expressed (refer regulation (10)(g)) <ul style="list-style-type: none"> (i) <u>Debt Coverage</u> $A = B - C \div D$ Where- "A" represents debt coverage "B" represents total operating revenue received "C" represents operating grant "D" represents debt service payment (i.e. interest + redemption) due within the financial year; (ii) <u>Service Debtors to revenue</u> $A = B \div C$ Where- "A" represents outstanding service debtors to revenue "B" represents total outstanding service debtors "C" represents annual revenue actually received for services; (iii) <u>Cost Coverage</u> $A = B + C \div D$ Where – "A" represents cost average "B" represents all available cash at a particular time "C" represents investments "D" represents monthly fixed operating expenditure

3.2 SETTING INDICATORS

The following steps should be followed to develop a performance indicator:

- ▶ Identify the strategic objectives defined in the IDP and the key activities in the department that need to be measured
- ▶ Agree on what you are aiming to achieve by considering the end result (outcome / impact) of each strategic objective and define the critical processes to achieve each of the strategic objectives
- ▶ Specify the outputs, activities and inputs in order to achieve the outcomes and impacts
- ▶ For each activity, confirm that it will assist in achieving the objectives and determine what the proof of evidence will be that the activity has been delivered
- ▶ Determine what resources you will require to be able to deliver the activity and confirm availability for such resources, e.g. you cannot establish the N12 access road without the necessary financial resources
- ▶ Determine the timeframes by when the activities need to be achieved
- ▶ Decide which department and individual will take responsibility for the activities
- ▶ Draft the KPI by explaining what will be done, how it will be done and what will be achieved
- ▶ Link it to timeframes indicating by when the activity should be delivered as well as to the National KPA's, National Outcomes and the objective to be achieved
- ▶ Formulate how the activity will be measured and what the proof will be that the activity has been delivered (how will the activity be measured)
- ▶ Add the baseline for the indicator (the level where we are before we start with the work)
- ▶ Determine and add the performance standard for the target (minimum or ideal level of performance)
- ▶ Allocate responsibility for delivering the activity to a department and individual (who will be responsible for delivery and reporting on the target)
- ▶ Set the targets to be achieved quarterly in order to deliver the indicator
- ▶ Targets should comply with the SMART principle
- ▶ Agree the finally formulated indicator with the respective department / manager / staff member.

4. Performance Reporting

Performance must be reported in terms of the MSA, MFMA and the circulars and regulations issued in terms of the aforementioned legislation. These reports include:

4.1 MONTHLY REPORTS

Monthly reports on the performance of the directorates should be generated from the performance management system and submitted to top management meetings.

4.2 QUARTERLY REPORTS

Reports on the performance in terms of the TL SDBIP should be generated from the system and submitted to the municipal manager, internal audit and relevant provincial departments. After auditing, internal audit must make the reports available to the Performance Audit Committee.

Internal audit must submit all scrutinised quarterly performance reports to council for their cognizance.

This report should also be published on the municipal website.

4.3 MID-YEAR ASSESSMENT

The performance of the first 6 months of the financial year should be assessed and reported on in terms of section 72 of the MFMA. This assessment must include the measurement of performance, the identification of corrective actions and recommendations for the adjustments of KPI's, if necessary. The format of the report must comply with the section 72 requirements.

The municipal manager must by 25 January of each year assess the performance of the municipality and submitted a report to the executive mayor, national treasury and relevant provincial treasury. The section 72 report must be tabled in council by not later than end of January of each year.

This report must be published on the municipal website afterwards.

4.4 ANNUAL PERFORMANCE REPORT

The annual performance report must be completed by the end of August and submitted with the financial statements to the Office of the Auditor General. This report must be based on the performance reported in the SDBIP. Reports should be generated from the system and reviewed and updated in the performance comments field for reporting purposes.

4.5 ANNUAL REPORT

The annual report should be prepared and submitted as per MFMA Circular 11 and 63.

