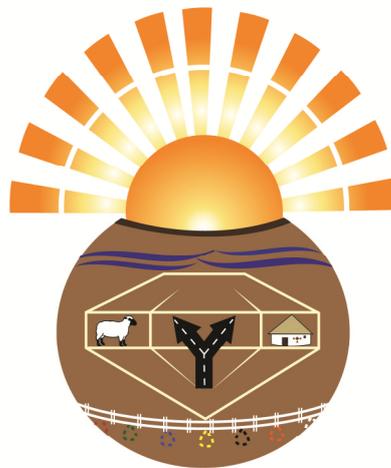# UMSOBOMVU

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Umsobomvu Municipality
Continuously Rising

PERFORMANCE MANAGEMENT FRAMEWORK

Table of Contents

2016/17 Performance Management Framework

Appendices

1. Introduction

Performance Management is a process which measures the implementation of the organisation's strategy. It is also a management tool to plan, monitor, measure and review performance indicators to ensure efficiency, effectiveness and the impact of service delivery by the municipality.

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.

The constitution of S.A (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.

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."

Section 57 makes the employment of the Municipal Manager and Managers directly accountable to him subject to a separate performance agreement concluded annually before the end of July each year. Section 67 regards the monitoring, measuring and evaluating of performance of staff as a platform to develop human resources and to hold municipal staff accountable to serve the public efficiently and effectively. 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 and the Municipal Entities.

This framework therefore describes how the municipality's performance process, for the organisation as a whole will be conducted, organised and managed. It also has the following objectives:

- Clarify processes of implementation
- Ensure compliance with legislation
- Demonstrate how the system will be conducted
- Define roles and responsibilities
- Promote accountability and transparency
- Reflect the linkage between the IDP, Budget, SDBIP and individual and service provider performance

2. Objectives and Benefits of a Performance Management System

2.1 Objectives

The objectives of the performance management system are described in the performance management policy and include:

- Facilitate strategy development
- Facilitate increased accountability
- Facilitate learning and improvement
- Provide early warning signals
- Create a culture of best practices
- Facilitate decision-making

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

2.2 Benefits of Performance Management

Employees will derive specific benefits from a PMS in that it would:

- Provide better insight in the job and clarify the duties and responsibilities associated with the job;
- Enable employees to see where he/she fits into the municipal structure and contributes to achieve the development objectives of the Municipality as per the IDP;
- Assist employees to discover their own strengths, to recognise their weaknesses and to develop the knowledge, skills and attitudes to overcome these in order to fulfil their potential;
- Enhance individual career development through informed decision-making and focused training; and
- Enable employees to make full use of the opportunities presented by the implementation of employment equity.

Performance management have the following benefits for the Municipality:

- Implement the IDP by making it accessible to all employees, clarify objectives and strategies and promote the accountability of groups and individuals to these;
- Implement focused management linked to an early warning system;
- Continuously reassess structural functionality and enable effective organisational alignment with objectives and strategies;
- Evaluate the job analysis information and rectify faulty aspects thereof;
- Understand the role, duties and responsibilities of employees;
- Identify shortcomings in employment practices, procedures and policies;
- Delegate unambiguous and realistic responsibilities to employees;
- Assess the adequacy or inadequacy of resources available to employees;
- Identify and address training and development needs in a focused and structured manner so as to make use of the opportunities provided by the Skills Development Act;
- Develop the human resources of the Municipality; and
- Provide services in an efficient, effective and economic manner.

Performance management will benefit the community through:

- The establishment of a system which translates the IDP into measurable objectives and targets;
- The institutionalisation of sound management principles ensuring effective and efficient governance of service delivery;
- Adequate provision for community consultation and the opportunity to have a clearer insight in the

performance of the municipality; and

• The promotion of an accountable municipality.

3. Definition 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.

3.1 Performance Cycles

The overall planning, budgeting and reporting cycle can be summarised as follows:
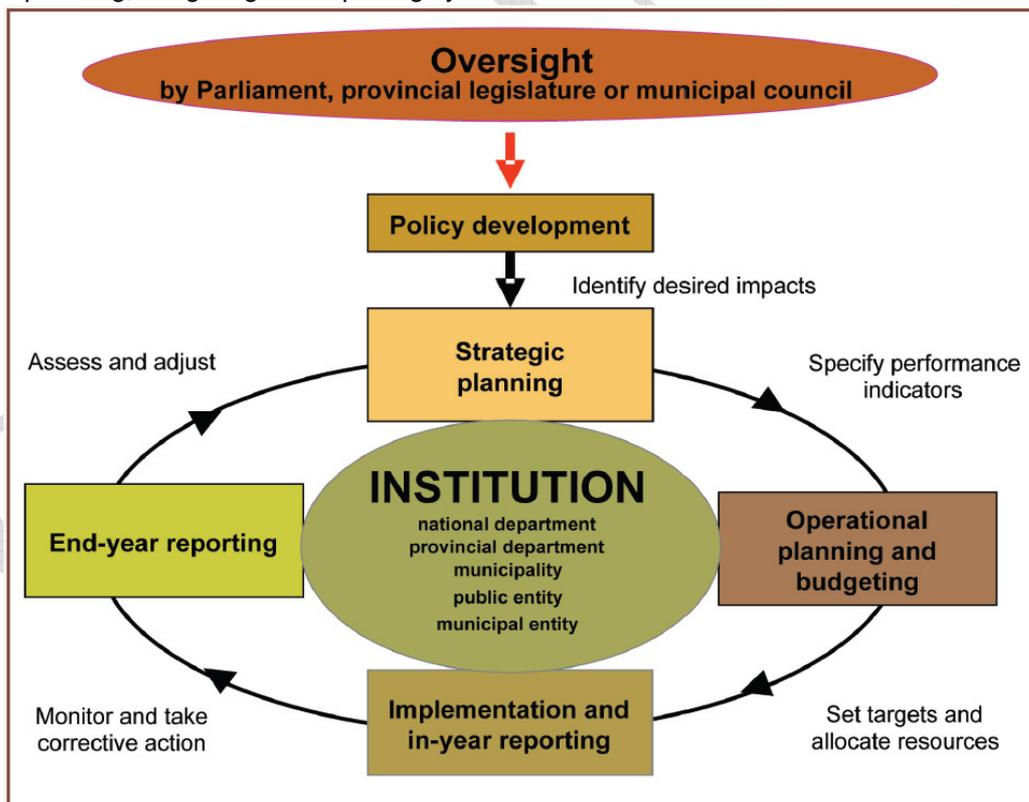
Source: Framework for Managing Programme Performance Information

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

2016/17 Performance Management Framework
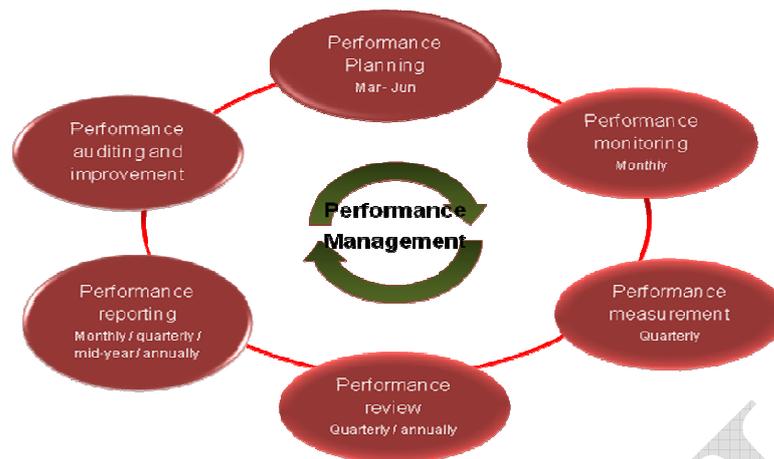

Each of the above cycles can be explained as follows:

- **Performance Planning** ensures that the strategic direction of the Municipality more explicitly informs and aligns the IDP with all planning activities and resource decisions. This is the stage where Key Performance Areas and Key Performance Indicators are designed to address the IDP objectives, national policy and targets are set.
- **Performance Measuring and Monitoring** 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.
- **Performance evaluation** analyses why there is under-performance or what the factors were, that allowed good performance in a particular area. Where targets have not been met, the reasons for this must be examined and corrective action recommended. Evidence to support the status is also reviewed at this stage. An additional component is the review of the indicators to determine if they are feasible and are measuring the key areas appropriately.
- **Performance Reporting** entails regular reporting to management, the performance audit committee, council and the public.
- **Performance review/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 have therefore established frameworks and structures to evaluate the effectiveness of the municipality's internal performance measurement control systems. Areas of weak performance identified at year-end must be addressed during the following years planning phase.

