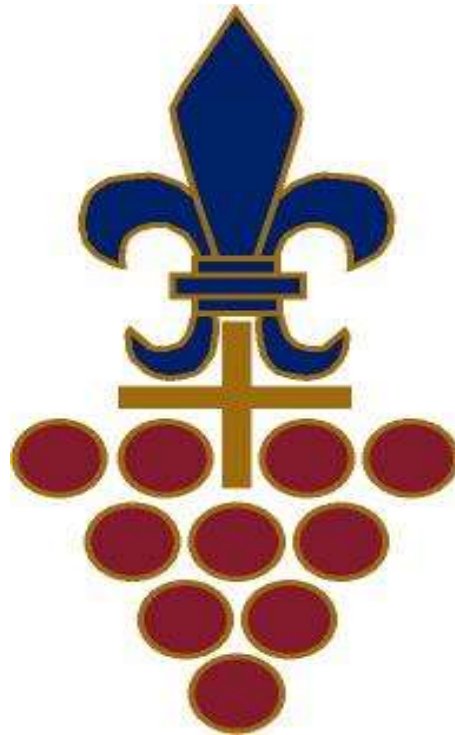


**STELLENBOSCH MUNICIPALITY**



**PERFORMANCE MANAGEMENT  
POLICY**

**2019/2020**



# STELLENBOSCH MUNICIPALITY

## PERFORMANCE MANAGEMENT POLICY

Compiled in terms of the Local Government: Municipal Systems Act,  
2000 (Act 32 of 2000)

### Table of Contents

Table of Contents.....	2
List of acronyms .....	4
Glossary of terms .....	4
1. Introduction.....	9
2. Legislative Framework.....	10
2.1 The following legislation forms the foundation for the policy.....	10
3. Objectives and Benefits of a Performance Management System.....	10
3.1 Objectives.....	10
4. Definitions and Key Steps in Performance Management .....	11
4.1 The Performance Cycles .....	11
4.2 Key Steps in Performance Management.....	12
4.3 The Performance Management Model.....	13
5. The Service Delivery and Budget Implementation Plan (SDBIP).....	13
5.1 The municipal scorecard.....	14
5.1.1 Update actual performance.....	15
5.1.2 Quarterly reviews.....	16
5.1.3 Council Reviews .....	17
5.1.4 Public Reviews .....	17
5.1.5 Roles and Responsibilities.....	18
5.2 Departmental scorecards.....	19
5.2.1 Preparing the Departmental SDBIP .....	19
5.2.2 Approval of Departmental SDBIP.....	20
5.2.3 Update actual performance.....	20
5.2.4 Monthly reviews .....	20
5.2.5 Adjustments to KPI's.....	21
5.2.6 Roles and Responsibilities.....	21
5.3 Individual Performance .....	22
5.3.1 Individual scorecards (Municipal Manager and Section 56 Managers).....	23
5.3.2 Individual scorecards (rest of staff) .....	24
5.3.3 Skills Development Plan .....	25

- 5.3.4 Informal and Formal performance reviews ..... 25
- 5.3.5 Appeals process ..... 26
  - 5.3.5.1 Section 56/57-Employees ..... 26
  - 5.3.5.2 Employees reporting to the Directors and the Municipal Manager ..... 26
- 5.3.6 Reward and Recognition ..... 26
- 5.4 Service Providers ..... 26
  - 5.4.1 Notification of Service Providers upon appointment..... 27
  - 5.4.2 Evaluating the Performance of Service Providers ..... 27
  - 5.4.3 Prescribed procedures to evaluate service providers..... 28
  - 5.4.4 Evaluation and Improvement of the Performance Management System ..... 28
- 6. Governance ..... 29
  - 6.1 Continuous quality control and co-ordination ..... 30
  - 6.2 Performance investigations..... 30
  - 6.3 Internal Audit ..... 30
  - 6.4 Performance Audit Committee ..... 30
- 7. Performance Reporting..... 31
  - 7.1 Monthly reports..... 31
  - 7.2 Quarterly reports..... 31
  - 7.3 Mid-year assessment..... 31
  - 7.4 Annual Performance Report ..... 32
  - 7.5 Annual Report..... 32
  - 7.6 Legislative Reporting Requirements ..... 32
- 8. Design of Key Performance Indicators and Targets ..... 35
  - 8.1 Setting indicators ..... 35
- 9. Performance Process Maps..... 36
  - 9.1 Top Layer SDBIP..... 37
  - 9.2 Departmental SDBIP ..... 37
  - 9.3 Individual Performance ..... 38
- 10. Role and Responsibilities of Stakeholders ..... 38
- 11. Framework review ..... 41
- 12. Conclusion..... 41