4.6 LEGISLATIVE REPORTING REQUIREMENTS

The legislative requirements regarding reporting processes are summarised in the following table:

TIME FRAME	MSA / MFMA REPORTING ON PMS	SECTION
Quarterly reporting	<ul style="list-style-type: none">▶ The municipal manager collates the information and draft the organisational performance report, which is submitted to Internal Audit.▶ The Internal Auditors (IA) must submit quarterly audited reports to the Municipal Manager and to the Performance Audit Committee▶ The Municipal Manager submits the reports to the Council.	MSA Regulation 14(1)(c)
Bi-annual reporting	<ul style="list-style-type: none">▶ The Performance Audit Committee must review the PMS and make recommendations to council▶ The Performance Audit Committee must submit a report at least twice during the year a report to Council▶ The Municipality must report to Council at least twice a year	MSA Regulation 14(4)(a) MSA Regulation 14(4)(a) MSA Regulation 13(2)(a)

	<ul style="list-style-type: none"> ▶ The Accounting officer must by 25 January of each year assess the performance of the municipality and submit a report to the Mayor, National Treasury and the relevant Provincial Treasury. 	MFMA s72
Annual reporting	<ul style="list-style-type: none"> ▶ The annual report of a municipality must include the annual performance report and any recommendations of the municipality's audit committee ▶ The accounting officer of a municipality must submit the performance report to the Auditor-General for auditing within two months after the end of the financial year to which that report relate ▶ The Auditor-General must audit the performance report and submit the report to the accounting officer within three months of receipt of the performance report ▶ The Mayor of a municipality must, within seven months after the end of a financial year, table in the municipal council the annual report of the Municipality ▶ The Auditor-General may submit the performance report and audit report of a municipality directly to the municipal council, the National Treasury, the relevant provincial treasury, the MEC responsible for local government in the province and any prescribed organ of the state ▶ Immediately after an annual report is tabled in the council, the accounting officer of the municipality must submit the annual report to the Auditor-General, the relevant provincial treasury and the provincial department responsible for local government in the province. ▶ The council of the municipality must consider the annual report by no later than two months from the date on which the annual report was tabled, adopt an oversight report containing council's comments on the annual report ▶ The meetings of a municipal council at which an annual report is to be discussed or at which decisions concerning an annual report are to be taken, must be open to the public and any organ of the state ▶ The Cabinet member responsible for local government must annually report to Parliament on actions taken by the MEC's for local government to address issues raised by the Auditor-General 	<p>MFMA s121 (3)(c)(j) & MSA s46</p> <p>MFMA s126 1(a)</p> <p>MFMA s126 (3)(a)(b)</p> <p>MFMA s127(2)</p> <p>MFMA s127 (4)(a)</p> <p>MFMA s127 (5)(b)</p> <p>MFMA s129 (1)</p> <p>MFMA s130 (1)</p> <p>MFMA s134</p>

5. Governance

The governance structure was established to offer credibility to the overall performance processes. The audit of performance information and system should comply with section 166 of the Municipal Finance Management Act and Regulation 14 of the Municipal Planning and Performance Management Regulations (2001).

5.1 CONTINUOUS QUALITY CONTROL AND CO-ORDINATION

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

The municipal manager must review overall performance monthly while the PMS Manager should support him/her in verifying the performance data and prepare the performance reports.

5.2 INTERNAL AUDIT

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

The municipality's internal audit function will need to be continuously involved in auditing the performance reports based on the TL SDBIP and BL SDBIP. As required by Regulation, they will be required to produce an audit report on a quarterly basis, to be submitted to the Municipal Manager and Performance Audit Committee.

The audit should include an assessment of:

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

5.3 PERFORMANCE AUDIT COMMITTEE

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

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

According to the regulations, the performance audit committee must

- ▶ review the quarterly reports submitted to it by the internal audit unit.
- ▶ review the municipality's performance management system and make recommendations in this regard to the council of that municipality.

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

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

- ▶ communicate directly with the council, municipal manager or the internal and external auditors of the municipality concerned;
- ▶ access any municipal records containing information that is needed to perform its duties or exercise its powers;
- ▶ request any relevant person to attend any of its meetings, and, if necessary, to provide information requested by the committee; and
- ▶ investigate any matter it deems necessary for the performance of its duties and the exercise of its powers.

6. Evaluation and Improvement of the Performance Management System

The Municipal Systems Act requires the municipality to annually evaluate its performance management system. It is proposed that after the full cycle of the annual review is complete; the Municipal Manager will initiate an evaluation report annually, taking into account the input provided by directorates and departments. This report will then be discussed by the Management Team and finally submitted to the Council for discussion and approval. The evaluation should assess:

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

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

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

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

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

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

7. Performance Review

The performance of a municipality is integrally linked to that of staff. It is therefore important to link organisational performance to individual performance and to manage both at the same time, but separately. Although legislation requires that the municipal manager, and managers directly accountable to the municipal manager, sign formal performance contracts, it is also a requirement that all employees have performance plans. These must be aligned with the individual performance plan of the head of the directorate and job descriptions. In this way all employees are working towards a common goal. It is however the responsibility of the employer, to create an environment, which the employees can deliver the objectives and the targets set for them in their performance plans and job descriptions.