3.2 Key Steps in Performance Management

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

1. IDP consultation and strategic processes to determine
   a. Strategic Objectives aligned with the National Agenda and local needs
   b. Establish the Municipal KPA"s
   c. Design Strategic Focus Areas
2. Priorities capital projects for budgeting purposes aligned with municipal strategy and approved methodology
3. Start with budget processes

4. Determine organisational KPI"s in terms of strategy, budget and MTAS
5. Obtain baseline figures and past year performance
6. Set multi-year performance target dates
7. Determine steps/plans to achieve budget and KPI's
8. Assign strategic focused KPI's to Senior Management (Top Layer SDBIP)
9. Assign organisational KPI's to directorates and members of management (Departmental SDBIP)
10. Prepare individual performance agreements aligned with budget and SDBIP (s57 and management)
11. Prepare performance plans for staff and align work place skills plan with development plans
12. Provide monthly/quarterly status reports on progress with KPI implementation
13. Evaluate performance on individual (1/2 yearly) and organisational levels (monthly and quarterly)
14. Compilation of various performance reports
15. Auditing of performance reported and portfolio of evidence(POE's)
16. Appoint oversight committee to analyse and prepare report on improvement of performance
17. Submit year-end report to various stakeholders

The above steps will be explained in more detail below.

4. The Performance Management Model

The following section will explain the methodology of the adopted performance management model as depicted in the diagram below:
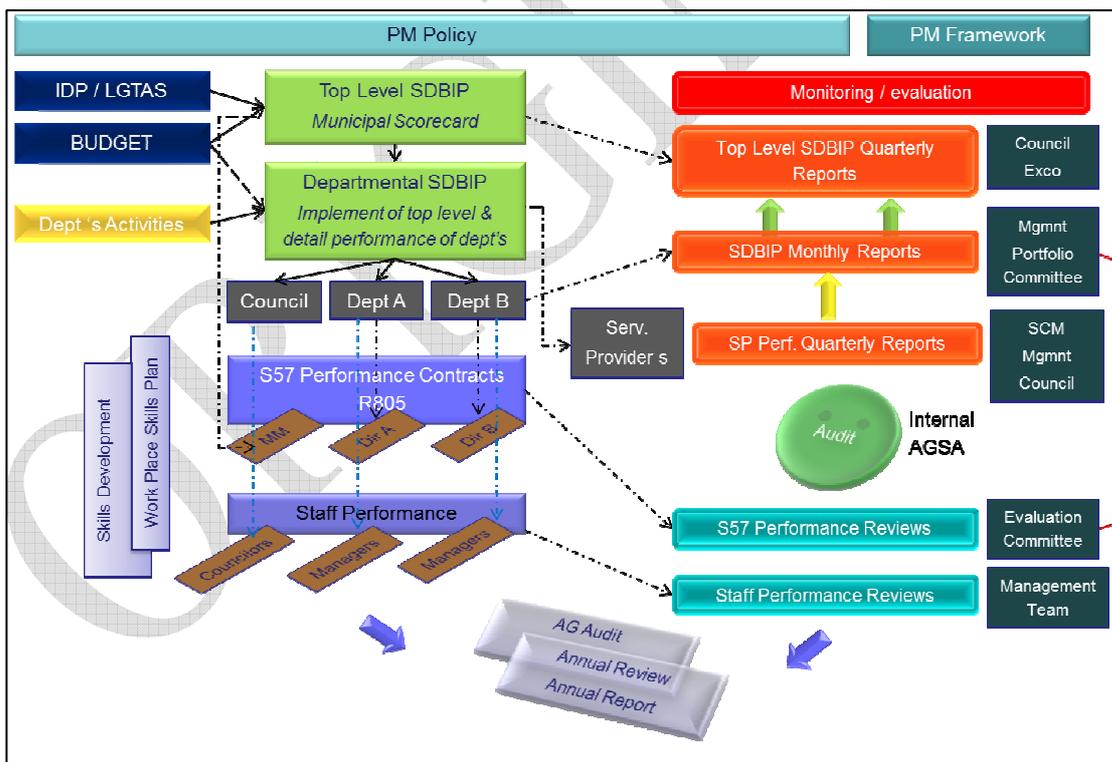
4.1 Integrated Development Planning (IDP)

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.

An Integrated Development Plan 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: 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 Integrated Development Plan 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

4.1.1 IDP Process

The IDP process is summarised in the following diagram. *(Please note that the graph only provides a high level understanding of the process and that the detail actions, timeframes and responsibilities should be documented in the annual process plan that must be adopted by Council.)*

2016/17 Performance Management Framework
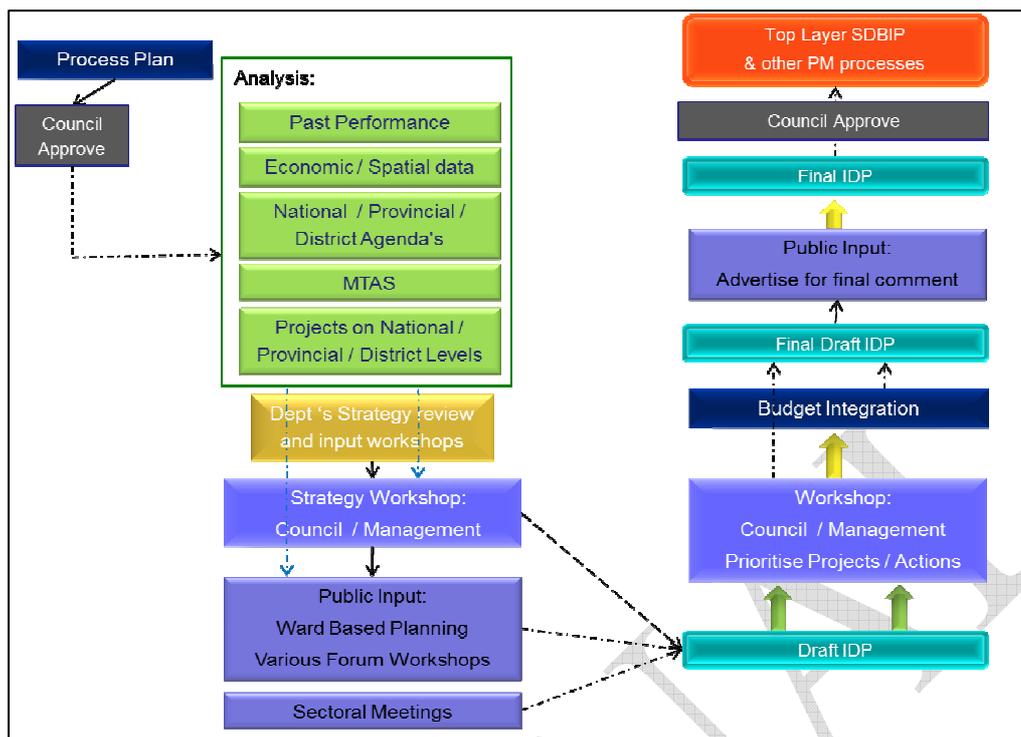
4.1.2 Roles and Responsibilities

The roles and responsibilities during the IDP process, which is different from normal PMS practices, can be summarised as follows:

ROLE PLAYER	ROLES AND RESPONSIBILITIES

Council	• Evaluate, amend and adopt a Process Plan to develop / review the IDP
	• Undertake the overall management and coordination of the planning process which includes ensuring that:
	   o All relevant stakeholders are appropriately involved
	   o Appropriate mechanisms and procedures for public consultation and participation are applied
	• The planning process is related to the real burning issues in the municipality, that is a strategic and implementation orientated process
	• Adopt and approve the IDP / Review
	• Final decision making
	• Approval of the reviewed IDP documentation
	• Adjust the IDP in accordance with the MEC for Local Government's proposals
	• Ensure that the annual business plans and Municipal budgets are linked to and based on the IDP

Mayor	• Decide on the process plan • Overall management, coordination and monitoring of the process and drafting of the IDP / review documentation, or delegate this function • Consider, adopt and approve the process plan • Provide strategic input for IDP / Review
Councillors	• Link the planning process to their constituencies and/or wards • Be responsible for organising public consultation and participation • Monitor the implementation of the IDP with respect to the particular wards • Ensure the annual business plans and municipal budget are linked to and based on the IDP

2016/17 Performance Management Framework

ROLE PLAYER	ROLES AND RESPONSIBILITIES
Speaker	• Overall monitoring of the public participation process
IDP Manager	• Preparations and finalisation of the Process Plan • Be responsible for overall management, coordinating and monitoring of the process and drafting the IDP / Review • Responsible for the day to day management of the planning process, ensuring that all relevant actors are appropriately involved • Ensure that the process is participatory, strategic and implementation orientated and is aligned with sector planning requirements • Ensure that amendments and proper documentation of the draft IDP / Review are to the satisfaction of the IDP proposal • Monitor the implementation of the IDP proposal
Directors and Officials	• Prepare selected Sector Plans • Provide relevant technical, sector and financial information for analysis and determining priority issues. • Contribute technical expertise in the consideration and finalization of strategies and identification of projects. • Provide departmental, operation and capital budgetary information. • Responsible for the preparation of project proposals, the integration of projects and sector programmes after strategic advice in areas of expertise.