## 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 Finance Management Act
MSA	: Municipal Systems Act
MTEF	: Medium Term Expenditure Framework
PDP	: Personal Development Plan
PMS	: Performance Management System
POE	: Portfolio of Evidence
SALGA	: South African Local Government Association
SDBIP	: Service Delivery and Budget Implementation Plan
SFA	: Strategic Focus Area
SMART	: Specific, Measurable, Achievable, Realistic, Time-frame
TL SDBIP	: Top Layer Service Delivery Budget Implementation Plan
WPSP	: Work Place Skills Plan

## Glossary of terms

- **“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 57 employee”**

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

- **“employer”**

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

- **“employment contract”**

means a contract as contemplated in Section 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

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

- **“MEC for local government”**

means the MEC responsible for local government in a province

- **“Minister”**

means the national Minister responsible for local government

- **“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 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

- (a) 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, executive mayor, mayor, deputy mayor or member of the executive committee as referred to in the Municipal Structures Act

- **“political structure”**

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

- **“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



## 1. Introduction

Performance Management is a process which measures the implementation of the organisation's strategy.

At local government level, performance management is institutionalized through the legislative requirements and the policies or regulations of a municipality. Performance management provides the mechanism with which to measure targets/goals set by the organisation and its employees to meet its strategic objectives.

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. The MSA and the Municipal Finance Management Act (MFMA) further requires from the Integrated Development Plan (IDP) to be aligned to the municipal budget and to be monitored through 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.*"

This policy 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, SDF, SDBIP and individual and service provider performance

## **2. Legislative Framework**

### **2.1 The following legislation forms the foundation for the policy**

- 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

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

### **3.1 Objectives**

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

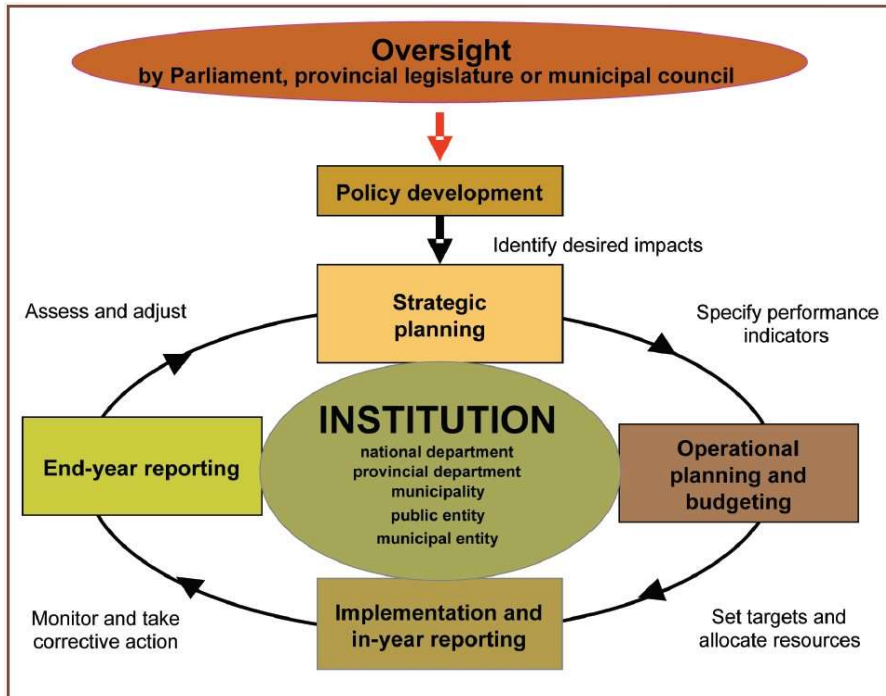
- Facilitate strategy development
- Facilitate increased accountability
- Facilitate learning and improvement
- Provide early warning signals
- Create a culture of best practices
- Facilitate decision-making