The Benefits of Individual Performance are to:

- ▶ Ensure alignment of individual goals and objectives with that of the organisation and to co-ordinate 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 of learning and development opportunities to competently meet their performance targets.

7.1 INDIVIDUAL SCORECARDS (MUNICIPAL MANAGER AND SECTION 56 MANAGERS)

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

- ▶ Performance Agreement: This is an agreement between the Section 54A / 56 Manager and the Municipality, which regulates the performance required for a particular position and the consequences of the performance. The Agreement deals with only one aspect of the employment relationship, namely performance. This agreement must be reviewed and renewed annually, subject to the individual's annual performance.
- ▶ Performance Plan: The Performance Plan is an Annexure to the Performance Agreement and stipulates in detail the performance requirements for a single financial year. The SDBIP transcends into the Performance Plan/s of the respective Section 54A / 56 Managers according to their areas of responsibility.

- ▶ Personal Development Plan: The plan is an Annexure to the Performance Agreement and addresses the developmental needs/requirements of the manager indicating actions and timeframes.

The management of the performance process for the municipal manager and the Section 56 managers will be in terms of R805 of 2006. Performance will be reviewed quarterly of which the mid-year and year-end performance will be formal evaluations.

8. Legislative Requirements

The following legislations are important:

- ▶ The Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) as Amended;
- ▶ Municipal Planning and Performance Management Regulations, 2001, Chapter 3, by the Department of Provincial and Local Government;
- ▶ Local Government: Municipal Systems Amendment Act, 2002 (Act No. 44 of 2003);
- ▶ Performance Management Guidelines for Municipalities, 2001, by the Department of Provincial and Local Government;
- ▶ DPLG. 2001. PMS Training Manuals;
- ▶ Local Government: Municipal Performance Regulation for Municipal Managers and Managers Directly Accountable to Municipal Managers, 2006;
- ▶ Framework for Managing Programme Performance Information by the Department: National Treasury, May 2007;
- ▶ IDP Guide : Section 5 and 6
- ▶ The Local Government: Municipal Regulations on Minimum Competency Level, 2007, issued in terms of the Municipal Finance Management Act, as published under Government Notice No. 493 in the Government Gazette No. 29967 of 15 June 2007
- ▶ The Regulations on Appointment and Conditions of employment of Senior Managers (as published under Government Notice No. 21 in the Government Gazette no 37245 of 17 January 2014)
- ▶ The Upper limits of Total Remuneration Package payable to Municipal Managers and Managers directly accountable to Municipal Managers, issued in terms of the Municipal Systems Act, as published under Government Notice No. 225 in the Government Gazette No. 37500 of 29 March 2014
- ▶ The Upper limits of Total Remuneration Package payable to Municipal Managers and Managers directly accountable to Municipal Managers, issued in terms of the Municipal Systems Act, as published under Government Notice No. 287 in the Government Gazette No. 39991 of 17 May 2016

Special reference is made to Local Government: Municipal Regulations on Minimum Competency Level, 2007 and the Upper limits of Total Remuneration Package payable to Municipal Managers and Managers directly accountable to the Municipal Manager.

9. Conclusion

PMS cannot be implemented or transplanted directly from another organisation or copied from a text book or taken from the shelf. Each municipality or department or region is unique due to the ever-changing environment in which they operate.

The PMS does not operate in isolation as it is a systems-wide intervention which ensures control in the ultimate achievement of vision/mission, strategic objectives and goals. It is therefore important that the municipality takes ownership and “grows” into its own PMS with the help of experts.

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

Appendices

Appendix 1: Performance Calendar

The following calendar summarises the performance activities per month:

PERFORMANCE MANAGEMENT CALENDAR			
Action	Activity	Comment	Time Frames
July			
BL SDBIP Reporting	Update departmental SDBIP	<ul style="list-style-type: none"> ▶ Monthly progress reports to Top Management ▶ Actions to address GAPS 	1 st Week of July
PMS capacity building	PMS capacity building with directorates	<ul style="list-style-type: none"> ▶ Discussing quality of submitted information ▶ Performance discussion / challenges ▶ Signing-off of documents ▶ Quality of POE's ▶ Discussing internal audit problems ▶ Actions to address GAPS 	1 st Week of July
TL SDBIP Performance Reporting	4 th Quarter performance Report	<ul style="list-style-type: none"> ▶ Each directorate to finalise SDBIP quarterly report and POE file ▶ MM to verify submitted information ▶ Submit to Internal Audit for audit purposes ▶ Internal Audit to forward to PAC and council 	2 nd Week of July 3 rd Week of July 3 rd Week of July
Unaudited Annual Report	Compile Annual Performance Report	<ul style="list-style-type: none"> ▶ Distribute template to directorates ▶ Directorates to submit information required for Annual Report ▶ Draft Annual Performance Report 	3 rd Week in July
MM & s.56 Performance Assessments	Conducting 4 th quarter assessments	<ul style="list-style-type: none"> ▶ Consolidated information for reviewing ▶ MM conduct performance reviews with Section 56 employees (Coaching / training on poor performance) ▶ Executive Mayor to conduct performance review with Accounting Officer ▶ Formal records to be kept on reviews and coaching 	4 th Week in July
August			
BL SDBIP Reporting	Update departmental SDBIP	<ul style="list-style-type: none"> ▶ Monthly progress reports to Top Management ▶ Actions to address GAPS 	1 st Week of August
TL SDBIP Performance Reporting	4 th Quarter performance Report	<ul style="list-style-type: none"> ▶ Receive copy of audit findings on performance from Internal Audit / Performance Audit Committee ▶ Submit hard & soft copies of 4th quarter performance report to provincial department 	3 rd Week of August 4 th Week of August

PERFORMANCE MANAGEMENT CALENDAR			
Action	Activity	Comment	Time Frames
Unaudited Annual Report	Draft Unaudited Annual Report	▶ Municipal Manager meets with Directors on the Annual Performance Report for verification	2 nd Week of August
		▶ Verification of report by PAC	3 rd Week of August
		▶ Table in council for cognizance	4 th Week of August
		▶ Submit hard & soft copy to Auditor General for required Audit Report on performance management	31 August
		September	
BL SDBIP Reporting	Update departmental SDBIP	▶ Monthly progress reports to Top Management ▶ Actions to address GAPS	1 st Week of September
Unaudited Annual Report	Obtain additional information on Unaudited Annual Report	▶ Formal performance audit by AG	Throughout September
October			
BL SDBIP Reporting	Update departmental SDBIP	▶ Monthly progress reports to Top Management ▶ Actions to address GAPS	1 st Week of October
PMS capacity building	PMS capacity building with directorates	▶ Discussing quality of submitted information ▶ Performance discussion / challenges ▶ Signing-off of documents ▶ Quality of POE's ▶ Discussing internal audit problems ▶ Actions to address GAPS	1 st Week of October
TL SDBIP Performance Reporting	1 st Quarter performance Report	▶ Each directorate to finalise SDBIP quarterly report and POE file ▶ MM to verify submitted information ▶ Submit to Internal Audit for audit purposes ▶ Internal Audit to forward to PAC and council	2 nd Week of October 3 rd Week of October 3 rd Week of October 4 th Week of October
Unaudited Annual Report	Finalize the Unaudited Annual Report	▶ Supply Chain Process for printing and proof reading ▶ Approval from Top Management ▶ Adjudicate tenders and appoint service providers	1 st Week of October 3 rd Week of October 4 th Week of October
MM & s.56 Performance Assessments	Conducting 1 st quarter assessments	▶ Consolidated information for reviewing ▶ MM conduct performance reviews with Section 56 employees (Coaching / training on poor performance) ▶ Executive Mayor to conduct performance review with Accounting Officer	4 th Week of October

PERFORMANCE MANAGEMENT CALENDAR			
Action	Activity	Comment	Time Frames
		<ul style="list-style-type: none"> Formal records to be kept on reviews and coaching 	
IDP & Budget	Public participation	<ul style="list-style-type: none"> Consult key stakeholders / role-players Identify potential projects / needs 	
November			
BL SDBIP Reporting	Update departmental SDBIP	<ul style="list-style-type: none"> Monthly progress reports to Top Management Actions to address GAPS 	1 st Week of November
TL SDBIP Performance Reporting	1 st Quarter performance Report	<ul style="list-style-type: none"> Receive copy of audit findings on performance from Internal Audit / Performance Audit Committee Submit hard & soft copies of 1st quarter performance report to provincial department 	3 rd Week of November 4 th Week of November
Audited Annual Report	Finalize the Annual Report	<ul style="list-style-type: none"> Obtain Auditor General's Audit report on financial statements and performance management Receive and address the AG comments Obtain printers proof from printers Obtain final sign-off of AG Printing of final Annual Report Mayor to table Annual Report and audited financial statements and AG's report in Council cognizance Audited Annual Report made public and representations invited 	1 st Week of November 1 st Week of November 2 nd Week of November 4 th Week of November 4 th Week of November
December			
BL SDBIP Reporting	Update departmental SDBIP	<ul style="list-style-type: none"> Monthly progress reports to Top Management Actions to address GAPS 	1 st Week of December
Oversight Report	Approval of Annual Report	<ul style="list-style-type: none"> Council to adopt / reject / referred back Oversight Report on Annual Report 	
Mid-Year Performance and Assessment	TL SDBIP review	<ul style="list-style-type: none"> Workshops with directorates to address challenges with TL SDBIP Pre-review IDP objectives, indicators and targets in line with the adjustment budget Formal records to be kept on reviews and coaching 	2 nd Week of December
January			
BL SDBIP Reporting	Update departmental SDBIP	<ul style="list-style-type: none"> Monthly progress reports to Top Management Actions to address GAPS 	1 st Week of January
PMS capacity building	PMS capacity building with directorates	<ul style="list-style-type: none"> Discussing quality of submitted information Performance discussion / challenges 	1 st Week of January