Local Communities, - Residents and Stakeholders	• Represent interests and contribute knowledge and ideas in the IDP process by participating in and through the ward committees to:
	  o Analyse issues, determine priorities and provide input;
	  o Keep their constituencies informed on IDP activities and their outcomes;
	  o Discuss and comment on the draft IDP;
	  o Check that annual business plans and budget are based on and linked to the IDP; and
	  o Monitor performance on the implementation of the IDP.

District Municipality	• Some roles and responsibilities relate to the preparation of a district IDP. The District Municipality must also prepare a District Framework (Sec 27 of the MSA)
	• Fulfil a coordination and facilitation role by:
	  o Ensuring alignment of the IDP's of the municipalities in the district council area;
	  o Ensuring alignment between the district and local planning;
	  o Facilitation of alignment of IDP's with other spheres of government and sector departments; and
	  o Preparation of joint strategy workshops with local municipalities, provincial and national role players and other subject matter specialists.

Provincial Government: Department of Local Government	• Ensure horizontal alignment of the IDP's of the District Municipalities within the province.
	• Ensure vertical/sector alignment between provincial sector departments/ provincial strategic plans and the IDP process at local/district level by:
	  o Guiding the provincial sector departments participation in and their required contribution to the municipal IDP process and;
	  o Guiding them in assessing draft IDP's and aligning their sector programs and budgets with the IDP's.
	• Efficient financial management of Provincial IDP grants.
	• Monitor the progress of the IDP processes.
	• Facilitate resolution of disputes related to IDP.
	• Assist municipalities in the IDP drafting process where required.
	• Coordinate and manage the MEC's assessment of IDP's.

ROLE PLAYER	ROLES AND RESPONSIBILITIES
Sector Departments	• Contribute relevant information on the provincial sector departments plans, programs, budgets, objectives, strategies and projects in a concise and accessible manner. • Contribute sector expertise and technical knowledge to the formulation of municipal strategies and projects. • Engage in a process of alignment with District Municipalities. • Participate in the provincial management system of coordination.

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.

4.2 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.

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

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

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

4.2.1 The municipal scorecard

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

2016/17 Performance Management Framework

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

Please refer to section **13** on the development of key performance indicators for assistance on how to develop indicators and targets.

The following diagram illustrates the establishment, components and review of the municipal scorecard (Top Layer SDBIP):
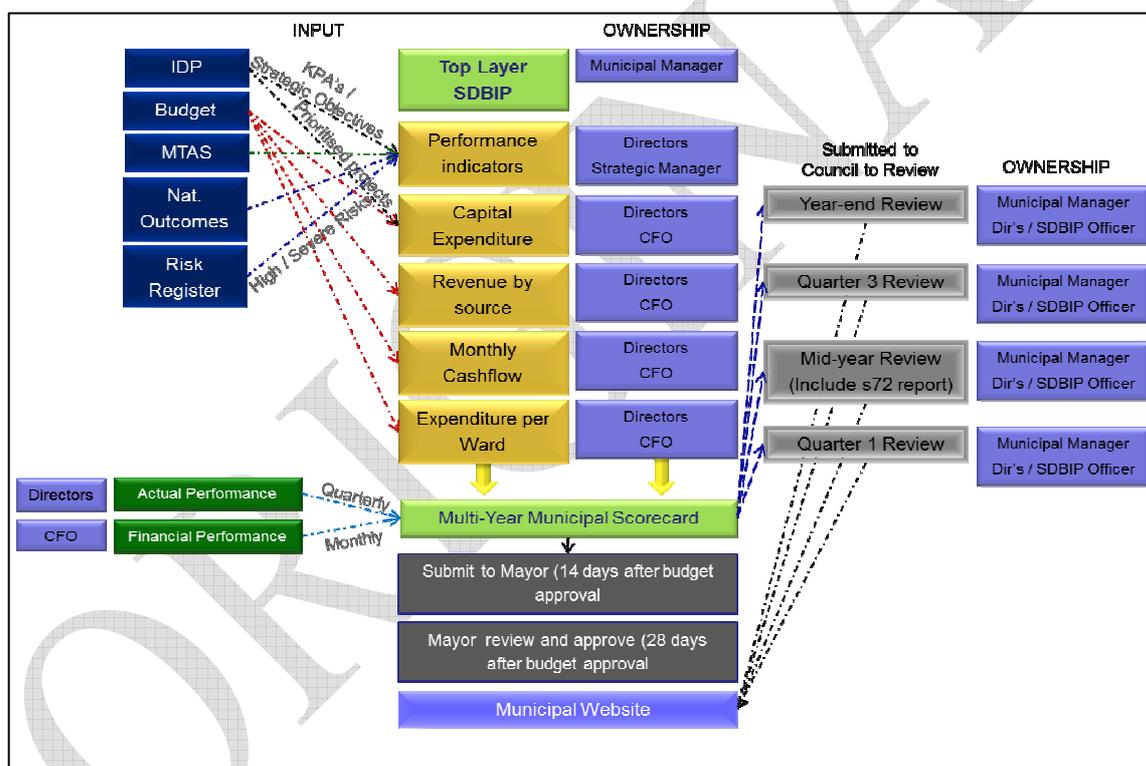
4.2.2 Preparing the TL SDBIP

The financial sheets must be drafted in terms of the approved budget. The structure of the financial sheets is prescribed by MFMA Circular 13, is self-explanatory and all the columns should be completed for each line item. It is however important that the cashflow projections are calculated based on the planned spending / revenue collection for each month.

The capital projects sheet should be completed with the planned start and end dates as the performance will be measured in terms of these dates. The projects should also be assigned to wards. The cashflow per capital project should also be aligned with the planned monthly spending targets.

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

2016/17 Performance Management Framework

- 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. The 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 2 KPI's that is 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. Please refer to section **13** on the development of key performance indicators for assistance on how to develop indicators and targets.

4.2.3 Approval of TL SDBIP

The municipal scorecard must be submitted to the Mayor within 14 days after the budget has been 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 Council with the respective motivation for the changes suggested, for approval.

Important note: The Mayor should review the document for compliance, alignment and adherence to the Council's Agenda as Municipal Manager and Directors will use the TL SDBIP as a basis for reporting on performance to the Mayor, Council and the public. The performance agreements of the senior management team will also be based on this document.

4.2.4 Update actual performance

The TL SDBIP will in most instances update automatically with the actual results reported in the departmental SDBIP. The SDBIP / PMS Officer needs to review the results, update the results that require a manual update and document the final performance comments in the relevant columns.

The KPI Owners should report on the results of the KPI by properly documenting the information in the performance response fields and make reference to where the POE can be found. In the instance of poor performance, corrective measures should 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.

4.2.5 Quarterly reviews

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

The review in January will coincide with the mid-year performance assessment as per section 72 of the Municipal Finance Management Act. Section 72 determines that by 25 January of each year the accounting officer must assess the performance of the municipality and report to the Council on inter alia its service delivery performance during the first half of the financial year and the service delivery targets and performance indicators set in the service delivery and budget implementation plan.
Many of the indicators in the municipal scorecard will only be measurable on an annual basis. The quarterly reviews should thus culminate in a comprehensive annual review of performance in terms of all the scorecards.