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.

#### 4. Definitions and Key Steps in Performance Management

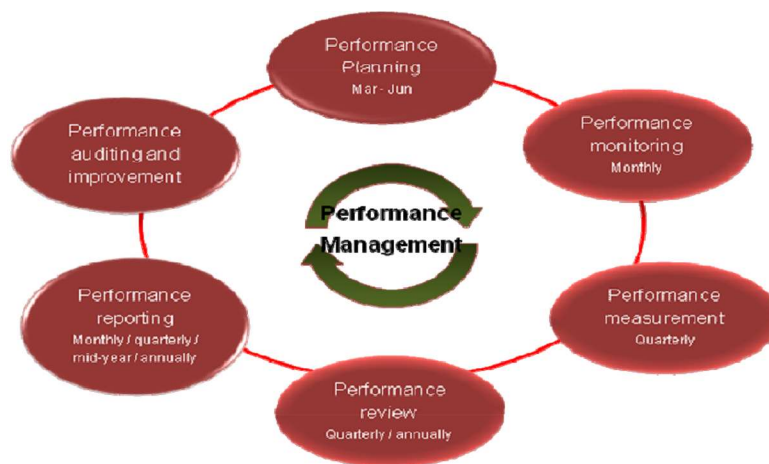
##### 4.1 The Performance Cycles

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:



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 with the IDP planning, activities and resource decisions. This is the stage where Key Performance Areas and Key Performance Indicators are designed to address the IDP objectives.
- **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.

#### 4.2 Key Steps in Performance Management

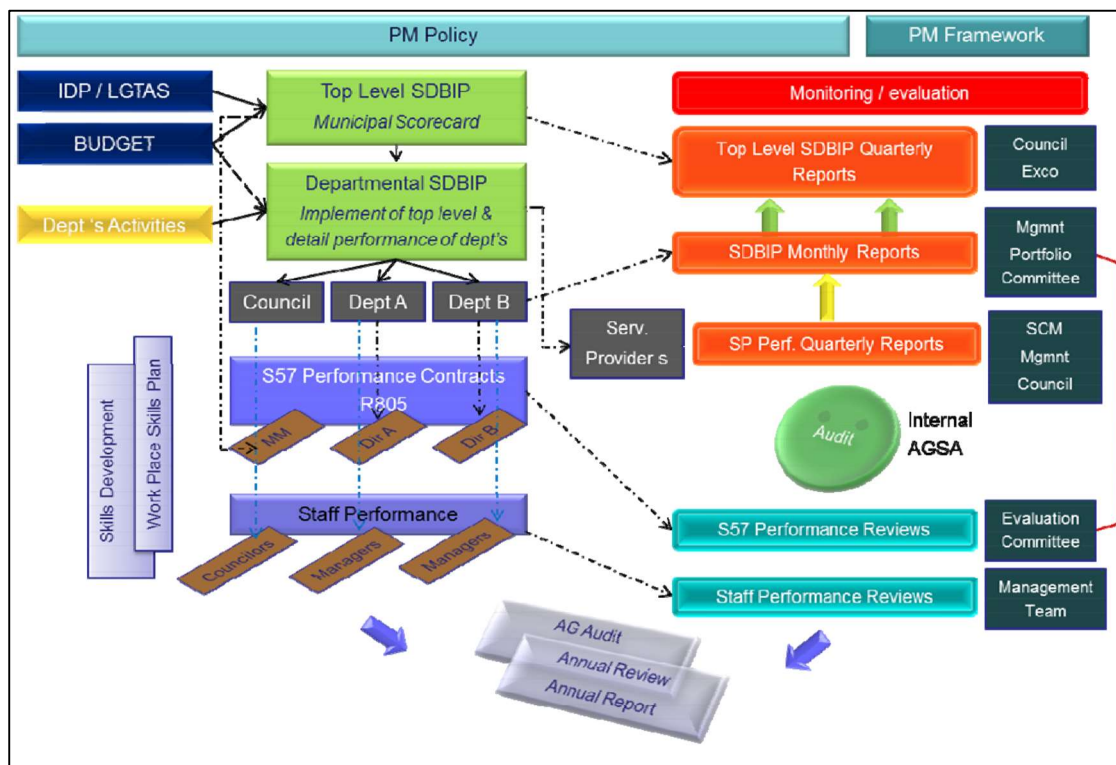
The key steps in implementing the performance cycle are as follows:

1. IDP consultation and strategic processes to determine
  - Strategic Objectives aligned with the National Agenda and local needs
  - Establish the Municipal KPA's
  - Design Strategic Focus Areas
2. Prioritise 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 report 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

### 4.3 The Performance Management Model

The following section will explain the methodology of the adopted performance management model as depicted in the diagram below:



### 5. The Service Delivery and 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 Executive Mayor within 14 days after the budget has been approved. The Executive Mayor needs to approve the SDBIP within 28 days after the budget has been approved.

For each indicator the scorecard will require that a responsible official be designated, usually the respective line manager. 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 the Executive Mayor on these for reviews.

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

## **5.1 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 financial and no- financial performance on its strategic priorities.

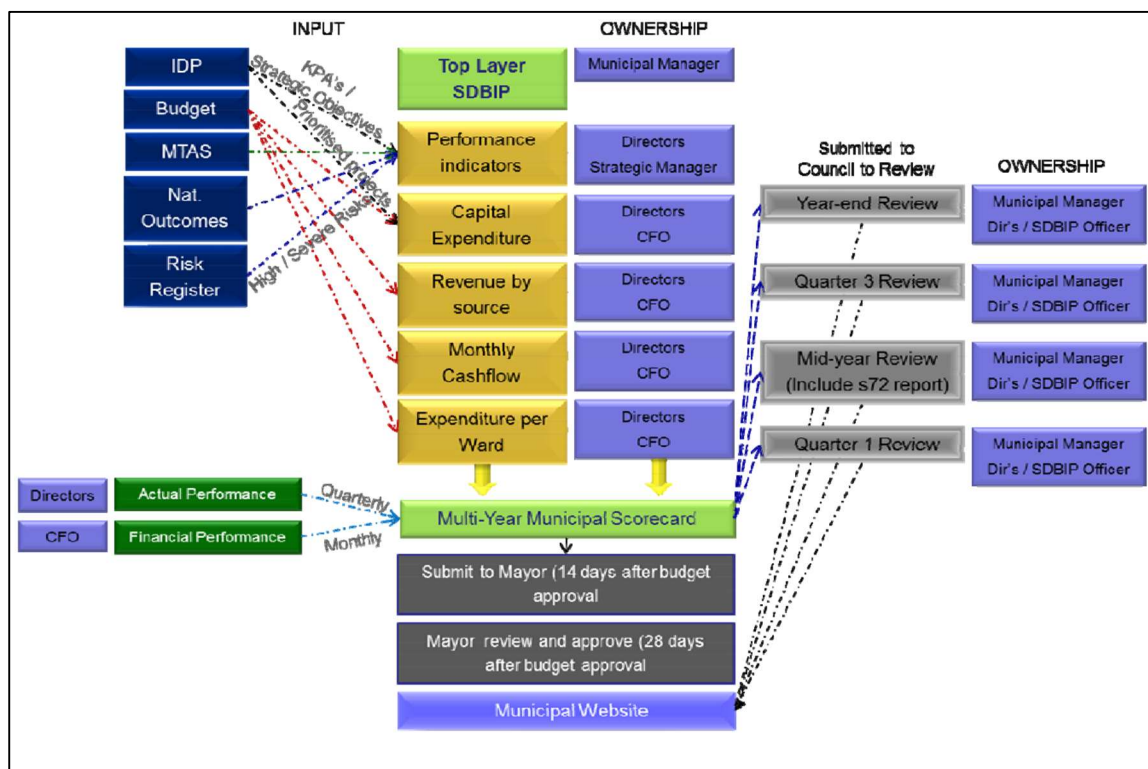
The Components of the top-layer SDBIP includes:

- Monthly projections of revenue to be collected for each source
- Expected revenue to be collected.
- 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):



### 5.1.1 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.

Quarterly reviews

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

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

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

The Executive Mayor will need to ensure that targets committed to in the municipal scorecard are being met, where they are not, that satisfactory and sufficient reasons are provided and that the corrective action being proposed is sufficient to address the 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 Executive Mayor not only pay attention to poor performance but also to good performance. It is expected that the Executive Mayor will acknowledge good performance, where directorates or departments have successfully met targets in their directorate/departmental scorecards.

### **5.1.2 Council Reviews**

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

### **5.1.3 Public Reviews**

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

### 5.1.4 Roles and Responsibilities

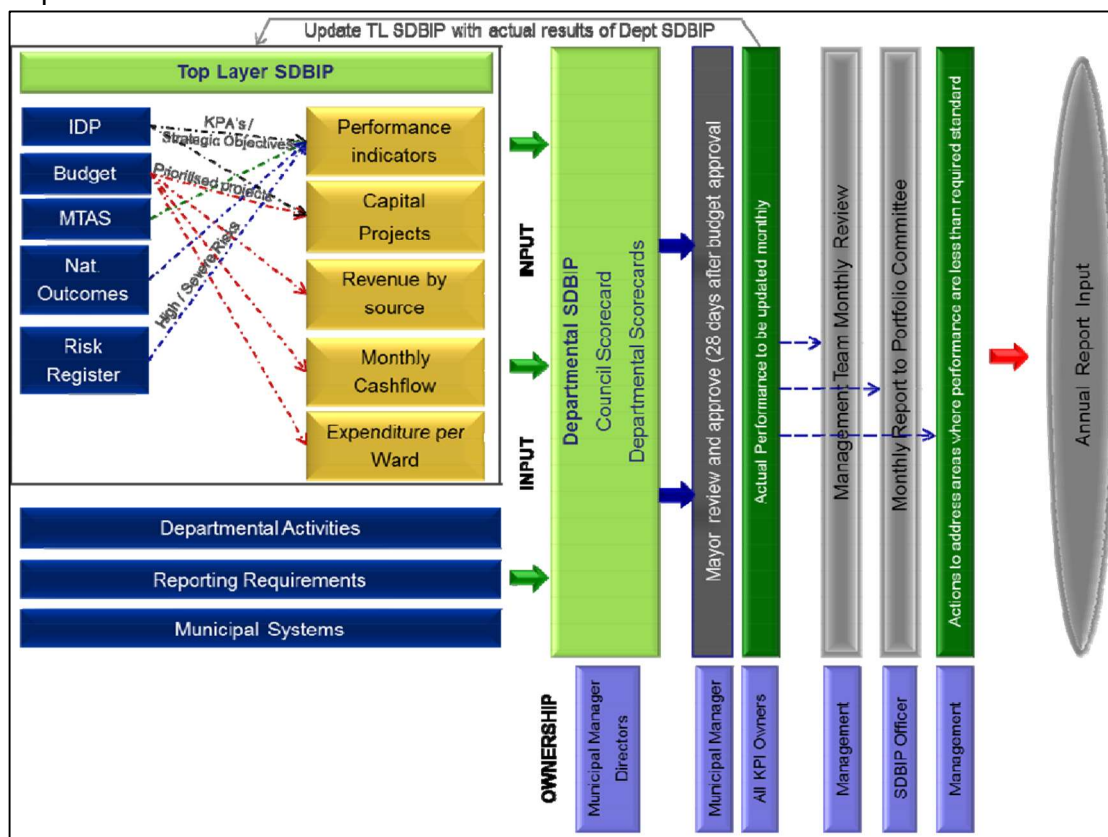
The roles and responsibilities during the TL SDBIP process can be summarised as follows:

Role Player	Roles and Responsibilities
<b>Executive Mayor</b>	<ul style="list-style-type: none"> <li>• Mayor is responsible for the performance and need to approve the TL SDBIP.</li> <li>• Quarterly review of performance and monitor implementation of corrective action.</li> <li>• Submit the mid-year and annual performance reports to Council.</li> </ul>
<b>Mayoral Committee</b>	<ul style="list-style-type: none"> <li>• Support to the Executive Mayor</li> <li>• Provide strategic awareness and manage the development of the TL SDBIP.</li> </ul>
<b>Portfolio Councillor</b>	<ul style="list-style-type: none"> <li>• Monitor the implementation of the strategy.</li> <li>• Review and monitor the implementation of the TL SDBIP at Portfolio Committee level.</li> </ul>
<b>Council</b>	<ul style="list-style-type: none"> <li>• Oversight role to ensure that performance management processes are monitored</li> </ul>
<b>Municipal Manager</b>	<ul style="list-style-type: none"> <li>• Drafting of the TL SDBIP</li> <li>• Ensure the implementation of the TL SDBIP.</li> <li>• Monitor the TL SDBIP and ensure that POE's to proof performance exists.</li> <li>• Take corrective action where required.</li> <li>• Communicate with the Executive Mayor and Executive Management Team.</li> </ul>
<b>Senior Management Team</b>	<ul style="list-style-type: none"> <li>• Manage and report on departmental performance to be cascaded up to the TL SDBIP.</li> <li>• Plan Performance.</li> <li>• Integration role and ensure POE's exists to proof performance.</li> </ul>
<b>Internal Audit</b>	Internal audit should quarterly audit the results reported on a sample basis and issue a report to the municipal manager/ performance audit committee.
<b>Auditor-General</b>	Auditing of legal compliance and outcomes.
<b>Performance Audit Committee</b>	Independent oversight on municipal performance and legal compliance.

## 5.2 Departmental scorecards

The directorate and departmental scorecards (detailed 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:



### 5.2.1 Preparing the Departmental SDBIP

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 extent be aligned with the cash flow 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.

### **5.2.2 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.

### **5.2.3 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.

### **5.2.4 Monthly reviews**

The Directorates will update their performance monthly in terms of the SDBIP and report to the Municipal Manager and the respective Portfolio Committee. 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 Mayoral Committee. Changes in indicators and targets may be proposed at this meeting, but can only be approved by the Executive Mayor, in consultation with the Municipal Manager.

### 5.2.5 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 Executive 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.