PERFORMANCE MANAGEMENT CALENDAR			
Action	Activity	Comment	Time Frames
		<ul style="list-style-type: none"> ▶ Signing-off of documents ▶ Quality of POE's ▶ Discussing internal audit problems ▶ Actions to address GAPS 	
TL SDBIP Performance Reporting	2 nd Quarter performance Report	<ul style="list-style-type: none"> ▶ Each directorate to finalise SDBIP quarterly report and POE file ▶ MM to verify submitted information ▶ Submit to Internal Audit for audit purposes ▶ Internal Audit to forward to PAC and council 	2 nd Week of January 3 rd Week of January 3 rd Week of January
MM & s.56 Performance Assessments	Conducting 2 nd quarter assessments	<ul style="list-style-type: none"> ▶ Consolidated information for reviewing ▶ MM conduct performance reviews with Section 56 employees (Coaching / training on poor performance) ▶ Executive Mayor to conduct performance review with Accounting Officer ▶ Formal records to be kept on reviews and coaching 	4 th Week in January
Mid-Year Performance and Assessment	Mid-Year Performance and Assessment approved	<ul style="list-style-type: none"> ▶ Obtain second quarter achievements from Directorates ▶ Review IDP objectives, indicators and targets in line with the adjustment budget ▶ Formal records to be kept on reviews and coaching ▶ MM assess the municipality's service delivery performance during the first half of the financial year as set in the TL SDBIP by 23 January ▶ Submit hard & soft copies of approved Mid-Year Performance Assessment Report to National and Provincial Treasury by 25 January ▶ Executive Mayor to inform council for need of Adjustment Budget 	2 nd Week of January 2 nd Week of January 2 nd Week of January 23 January 25 January 31 January
February			
BL SDBIP Reporting	Update departmental SDBIP	<ul style="list-style-type: none"> ▶ Monthly progress reports to Top Management ▶ Actions to address GAPS 	1 st Week of February
TL SDBIP Performance Reporting	2 nd Quarter performance Report	<ul style="list-style-type: none"> ▶ Receive copy of audit findings on performance from Internal Audit / Performance Audit Committee ▶ Submit hard & soft copies of 2nd quarter performance report to provincial department 	3 rd Week of February 4 th Week of February

PERFORMANCE MANAGEMENT CALENDAR			
Action	Activity	Comment	Time Frames
PMS Framework	Review framework	➤ Evaluate annual performance cycle (Framework)	4 th Week of February
March			
BL SDBIP Reporting	Update departmental SDBIP	➤ Monthly progress reports to Top Management ➤ Actions to address GAPS	1 st Week of March
Draft IDP – IDP Co-Ordinator	Draft IDP to Council	➤ IDP aligned with national strategy ➤ Include clear objectives and municipal KPA's ➤ Needs that cannot be accommodated should be included in priority listings ➤ Should include all required sectoral plans that are aligned	31 March
Draft Budget – Directorate Finance	Draft Budget to Council	➤ Budget aligned with IDP and address IDP Objectives	31 March
Annual Performance Assessments MM & s.56 (Based on previous financial year)	Conducting annual performance assessments	➤ Establish an assessment panel for annual performance assessment	1 st Week of March
		➤ Panel conduct annual performance assessment with MM and Section 56 Employees	3 rd Week of March
		➤ Prepare report on assessment scores and submit to Council	4 th Week of March
		➤ Performance assessment results of the MM be submitted to the MEC responsible for local government in the province and national minister responsible for local government in the province within 14 days after approval by Council ➤ Performance Bonuses	4 th Week of March
April			
BL SDBIP Reporting	Update departmental SDBIP	➤ Monthly progress reports to Top Management ➤ Actions to address GAPS	1 st Week of April
PMS capacity building	PMS capacity building with directorates	➤ Discussing quality of submitted information ➤ Performance discussion / challenges ➤ Signing-off of documents ➤ Quality of POE's ➤ Discussing internal audit problems ➤ Actions to address GAPS	1 st Week of April
TL SDBIP Performance Reporting	3 rd Quarter performance Report	➤ Each directorate to finalise SDBIP quarterly report and POE file	2 nd Week of April
		➤ MM to verify submitted information	3 rd Week of April