The Mayor will need to ensure that targets committed to in the municipal scorecard are being met, where they are not, that satisfactory and sufficient reasons are provided and that the corrective action being proposed is sufficient to address the poor performance.
The review should also focus on reviewing the systematic compliance to the performance management system, by directorates, departments, Portfolio Councillors and the Municipal Manager. The review will also include:

- An evaluation of the validity and suitability of the Key Performance Indicators and recommending must any changes.
- An evaluation of the annual and 5 year targets to determine whether the targets are over stated or understated. These changes need to be considered.
- Changes to KPI"s and 5 year targets for submission to council for approval. (The reason for this is that the original KPI"s and 5 year targets would have been published with the IDP, which would have been approved and adopted by council at the beginning of the financial year.)
- An analysis to determine whether the Municipality is performing adequately or under-performing.

It is important that the Mayor not only pay attention to poor performance but also to good performance. It is expected that the Mayor will acknowledge good performance, where directorates or departments have successfully met targets in their directorate/departmental scorecards.

4.2.6 Council Reviews

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

2016/17 Performance Management Framework

4.2.7 Public Reviews

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

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

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

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

4.2.8 Adjustments to KPI's

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.

Please note that KPI targets may not be adjusted downwards. Refer to the Framework for Managing Programme Performance Information in this regard.

4.2.9 Roles and Responsibilities

The roles and responsibilities during the TL SDBIP process can be summarised as follows:

Role Player	Roles and Responsibilities
Mayor	• Mayor is responsible for the performance and need to approve the TL SDBIP. • Quarterly review of performance and monitor implementation of corrective action. • Submit the mid-year and annual performance reports to Council.
Portfolio Councillor	• Monitor the implementation of the strategy. • Review and monitor the implementation of the TL SDBIP at Portfolio Committee level.
Council	• Oversight role to ensure that performance management processes are monitored
Municipal Manager	• Drafting of the TL SDBIP • Ensure the implementation of the TL SDBIP. • Monitor the TL SDBIP and ensure that POE's to proof performance exists. • Take corrective action where required. • Communicate with the Mayor.

2016/17 Performance Management Framework

Role Player	Roles and Responsibilities
Senior Management Team	• Manage and report on departmental performance to be cascaded up to the TL SDBIP. • Plan Performance. • Integration role and ensure POE's exists to proof performance.
Internal Audit	Internal audit should quarterly audit the results reported on a sample basis and issue a report to the municipal manager/ performance audit committee.
Auditor-General	Auditing of legal compliance and outcomes.
Performance Audit Committee	Independent oversight on municipal performance and legal compliance.

4.3 Directorate/Departmental scorecards

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

The following diagram illustrates the establishment, components and review of the departmental SDBIP:
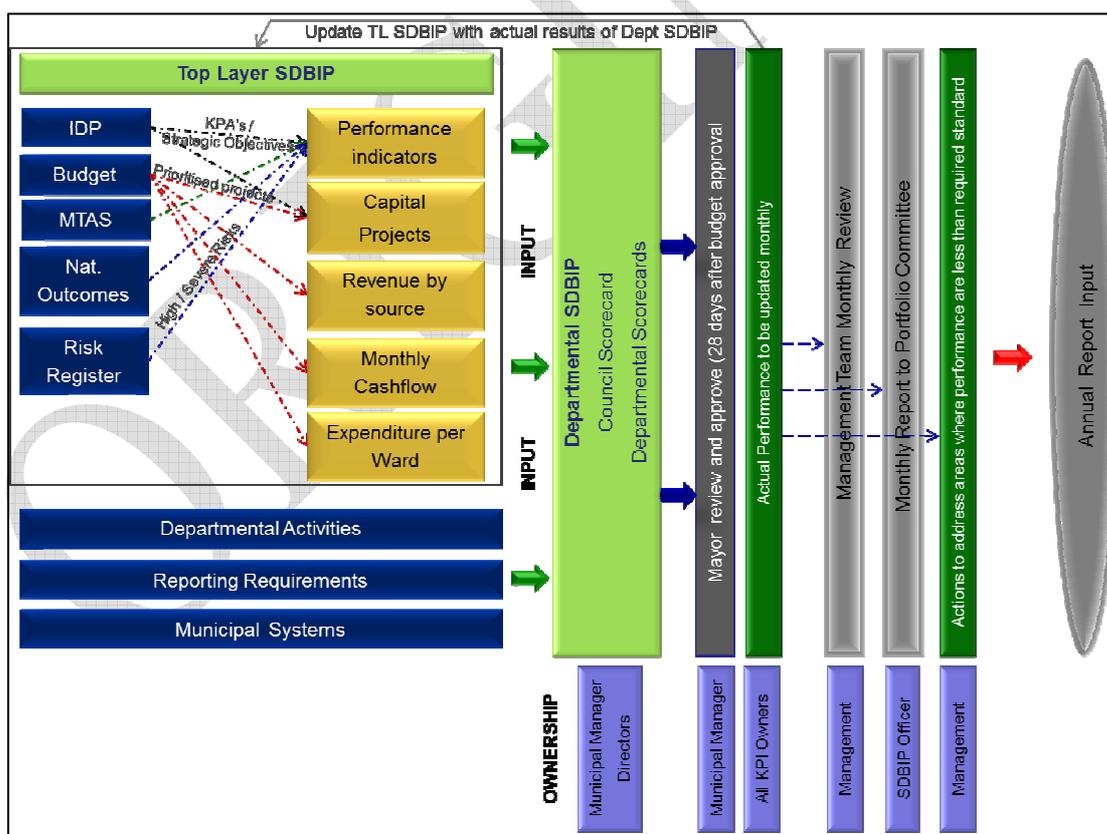
4.3.1 Preparing the Departmental SDBIP's

KPI's should be developed for Council, the office of the Municipal Manager and for each Directorate. The KPI's should:

- Address the TL KPI's by means of KPI's for the relevant section responsible for the KPI.
- Include the capital projects KPI's for projects that relates to services higher than R200 000. KPI's for furniture and equipment should be grouped as one KPI per directorate. The targets should to some extend be aligned with the cashflow budgets and project plans.
- Add KPI's to address the key departmental activities.
- Each KPI should have clear monthly targets and should be assigned to the person responsible for the KPI'. KPI's should be SMART.

The number KPI's developed to address National KPA's, Municipal KPA's and strategic objectives should be spread amongst the aforementioned in terms of National and Local Agendas.

Please refer to section **13** on the development of key performance indicators for assistance on how to develop indicators and targets.

4.3.2 Approval of Departmental SDBIP

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

4.3.3 Update actual performance

An evaluation of the validity and sustainability of the KPI's should be done and the actual performance results of each target should be updated and evaluated on a monthly basis. In order to measure the input/output of the KPI's, the performance results and performance evidence (POE's) should be evaluated and documented. The KPI owners should report on the results of the KPI by documenting the following information on the performance system:

- The actual result in terms of the target set.
- The output/outcome of achieving the KPI.
- The calculation of the actual performance reported. (If %)
- The reasons if the target was not achieved.
- Actions to improve the performance against the target set, if the target was not achieved.

The municipal manager and his/her senior management team needs to implement the necessary systems and processes to provide the POE's for reporting and auditing.

4.3.4 Monthly reviews

The Directorates will review their performance at least monthly report their performance in terms of the SDBIP to the Municipal Manager and the respective Portfolio Councillor. Decision-makers should be warned immediately of any emerging failures to service delivery so that they can intervene if necessary. It is important that Directorates use these reviews as an opportunity for reflection on their goals and programmes and whether these are being achieved. The Portfolio Committee should have a standing agenda item to discuss at their monthly meetings. The SDBIP report submitted should be used to analyse and discuss performance. The Portfolio Councillor and the senior management team should report on an overview of performance at the following Council meeting. Changes in indicators and targets may be proposed at this meeting, but can only be approved by the Mayor, in consultation with the Municipal Manager.

2016/17 Performance Management Framework

4.3.5 Adjustments to KPI's

KPI's can only be adjusted after the mid-year assessment and/or after the adjustments budget has been approved. KPI's should be adjusted to be aligned with the adjustment estimate and the reason for the change in KPI's should be documented in a report to the Mayor for approval.

Additional KPI's can be added during the year with the approval of the municipal manager. The approval documents should be safeguarded for audit purposes.