### 5.2.6 Roles and Responsibilities

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

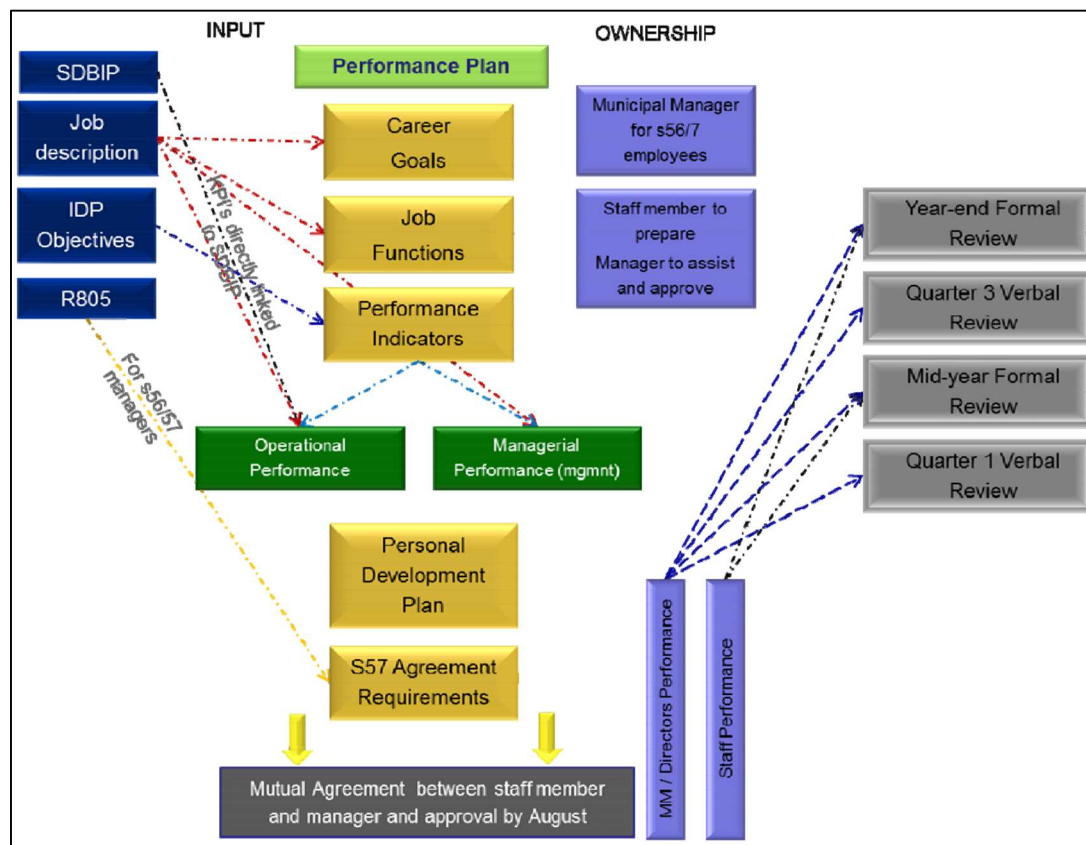
<b>Role Player</b>	<b>Roles and Responsibilities</b>
<b>Executive Mayor</b>	<ul style="list-style-type: none"> <li>• Responsible for the KPI's assigned to him/her and his/her committee. The mayor should update performance results monthly.</li> </ul>
<b>Mayoral Committee</b>	<ul style="list-style-type: none"> <li>• Review the feedback received from Portfolio Councillors/ respective senior manager and monitor overall performance.</li> <li>• Support the Executive Mayor.</li> </ul>
<b>Portfolio Councillor</b>	<ul style="list-style-type: none"> <li>• Support the senior manager to implement the municipal strategy.</li> <li>• Review and monitor progress at portfolio level.</li> <li>• Report to the Mayoral Committee on performance review and progress.</li> <li>• Assist senior management to take corrective action to improve performance.</li> </ul>
<b>Municipal Manager</b>	<ul style="list-style-type: none"> <li>• Approval of the Departmental SDBIP</li> <li>• Monitor SDBIP and ensure that POE's exist.</li> <li>• Review and monitor the implementation on the SDBIP</li> <li>• Ensure that KPI's address the municipal strategy and service delivery requirements.</li> <li>• Ensure alignment with the IDP objectives/programmes and budgets.</li> <li>• Take corrective actions where required.</li> <li>• Communicate with the senior management team on performance progress and reporting.</li> </ul>