PERFORMANCE MANAGEMENT CALENDAR			
Action	Activity	Comment	Time Frames
		<ul style="list-style-type: none"> Submit to Internal Audit for audit purposes Internal Audit to forward to PAC and council 	3 rd Week of April
MM & s.56 Performance Assessments	Conducting 3 rd quarter assessments	<ul style="list-style-type: none"> Consolidated information for reviewing MM conduct performance reviews with Section 56 employees (Coaching / training on poor performance) Executive Mayor to conduct performance review with Accounting Officer Formal records to be kept on reviews and coaching 	4 th Week in April
Draft TL SDBIP	Draft top level SDBIP developed	<ul style="list-style-type: none"> Conduct departmental workshops on SDBIP for next financial year for the setting of key performance indicators and targets Community participation process TL SDBIP should be aligned with IDP and budget; strategic objectives; municipal KPA's; assigned to senior managers Compile draft TL SDBIP Compile draft Performance Agreements for Section 56 Employees (Performance Agreements to be linked with SDBIP) 	1 st Two weeks of April 1 st Week of April Throughout process 3 rd Week of April 4 th Week of April
May			
BL SDBIP Reporting	Update departmental SDBIP	<ul style="list-style-type: none"> Monthly progress reports to Top Management Actions to address GAPS 	1 st Week of May
TL SDBIP Performance Reporting	3 rd Quarter performance Report	<ul style="list-style-type: none"> Receive copy of audit findings on performance from Internal Audit / Performance Audit Committee Submit hard & soft copies of 2nd quarter performance report to provincial department 	3 rd Week of May 4 th Week of May
IDP & Budget	Approval of IDP and Budget	<ul style="list-style-type: none"> Approval by Council 	31 May
Draft TL SDBIP	Draft top level SDBIP approved	<ul style="list-style-type: none"> Table draft TL SDBIP and Performance Agreements in Council (simultaneous with final IDP & Budget) 	31 May
June			
BL SDBIP Reporting	Update departmental SDBIP	<ul style="list-style-type: none"> Monthly progress reports to Top Management Actions to address GAPS 	1 st Week of June

PERFORMANCE MANAGEMENT CALENDAR			
Action	Activity	Comment	Time Frames
TL SDBIP	Top Level SDBIP approval	<ul style="list-style-type: none"> ▶ SDBIP to be submitted to Mayor within 14 days after budget approval ▶ Approval by Mayor within 28 days after budget approval ▶ Publish approved SDBIP in media and website ▶ Submit hard & soft copies of SDBIP to Auditor General, National Treasury, Provincial Treasury and the CoGTA 	2 nd Week of June 4 th Week of June 4 th Week of June 4 th Week of June
MM / s.56 Performance Agreements	Prepare and approval	<ul style="list-style-type: none"> ▶ Performance Agreements signed by Section 57 Employees ▶ KPI's aligned with SDBIP ▶ Publish approved Performance Agreements in media and website ▶ Submit hard & soft copies of SDBIP to Auditor General, National Treasury, Provincial Treasury and the CoGTA ▶ Submit copies of Performance Agreements to relevant Directors 	3 rd Week of June 4 th Week of June 4 th Week of June 4 th Week of June

Appendix 2: List of Acronyms

AG	:	Auditor General
BL SDBIP	:	Bottom Layer Service Delivery and Budget Implementation Plan
CCR	:	Core Competency Requirement
IDP	:	Integrated Development Plan
KPA	:	Key Performance Areas
KPI	:	Key Performance Indicators
LED	:	Local Economic Development
MEC	:	Member of the Executive Council
MFMA	:	Municipal Financial Management Act
MSA	:	Municipal Systems Act, as Amended
MTAS	:	Municipal Turn-Around Strategy
MTEF	:	Medium Term Economic Framework
PDP	:	Personal Development Plan
PMS	:	Performance Management System
POE	:	Portfolio of Evidence
SALGA	:	South African Local Government Association
SDBIP	:	Service Delivery and Budget Implementation Plan
SFA	:	Strategic Focus Area
SMART	:	Specific, Measurable, Achievable, Realistic, Time-frame
TL SDBIP	:	Top Layer Service Delivery Budget Implementation Plan
WPSP	:	Work Place Skills Plan