4.3.6 Roles and Responsibilities

The roles and responsibilities during the Departmental SDBIP process can be summarised as follows:

Role Player	Roles and Responsibilities
Mayor	• Responsible for the KPI's assigned to him/her and his/her committee. The mayor should update performance results monthly. • Review the feedback received from Portfolio Councillors/ respective senior manager and monitor overall performance.
Portfolio Councillor	• Support the senior manager to implement the municipal strategy. • Review and monitor progress at portfolio level. • Report to the Council on performance review and progress. • Assist senior management to take corrective action to improve performance.
Municipal Manager	• Approval of the Departmental SDBIP • Monitor SDBIP and ensure that POE's exist. • Review and monitor the implementation on the SDBIP • Ensure that KPI's address the municipal strategy and service delivery requirements. • Ensure alignment with the IDP objectives/programmes and budgets. • Take corrective actions where required. • Communicate with the senior management team on performance progress and reporting. • Ensure quarterly internal audit and take necessary action where required. • Communicate results to the Council.
All Managers	• Design KPI's to address the TL SDBIP, operational needs, service delivery improvement and other key departmental activities. • Plan performance and set targets. • Assign KPi's to KPI owners. • Ensure the implementation of the SDBIP. • Monitor performance and document POE's. • Take corrective action where required. • Communicate performance results to the municipal manager and Portfolio Committee.
Internal Audit	Internal audit should quarterly audit the results reported on a sample basis and issue a report to the municipal manager/ performance audit committee.
Auditor-General	Auditing of legal compliance and outcomes.
Performance Audit Committee	Independent oversight on municipal performance and legal compliance.

5. Individual Performance

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 following diagram illustrates the individual performance management processes:
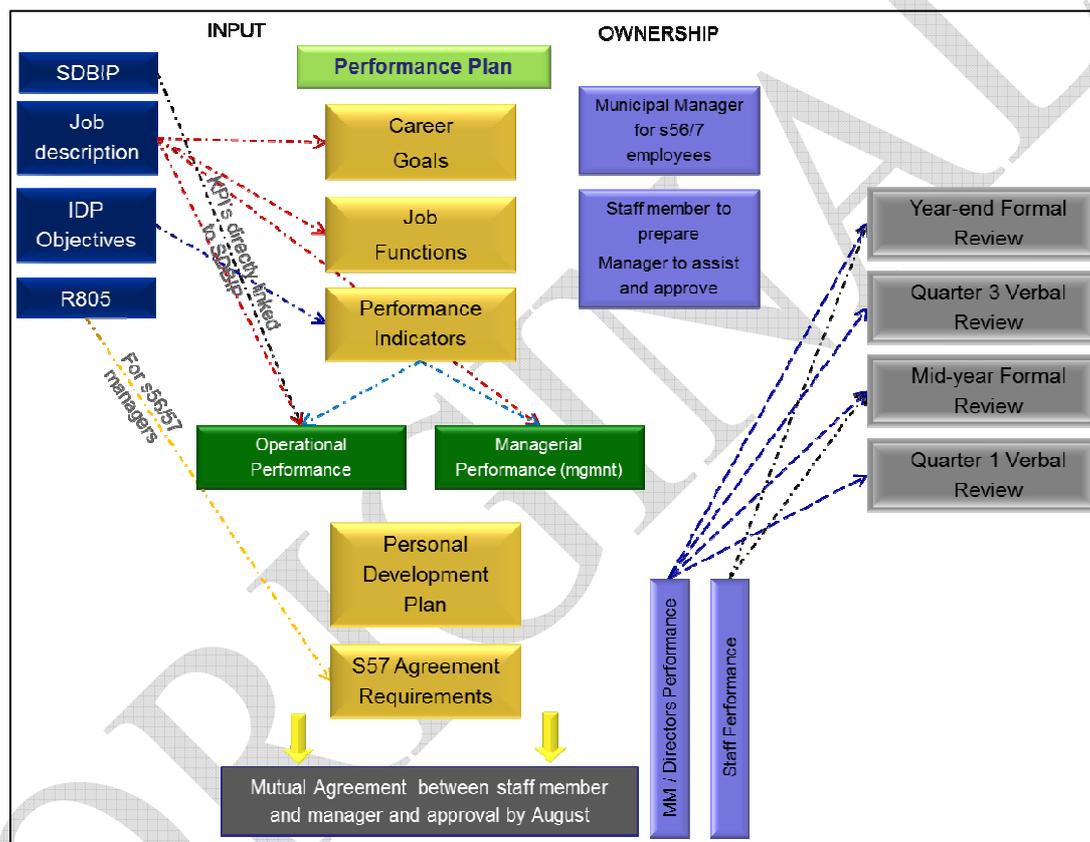
The Benefits of Individual Performance are to:
- Ensure alignment of individual goals and objectives with that of the organisation and to co-ordinate efforts in order to achieve those goals.
- Understand what is expected from the incumbents, by when it is expected and to what standard is expected
- Understand 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.

2016/17 Performance Management Framework

5.1 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 56/57 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 56/57 Manager and the Municipality, which regulates the performance required for a particular position and the consequences of the performance. The Agreement deals with only one aspect of the employment relationship, namely performance. This agreement 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 54 A and Section 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 54 A and 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.

5.2 Individual scorecards (rest of staff)

5.2.1 Middle Management (Post levels 0 to 5 - Suspended until further notice)

The data obtained from Directorate scorecards (detailed SDBIP), will provide the user with the respective individual performance contracts for managers reporting to the S 56 managers.

Performance Plans are agreed with each employee in job grades 0-5 as part of his / her career development plan and should include the following:

- Qualifications – a record of formal and informal training and experience.
- Job functions – key focus areas for the year.
- Career goals - long term and intermediate career goals.
- Key performance indicators linked to the SDBIP – KPI's in the SDBIP that are the responsibility of the respective manager and KPI's aligned to the job description of the manager.
- Managerial KPI's – the core managerial competencies that the manager will be evaluated on.
- A list of the core managerial competencies (CMC's) is provided on the performance of the performance system and the manager should select between 3 and 5 CMC's. The CMC's and the measurement criteria should be agreed with the respective senior manager.
- Weightings show the relative importance of input or output against another input or output. Every input or output in the performance agreement must be assigned a weighting. The weightings / ratings and the distribution of the ratings per level need to be determined by the management team in the beginning of each financial year and agreed with the employer or group of employers. (employee or group of employees)
- Development needs and learning plan.

The agreements must be finalised by August every year and be agreed and approved by the respective senior manager. The process on how to prepare performance plans is documented in the Performance Management System manual.

5.2.2 All staff reporting up to management (Post levels 6 to 14 - Suspended until further notice)

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

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

The agreements must be finalised by August every year and be agreed and approved by the respective employee and supervisor. The process on how to prepare performance plans is documented in the Performance Management System manual.

5.2.3 Skills Development Plan

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

5.2.4 Formal performance reviews

Although performance should be managed on a daily basis, formal performance reviews should be done by the respective supervisor at least bi-annually. The objective review should be based on actual performance and performance evidence. The supervisor and employee needs to prepare for the review and discuss the performance during a focussed performance meeting. The review should be documented on the performance system as set out in the Performance Management System manual. Feedback should be provided during the review.

The reviews should be completed by end February for the period July to December and August for the period January to June.

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

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

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

5.3 Appeals process

5.3.1 Section 54 A and Section 56 Employees

The Appeals process as prescribed in R805 of August 2006 and as agreed in the employment and performance contracts of the Section 54A and Section 56 Managers will be applicable in instances where they are not in agreement with their final performance evaluations.

5.3.2 Employees:

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

5.4 Reward and Recognition

The performance scores will be finalised during the moderation where after it must be approved by the moderation committee (fish-bowl). These scores will be used to recognised excellent performance in terms of the Council's reward and recognition policy.

5.5 Roles and Responsibilities

The roles and responsibilities during the individual performance process can be summarised as follows:

Role Player	Roles and Responsibilities
Mayor	• Review the performance of the municipal manager. • Submit reports to the Council regarding the mid-year and year-end performance reviews of the senior management team with the required recommendations.
Council	• Approve the reward and recognition policy. • Approve financial rewards.
Portfolio Councillors	• Part of the committee who evaluate the performance of the senior management team in terms of the performance agreements.
Municipal Manager	• Implement the necessary systems and processes to ensure the implementation and monitoring of performance management. • Review the performance of the managers reporting directly to him/her • Assess overall performance results and approve reward and recognition of employees' performance.
Senior Management Team	• Implement individual performance in directorates. • Approve performance plans. • Evaluate performance and results • Moderate performance • Submit reports to the municipal manager
All other managers	• Implement individual performance in divisions. • Approve performance plans • Review performance and take corrective actions where required/ recognise excellent performance. • Moderate performance as part of moderation process.
Employees	• Execute agreed individual performance plans. • Report on performance.
Internal Audit	Assess the functionality, integrity, objectiveness and effectiveness of individual

2016/17 Performance Management Framework

Role Player	Roles and Responsibilities
	performance management.