Appendix 3: Definitions

“accounting officer”

- (a) in relation to a municipality, means the municipal official referred to in section 60 of the Municipal Systems Act; or
- (b) in relation to a municipal entity, means the official of the entity referred to in section 93, and includes a person acting as the accounting officer

“annual report”

in relation to a municipality or municipal entity, means an annual report contemplated in section 121 of the Municipal Finance Management Act

“auditing”

performance auditing is the process of verifying or checking whether the information collected by a municipality is correct. This is also a check and balance mechanism to eliminate subjectivity and distortion of collected information. Auditing is necessary to ensure that performance information in a municipality presents is completely accurate. Auditing further involve checking whether the performance measurement system is working properly

“Auditor-General”

means the person appointed as Auditor-General in terms of section 193 of the Constitution, and includes a person-

- (a) acting as Auditor-General
- (b) acting in terms of a delegation by the Auditor-General; or
- (c) designated by the Auditor-General to exercise a power or perform a duty of the Auditor-General

“basic municipal service”

means a municipal service that is necessary to ensure an acceptable and reasonable quality of life and which, if not provided, would endanger public health or safety or the environment

“Backlogs”

A backlog can be defined as quality of service/ goods that have accumulated over time that are still undelivered / unattended/still not produced. The backlogs in rural water, sanitation and electricity have been defined in official census figures, but vary (increase or decrease) from year to year due to migration patterns. Regardless, these backlogs are now being dealt with systematically (refer to baseline)

“baseline”

the accurate and quantitative data at a stated point in time that marks the beginning of a trend. Baseline measurement is the starting point performance as indicated by baseline information

“benchmarking”

is the process whereby municipalities of a similar nature use each other's performance as a collective standard against which they measure their own performance

“councillor”

means a member of a municipal council

“cycle”

means a circular sequence of steps and it is made up to processes of planning/analysis, monitoring, measuring, review/auditing, reporting and improvement

“effectiveness”

means how well the resources are used by the organization to produce specified outcomes

“ employee: section 54A or 56”

means a person employed by a municipality as a municipal manager or as a manager directly accountable to a municipal manager

“employer”

means the municipality employing a person as a municipal manager or as manager directly accountable to a municipal manager and as represented by the mayor, executive mayor or municipal manager as the case may be

“employment contract”

means a contract as contemplated in Section 56 of the Municipal Systems Act, as Amended

“external service provider”

means an external mechanism referred to in section 76(b) of the Municipal Systems Act; which provides a municipal service for a municipality

“financial statements”

in relation to municipality or municipal entity, means statements consisting of at least-

- (a) a statement of financial position;
- (b) a statement of financial performance;
- (c) a cash-flow statement;
- (d) any other statements that may be prescribed; and
- (e) any notes to these statements

“financial year”

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

“input indicator”

means an indicator that measures the costs, resources and time used to produce an output

“integrated development plan”

means a plan envisaged in section 25 of the Municipal Systems Act, as Amended. A plan clearly defining five (5) year strategic plan of a municipality. IDP should be reviewed annually or as required

“local community” or “community”

in relation to a municipality, means that body or persons comprising –

- (a) the residents of the municipality
- (b) the ratepayers of the municipality
- (c) any civic organisations and non-governmental, private sector or labour organisations or bodies which are involved in local affairs within the municipality

“mayor”

in relation to –

- (a) a municipality with an executive mayor, means the councillor elected as the executive mayor of the municipality in terms of section 55 of the Municipal Structures Act; or
- (b) a municipality with an executive committee, means the councillor elected as the mayor of the municipality in terms of section 48 of that Act

“MEC for local government”

means the MEC responsible for local government in a province

“Minister”

means the national Minister responsible for local government

“model”

means performance model is choice about what aspects or dimensions of performance will be measured. Different models give different pictures of performance by emphasizing different things to measure

“monitoring”

means a process of watching to see how well the municipality is doing throughout the year or whether it is on track to meet its targets. Monitoring should give municipality early warning signs – it is like a mini performance review that shows whether the municipality is doing well or not at any point

“municipality”

when referred to as –

- (a) an entity, means a municipality as described in section 2; and
- (b) a geographical area, means a municipal area determined in terms of the Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998)

“municipal council” or “council”

means a municipal council referred to in section 157(1) of the Constitution

“municipal entity”

means –

- (a) a company, co-operative, trust fund or any other corporate entity established in terms of any applicable national or provincial legislation ward which operates under the ownership control of one or more municipalities, and includes, in the case of a company under such ownership control, any subsidiary of that company, a private company referred to in section 86B(1)(a); or
- (b) a service utility.
- (c) a multi-jurisdictional service utility

“Municipal Finance Management Act”

means the Local Government: Municipal Finance Management Act, 2003, and any regulations made under that Act

“municipal manager”

means a person appointed in terms of section 82 of the Municipal Structures Act

“municipal service”

has the meaning assigned to it in section 1 of the Municipal Systems Act

“Municipal Structures Act”

means the Local Government: Municipal Structures Act. 1998 (Act 117 of 1998)

“Municipal Systems Act”

means the Local Government: Municipal Systems Act, 2000 (Act No.32 of 2000), as Amended

“Outcome indicator”

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

“Output indicator”

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

“parent municipality”

- (a) in relation to a municipal entity which is a private company in respect of which effective control vests in a single municipality, means that municipality;
- (b) in relation to a municipal entity which is a private company in respect of which effective control vests in two or more municipalities collectively, means of those municipalities;
- (c) in relation to a municipal entity which is a service utility, means the municipality which established the entity; or
- (d) in relation to a municipal entity which is a multi-jurisdictional service utility, means each municipality which is a party to the agreement establishing the service utility

“private company”

means a company referred to in section 19 and 20 of the Companies Act. 1973 (Act No. 61 of 1973)

“performance agreement”

means an agreement as contemplated in Section 54A and 56 of the Municipal Systems Act 2000, as Amended

“performance indicator”

means an essential statements that described the dimensions of performance which areas considered key when assessments and reviews are undertaken

“performance management system”

means a strategic approach which provides a set of tools and techniques to plan regularly, monitor, measure, and review performance of the organization and individuals. Performance Management is a System that is used to make sure that all parts of the municipality work together to achieve the goals and targets that are set

“performance measurements”

refers to the use of performance indicators to show how well a municipality is performing. Measurement involves collecting information so that it can be used in an indicator

“performance plan”

means a part of the performance agreement which details the performance objectives and targets that must be met and time frame within which these must be met.

“performance targets”

means planned levels of performance or milestones set by municipality as a measure to assess performance on an indicator

“prescribe”

means prescribe by regulation or guidelines in terms of section 120 and “**prescribed**” has a corresponding meaning

“political office bearer”

means the speaker, executive mayor, mayor, deputy mayor or member of the executive committee as referred to in the Municipal Structures Act

“political structure”

in relation to a municipality, means the council of the municipality or any committee or other collective structure of a municipality elected, designated or appointed in terms of a specific provision of the Municipal Structures Act

“reporting”

Means performance reporting is the process of communicating how well the municipality has performed.

The following are kinds of performance reports:-

- ▶ performance audit reports that have to be delivered to the Municipal Manager four times a year by internal auditors;
- ▶ the internal audit report verifying the accuracy of the internal auditor's reports. These reports are submitted to municipal Council at least twice a year;
- ▶ annual report which will be submitted to provincial government and auditor general;
- ▶ regular performance reports (monthly) to staff, management and Executive Mayor.
- ▶ quarterly reports to communities and stakeholders

“resident”

in relation to a municipality, means a person who is ordinarily resident in the municipality

“political structure”

Means a performance review happens at the end of the financial year after all performance information has been audited. Municipality analyses its performance, trying to understand why it has performed well or badly under the circumstances. This process basically involves SWOT analysis. On the basis of its review, a municipality may decide to change its approach to meeting IDP objective, change IDP, revise targets or change its indicators

“senior manager”

- (a) in relation to a municipality, means a manager referred to in section 56 of the Municipal Systems Act; or
- (b) in relation to a municipal entity, means a manager directly accountable to the chief executive officer of the entity

“service authority”

means the power of a municipality to regulate the provision of a municipal service by a service provider

“service delivery agreement”

means an agreement between a municipality and an institution or person mentioned in section 76(b) of the Municipal Systems Act in terms of which a municipal service is provided by that institution or person, either for its own account or on behalf of the municipality

“service delivery and budget implementation plan”

means a detailed plan approved by the mayor of a municipality in terms of section 53(1)(c)(ii) of the Municipal Finance Management Act for implementing the municipality’s delivery of municipal services and its annual budget, and which must indicate –

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

“service utility”

means a municipal entity established in terms of section 82(1)(c), a body established in terms of section 86H of the Municipal Systems Act

“staff”

in relation to a municipality, means the employees of the municipality, including the municipal manager

“standards”

means prescribed measures set by a designated authority to measure mainly, the quality of the outputs produced

“system”

means a performance framework and model together make up a municipality’s performance management system. The PMS clearly links to the IDP, municipality budget and staff