6. Service Providers

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

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

6.1 Notification of Service Providers

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

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

6.2 Evaluating the Performance of Service Providers

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

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

The service provider must sign a service level agreement indicating the services to be delivered, the timeframes and the evaluation methodology. The service provider's performance must be assessed in the context of the project as a whole. The respective roles and obligations of the Municipality and service provider under the contract must be taken into account.
Persons preparing or reviewing the performance of a service provider must consider whether satisfactory progress or completion of a project has been affected by any matters which are:

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

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

6.2.1 Prescribed procedures to evaluate service providers

The following procedures need to be followed:

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

7. 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.

8. 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).

8.1 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.

8.2 Performance investigations

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

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

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

8.3 Internal Audit

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

The municipality's internal audit function will need to be continuously involved in auditing the performance reports based on the organisational and directorate/departmental scorecards. As required by 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.

2016/17 Performance Management Framework

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

8.4 Performance Audit Committee

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

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

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 .

The Performance Audit Committee of Umsobomvu municipality will consists of the following members:

(i)   Performance Evaluation: Section 54A Manager:
- Mayor;
- Mayor of a neighbouring municipality;
- Audit Committee member;
- Chairperson: MPAC
- Councillor nominated by the Mayor.

(ii)   Performance Evaluation: Section 56l Managers:
- Municipal Manager;
- Municipal Manager of a neighbouring municipality;
- Audit Committee member;
- Chairperson: MPAC;
- Relevant Portfolio Councillor.

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

In order to fulfil their function a performance audit committee may, according to the MFMA and the regulations,
- communicate directly with the council, municipal manager or the internal and external auditors of the municipality concerned;
- access any municipal records containing information that is needed to perform its duties or exercise its powers;
- request any relevant person to attend any of its meetings, and, if necessary, to provide information requested by the committee; and

- investigate any matter it deems necessary for the performance of its duties and the exercise of its powers.

9. 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:

9.1 Monthly reports

Monthly reports on the performance of the directorates/departments should be generated from the performance management system and submitted to the portfolio committees and the senior management team.

9.2 Quarterly reports

Reports to report on the performance in terms of the TL SDBIP should be generated form the system and submitted to Council. This report should also be published on the municipal website.

9.3 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. This report must be submitted to Council for approval before 25 January of each year and published on the municipal website afterwards.

9.4 Annual Performance Report

The annual performance report must be completed by the end of August and submitted with the financial statements. 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.

9.5 Annual Report

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

9.6 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	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	The Performance Audit Committee must review the PMS and make recommendations to council	MSA Regulation 14(4)(a)
	The Performance Audit Committee must submit a report at least twice during the year a report to Council	MSA Regulation 14(4)(a) MSA Regulation 13(2)(a)

	The Municipality must report to Council at least twice a year	
	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	The annual report of a municipality must include the annual performance report and any recommendations of the municipality's audit committee	MFMA S121 (3)(c)(j) & MSA S46
	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	MFMA S126 1(a)
	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	MFMA S126 (3)(a)(b)
	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	MFMA S127(2)
	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	MFMA S127 (4)(a)
	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.	MFMA S127 (5)(b)
	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	MFMA S129 (1)
	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	MFMA S130 (1)
	The Cabinet member responsible for local government must annually report to Parliament on actions taken by the MECs for local government to address issues raised by the Auditor-General	MFMA S134

10. 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.

2016/17 Performance Management Framework

10.1 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	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: • 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	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. • **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

| CONCEPT	DEFINITION
	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)	Measures (qualitative or quantitative) that tell us whether we are making progress towards achieving our objectives. These indicators have the following characteristics: • Based on municipal operational functions • Based as far as possible, on existing measurements • 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., • 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)

CONCEPT	DEFINITION
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	The following **SMART** criteria were used for the objectives, KPAs and KPIs: **S** - specific **M** - measurable **A** - achievable **R** - realistic **T** - time-framed
Benchmarking	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.
General reporting indicators	The following general key performance indicators are prescribed in terms of section 43 of the Municipal Systems Act, 2000: **These indicators must appear on the Organisational Scorecard in addition to all the KPI's which have been set by the Municipality.** **General Key Performance Indicators** 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 R1 100 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 IDP. 4. The number of jobs created through the municipality's local economic development initiatives including capital projects 5. 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. 6. The percentage of a municipality's budget actually spent on implementing its workplace skill plan. 7. Financial viability as expressed (refer regulation (10)(g)) (i) Debt Coverage A= $\frac{B-C}{D}$ 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) Service Debtors to revenue 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) Cost Coverage

2016/17 Performance Management Framework

CONCEPT	DEFINITION
	$A = \underline{B+C}$ D Where – "A" represents cost average "B" represents all available cash at a particular time "C" represents investments "D" represents monthly fixed operating expenditure

10.2 Setting indicators

In setting indicators it is important that one understand the key performance concepts described above (par 10) and the relationship between the core performance information concepts illustrated below.
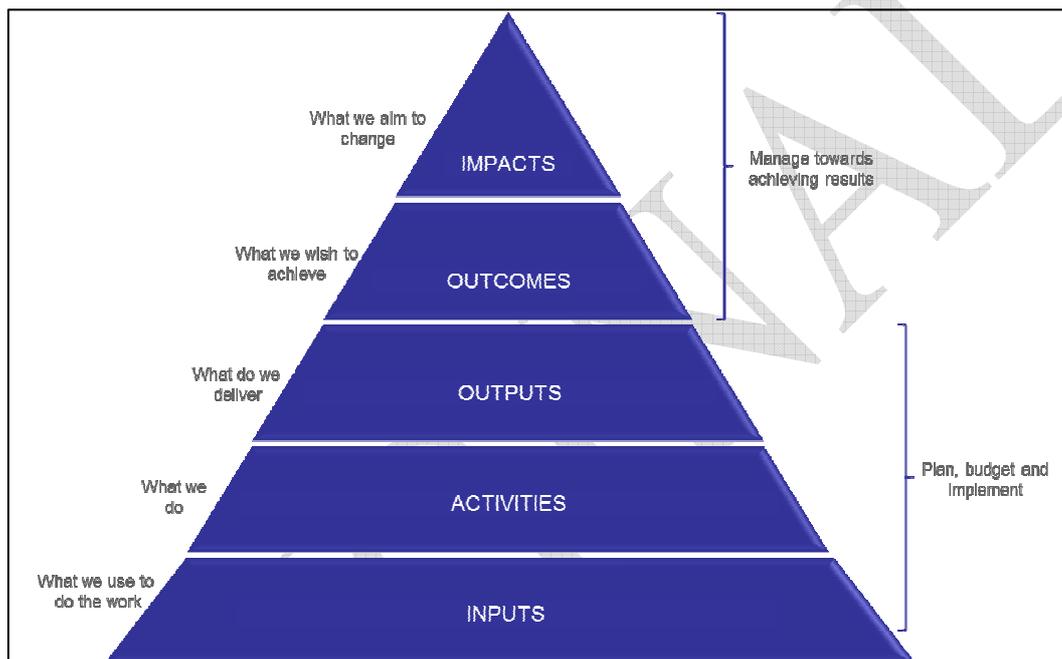
The following aspects must also be considered:

- The key priorities and objectives set in the IDP, which have been determined during the public participation process at ward committees.
- The activities and processes identified in the IDP for achieving the developmental objectives as well as the earmarked resources.
- Baseline and performance standard information for each indicator.
- The risks identified during the risk review of the municipality that needs to be addressed with specific actions.
- The indicators listed in the Municipal Turnaround Strategy (MTAS).
- Compliance and reporting requirements in terms of legislation.
- Core departmental activities that need to be measured to improve municipal effectiveness and efficiency.
- The alignment of departmental activities and capital projects identified in the IDP with the budget.
- Whether measurement tools (system and data) to measure the performance of the indicators are available or can be developed.
- In the event that measurement tools do not exist, then it is advisable that a KPI be set which would measure the design and implementation of such a system. Once the measurement tool has been implemented, then the KPI measuring the output from the tool can then be included in the scorecard.

- The cost involved in setting up measurement tools needs to be considered.
- The time frame for the implementation of measurement tools is also important.
- It is important that the responsibility for the KPI needs to be allocated to the appropriate person who will be required to measure the output/outcome on the KPI"s.
- The timeframes for measuring and reporting actual performance against target set.

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.
- In the instance where performance indicators for individuals needs to be developed you also need to consider key job requirements (job description).
- 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 a play park 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 per month / quarter in order to deliver the indicator (targets should as far as possible comply with the SMART principle).
- Agree the finally formulated indicator with the respective department / manager / staff member.

11. Performance Management System

The municipality adopted the Ignite System to administer organisational and individual performance and the system should therefore be utilised to its full extent. The manuals how to use the system is available online. The reports that can be generated form the system is should be utilised for reporting purposes to allow for consistency and effectiveness.

12. Performance Process Maps

The following process maps summarise the key operational and individual performance processes. These process maps should be read with the sections dealing with these performance processes

12.1 Top Layer SDBIP

Data Sources	Approved IDP	Draft Budget	MTAS	Risk Register	Oversight Report	Legislation and policies
Process	Review source doc's	Identify Objectives	Design KPI	Link KPI to objective	Link KPI to Nat. KPA	Link KPI to Nat Outcome
	Calculate targets	Assign KPI to sr manager	Determine baseline	Determine performance standard	Document POE	Calculate outer year targets
Financial Data	Populate financial data	Agree cap. project threshold	Design KPI	Calculate targets	Assign to staff member	Finalise SDBIP
Approval	Workshop with mgmnt	Submit draft to Mayor 14 days after budget approval	Update	Approval by Mayor 28 days after budget approval	Table at Council	Publish on website
Maintenance	Monitor and review performance	Qtly update with actual performance	Poor performance: Corrective action	Prepare report	Submit to Council	Publish on website
Review	Mid-year Review	Add to s72 report and motivate reasons for changes in s72	Update after approval	Year-end review	Add to s46 report and document actions for poor performance	Publish on website

12.2 Departmental SDBIP

Data Sources	Approved IDP	Draft Budget	Departmental Responsibilities	Risk Register	Legislation and policies	Top Layer SDBIP
Process	Review source doc's	Identify activities to monitor	Design KPI	Link KPI to objective	Link to TL SDBIP KPI	Link KPI to Nat KPA & Outcome
	Calculate targets	Assign KPI to staff member	Determine baseline	Determine performance standard	Document POE	Set monthly targets
Financial Data	Design Capital project KPI's	Assign KPI to staff member	Calculate targets	Assign to staff member	Finalise SDBIP	
Approval	Workshop with mgmnt	Submit draft to municipal manager for approval	Update	Approval by MM 28 days after budget approval		
Maintenance	Monitor and review performance	Monthly update with actual performance	Poor performance: Corrective action	Prepare monthly report	Submit to Management Committee	Submit to Portfolio Committee
Review	Monthly Review	Recognise good performance	Agree on corrective action for poor performance	Continuous monitor & review		

2016/17 Performance Management Framework

12.3 Individual Performance

Data Sources	Approved IDP	Top Layer SDBIP	Departmental SDBIP	Job Description	Past Year Performance Review	Personnel Data
Process	Review source doc's	Identify key activities responsible for	Confirm job functions	Determine career goals	Document your personnel data	Document actions to address career goals
Management approval by 31 July	Identify SDBIP KPI's responsible for	Agree on additional KPI's	Decide on managerial KPI's	Set measurement criteria	Calculate weights	Document personal development plan
Staff approval by end August	Identify SDBIP KPI's responsible for	Document KPI's	Set measurement criteria	Document personal development plan	Finalise agreement	
Final approval	Discuss performance plan content	Agree on content	Sign and submit to HR	Update WPSP with training needs		
S57 Performance	Quarterly reviews	2 verbal & 2 formal reviews	Formal: 360 review on CCR's	Distribute performance reports for preparation week in advance	Formal review by committee	Year-end: calculate and approve rewards
Staff Performance	Reviews in Jan & Aug	Staff prepare for performance review	Manager review performance and discuss	Performance moderation	Finalise and update PDP's	Year-end: calculate and approve rewards

13. Role and Responsibilities of Stakeholders

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

STAKEHOLDERS	INVOLVEMENT	BENEFITS
	ADMINISTRATIVE OVERSIGHT	
Mayor	• Facilitate the development of a long term Vision regarding IDP and PMS • Mayor is responsible for the performance and need to approve the SDBIP and submit the annual performance report to Council • Approval of municipal manager performance plan and evaluate and report on municipal performance	Optimum and equitable service delivery.
Portfolio Councillor	• Monitor the implementation of the strategy • Review and monitor the implementation of the IDP and the PMS • Evaluate performance of senior management, where applicable	Facilitates the process of benchmarking and collaboration with other municipalities.
Council	• Adopt the PMS policy and approve the IDP • Approve performance rewards	Provides a mechanism for the implementation and review of PMS and IDP achievement.

2016/17 Performance Management Framework

STAKEHOLDERS	INVOLVEMENT	BENEFITS
	ADMINISTRATIVE OVERSIGHT	
	• Oversight role to ensure that performance management processes are monitored • Provide strategic awareness and manage the development of the IDP and PMS.	Promotes public awareness and satisfaction.

STAKEHOLDERS	INVOLVEMENT	BENEFITS
	IMPLEMENTERS	
Municipal Manager	• Ensure the implementation of the IDP and the PMS. • Communicate with the Mayor and Senior Management Team.	Clarifies goals, targets and work expectations of the executive management team, other senior managers, line managers and individual employees.
Senior Management Team	• Manage Departmental and individual performance • Review and report on performance	Facilitates the identification of training and development needs at different levels in the municipality.
All Other Managers	• Implement the departmental business / operational plans and monitor the Individual Performance Plans.	Provides an objective basis upon which to reward good performance and correcting under performance.
Individual Employees	• Execute individual performance plans.	Mechanism for early warning indicators to check and ensure compliance.
Reporting Officer (for service provider evaluations)	• Line Departments • Monitor and assess work done or service provided as per the service delivery agreement or contract • Report on the performance of the service provider	Ensure quality and effective performance of service providers.
Supply Chain Management	• Manage the performance monitoring process of service providers • Report on contract management and service provider performance to Council quarterly • Report to Council annually on the performance of service providers • Investigate and report on the impact of the interventions on areas of underperformance as part of the quarterly and annually report. • Review the policy and process annually. • Liaise with departments on interventions for under-performing areas.	• Enhances service delivery and performance. • Addresses weak performance timeously. • Effective reporting.

2016/17 Performance Management Framework

STAKEHOLDERS	INVOLVEMENT	BENEFITS
	IMPLEMENTERS	
Internal Audit	• Assess the functionality, integrity, effectiveness and legal compliance with the PMS.	• Enhances the credibility of the PMS and the IDP. • Enhances the status and role of Internal Audit.

STAKEHOLDERS	INVOLVEMENT	BENEFITS
	OVERSIGHT	
Representative Forums / Ward Committees	• Inform the identification of community priorities. • Public involvement in service delivery of the municipality.	Provide a platform for the public / communities to inform and communicate with Council.
Auditor-General	Audit legal compliance and performance processes	Provides warning signals of under-performance which can provide pro-active and timely interventions.
Performance Audit Committee	Independent oversight on legal compliance.	Provides warning signals of under-performance.
Oversight Committee	Review Annual Report and suggest corrective action to address shortfalls	Improved performance

14. Conclusion

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

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**
July		
Service Provider Performance	4th Quarter service provider report Review performance of service providers as per the approved policy	• SCM to submit report to Council • Submit reports to SCM Unit • Address poor performance
Performance Reporting	4th Quarter performance Report: Top Level SDBIP	• Each department to finalise SDBIP quarterly report • Input for Annual Report for AG
MM / S56 performance agreements	Prepare and approval	• Prepare agreements ito R805 • Approval and signed before 31 Jul • KPI's aligned with SDBIP • Include CCR's evaluation committee; evaluation periods; bonus
SDBIP Reporting	Update departmental SDBIP	• Monthly progress reports to Executive Management and Portfolio Councillor • Actions to address GAPS
IDP	IDP Framework and Process Plan	Process plan to ensure proper planning and involvement of all stakeholders to identify clear objectives and key performance areas
August		
Service Provider Performance	Review performance of service providers as per the approved policy	• Submit reports to SCM Unit • Address poor performance
SDBIP Reporting	Update departmental SDBIP	• Monthly progress reports to Executive Management and Portfolio Councillor • Actions to address GAPS
Staff Performance	Formal review of staff performance	• Evaluation of performance for the past 6 months ending June • Moderation; coaching and counselling • Document and report
Staff Performance	Finalise performance plans	Determine KPI's -Key outputs/ outcomes; career goals; job requirements; measurement criteria; skills required and development needs / plan
IDP	IDP Process Plan	• Submission to Mayor • Approval of plan
September		
Service Provider Performance	Review performance of service providers as per the approved policy	• Submit reports to SCM Unit • Address poor performance
SDBIP Reporting	Update departmental SDBIP	• Monthly progress reports to Executive Management and Portfolio Councillor

Performance Management Calendar		
Action	**Activity**	**Comment**
		• Actions to address GAPS
Annual Performance Report	Finalise and submit performance report to AG	Performance report on financial and operation performance for audit purposes
MM/s56 Performance	Annual performance review	• Review against targets • Review CCR's - obtain 360 degree input • Determine development needs • Calculate rewards ito agreements • Document and sign-off
October		
Service Provider Performance	1st Quarter service provider report Review performance of service providers as per the approved policy	• SCM to submit report to Council • Submit reports to SCM Unit • Address poor performance
SDBIP Reporting	Update departmental SDBIP	• Monthly progress reports to Executive Management and Portfolio Councillor • Actions to address GAPS
Performance Reporting	1st Quarter performance Report: Top Level SDBIP	Each department to finalise SDBIP quarterly report
MM/s57 Performance	Informal performance discussion	How are we doing, progress and address possible shortcomings
IDP & Budget	Public participation	• Consult key stakeholders / role-players • Identify potential projects / needs
November		
Service Provider Performance	Review performance of service providers as per the approved policy	• Submit reports to SCM Unit • Address poor performance
SDBIP Reporting	Update departmental SDBIP	• Monthly progress reports to Executive Management and Portfolio Councillor • Actions to address GAPS
Planning	Strategic Planning	• Planning sessions with Council and Management • Mission, Vision and Values • Review progress against strategic objections • Review strategic direction and progress • Alignment with national strategies • Budget guidelines / draft projects
Staff Training	PMS Training updates	Identify any performance management training needs and address with update training sessions
December		
Service Provider Performance	Review performance of service providers as per the approved policy	• Submit reports to SCM Unit • Address poor performance
SDBIP Reporting	Update departmental SDBIP	• Monthly progress reports to Executive Management and Portfolio Councillor • Actions to address GAPS

Performance Management Calendar

Action	Activity	Comment
Annual Report	Draft Annual Report	Final draft to be ready for submission to Council
January		
Service Provider Performance	2nd Quarter service provider report Review performance of service providers as per the approved policy	• SCM to submit report to Council • Submit reports to SCM Unit • Address poor performance
SDBIP Reporting	Update departmental SDBIP	• Monthly progress reports to Executive Management and Portfolio Councillor • Actions to address GAPS
Performance Reporting	Prepare and submit Mid-year performance report ito s72 of MSA	Each department to finalise SDBIP quarterly report
Staff Performance	Formal review of staff performance	• Evaluation of performance for the past 6 months ending December • Moderation; coaching and counselling • Document and report
Annual Report	Submit draft report to Council	Final draft submitted to Council for adoption in principle and public participation
February		
Service Provider Performance	Review performance of service providers as per the approved policy	• Submit reports to SCM Unit • Address poor performance
SDBIP Reporting	Update departmental SDBIP	• Monthly progress reports to Executive Management and Portfolio Councillor • Actions to address GAPS
MM/s57 Performance	Mid-year formal performance review	• Review against targets • Review CCR's - obtain 360 degree input • Determine development needs • Calculate rewards ito agreements • Document and sign-off
Annual Report	Advertise draft Annual Report for public participation	Advertise draft Annual Report for public comment in terms of service delivery
Oversight	Oversight Committee considers Annual Report	• Review • Actions to address shortcomings • Performance Risk Assessment • Report to Council
March		
Service Provider Performance	Review performance of service providers as per the approved policy	• Submit reports to SCM Unit • Address poor performance
SDBIP Reporting	Update departmental SDBIP	• Monthly progress reports to Executive Management and Portfolio Councillor • Actions to address GAPS
IDP	Draft IDP to Council	• IDP aligned with national strategy I • Include clear objectives and municipal KPA's • Needs that cannot be accommodated should

Performance Management Calendar		
Action	**Activity**	**Comment**
		• be included in priority listings • Should include all required sectoral plans that are aligned
Budget	Draft Budget to Council	Budget aligned with IDP and address IDP objectives
SDBIP	Draft top level SDBIP and submit with draft budget	Top Level SDBIP should be aligned with IDP and budget; strategic objectives; municipal KPA's; assigned to senior managers and include outer year performance
Annual Report	Approval of Annual Report	• Public comment considered • Final Annual Report submitted • Oversight committee report submitted • Proposed actions approved
April		
Service Provider Performance	3rd Quarter service provider report Review performance of service providers as per the approved policy	• SCM to submit report to Council • Submit reports to SCM Unit • Address poor performance
SDBIP Reporting	Update departmental SDBIP	• Monthly progress reports to Executive Management and Portfolio Councillor • Actions to address GAPS
Performance Reporting	3rd Quarter performance Report: Top Level SDBIP	Each department to finalise SDBIP quarterly report
IDP & Budget	Public participation	Obtain public input in draft documents and consult key stakeholders
MM/s56 Performance	Informal performance discussion	How are we doing, progress and address possible shortcomings
May		
Service Provider Performance	Review performance of service providers as per the approved policy	• Submit reports to SCM Unit • Address poor performance
SDBIP Reporting	Update departmental SDBIP	• Monthly progress reports to Executive Management and Portfolio Councillor • Actions to address GAPS
IDP & Budget	Approval of IDP and Budget	Approval by Council
SDBIP	Departmental SDBIP development	Workshop with departments
June		
Service Provider Performance	Review performance of service providers as per the approved policy	• Submit reports to SCM Unit • Address poor performance
SDBIP Reporting	Update departmental SDBIP	• Monthly progress reports to Executive Management and Portfolio Councillor • Actions to address GAPS
SDBIP	Top Level SDBIP approval	• SDBIP to be submitted to Mayor within 14 days after budget approval • Approval by Mayor within 28 days after budget

Performance Management Calendar		
Action	**Activity**	**Comment**
		approval
SDBIP	Approval of departmental SDBIP	• SDBIP to be address all Top Level KPI's • Address departmental responsibilities Key activities, challenges and risks; performance plans (project lifecycle); resource allocation; inputs and timeframes
Work Place Skills Plan	Update and submit WPSP	Alignment with needs as per mid-year performance reviews

2016/17 Performance Management Framework

Appendix 2

List of acronyms

AG	: Auditor General
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
MTEF	: Medium Term Economic Framework
PDP	: Personal Development Plan
PMS	: Performance Management System
POE	: Portfolios 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

"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.

"councillor"
means a member of a municipal council

" Section 54 A employee"
means a person employed by a municipality as a municipal manager;

" Section 56 employee"
means a person employed by a municipality 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, Mayor or municipal manager as the case may be;

"employment contract"
means a contract as contemplated in Section 57 of the Municipal Systems Act;

"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

"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 a Mayor, means the councillor elected as the Mayor of the municipality in terms of section 55 of the Municipal Structures Act; or

"MEC for local government"
means the MEC responsible for local government in a province

"Minister"
means the national Minister responsible for local government

"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)

"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 57 of the Municipal Systems Act

"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.

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

"political office bearer"
means the speaker, 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

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

"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

Appendix 4

References

- Constitution of the Republic Of South Africa (1996)
- Local Government :Municipal Systems Act (MSA) 2000 and its amendments
- Government Gazette :Regulations gazette No.7146
- Municipal Financial Management Act (MFMA) No.56 of 2003
- Municipal Structures Act 1998
- National Treasury : 2007 Framework for managing performance information
- White Paper on Local Government (1998)
- Batho Pele (1998)
- Municipal Planning and Performance Regulation 796 (2001)
- Municipal Performance Regulation for Municipal Managers and Managers directly accountable to Municipal Managers (805 of 2006)
- MFMA Circular 11 – Annual Reports
- MFMA Circular 13 – SDBIP
- MFMA Circular 32: Oversight report
- MFMA Circular 42: Funding of municipal budget
- MFMA Circular 54: Municipal budget circular
- Notice 464: Directive: Performance information public audit act (2007)
- Umsobomvu Municipality Performance Management System Implementation Policy