<b>All Managers</b>	<ul style="list-style-type: none"> <li>• Design KPI's to address the TL SDBIP, operational needs, service delivery improvement and other key departmental activities.</li> <li>• Plan performance and set targets.</li> <li>• Assign KPI's to KPI owners.</li> <li>• Ensure the implementation of the SDBIP.</li> <li>• Monitor performance and document POE's.</li> <li>• Take corrective action where required.</li> <li>• Communicate performance results to the municipal manager and Portfolio Committee.</li> </ul>
<b>Internal Audit</b>	Internal audit should quarterly audit the results reported on a sample basis and issue a report to the municipal manager/ performance audit committee.
<b>Auditor-General</b>	Auditing of legal compliance and outcomes.
<b>Performance Audit Committee</b>	Independent oversight on municipal performance and legal compliance.

### 5.3 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.

### 5.3.1 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.

- A performance bonus may be paid as agreed in the performance agreement.
- 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 56/57 Managers according to their areas of responsibility.
- Personal Development Plan: The plan is an Annexure to the Performance Agreement and addresses the developmental needs/requirements of the manager indicating actions and timeframes.

The management of the performance process for the municipal manager and the Section 56/57 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.

### **5.3.2 Individual scorecards (rest of staff)**

The introduction of individual performance is applicable to all staff including those appointed on a temporary basis.

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

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

- Qualifications – a record of formal and informal training and experience.
- Job functions – key focus areas for the year.
- Career goals - long term and intermediate career goals.
- Key performance indicators linked to the SDBIP – KPI's in the SDBIP that are the responsibility of the respective manager 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.

### **5.3.3 Skills Development Plan**

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

### **5.3.4 Informal and Formal performance reviews**

Monthly monitoring of the departmental SDBIP's take place and performance is discussed with relevant staff as and when required.

Although performance should be managed on a daily basis, formal performance reviews should be done by the respective supervisor at least bi-annually as of 2015/16 for the post levels as per implementation plan. The objective review should be based on actual performance and performance evidence. The responsibility to maintain and present a portfolio of evidence file at the performance assessment is with the subordinate. The supervisor and employee needs to prepare for the review and discuss the performance during a focused 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 on the employee's ability to render the allocated tasks including measures to improve on set targets

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

### 5.3.5 Appeals process

#### 5.3.5.1 Section 56/57-Employees

The Appeals process as prescribed in R805 of August 2006 and as agreed in the employment and performance contracts of the Section 56/57-Managers will be applicable in instances where they are not in agreement with their final performance evaluations.

#### 5.3.5.2 Employees reporting to the Directors and the Municipal Manager

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.

### 5.3.6 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 recognise excellent performance in terms of the Council's reward and recognition policy.

## 5.4 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.

External Service providers will be evaluated on the following criteria by the service departments:

<b>Performance rating</b>	<b>Objective Measures to Assess Service Provider Performance</b>
<b>3</b>	<ul style="list-style-type: none"><li>- Quality of Service delivery as agreed; Deviations are managed as mutually agreed:</li><li>- Compliance to most undertakings, duties and obligations and requirements as set out in the Main Agreement and Annexures;</li><li>- Progress with all projects and new service requests are on target;</li><li>- All Service failure events during month resolved within agreed time frames and preventative measures are proposed by Service Provider.</li></ul>
<b>2</b>	<ul style="list-style-type: none"><li>- Quality of Service delivery in compliance with Agreement; BUT requires more management</li></ul>

	<p>and focus from Service Provider:</p> <ul style="list-style-type: none"> <li>- Progress with projects and new service requests are on not on target;</li> </ul> <p>1.1.1.1 Service failure events are not resolved in agreed time frames and preventative measures for implementation are not proposed by Service Provider.</p>
<b>1</b>	<ul style="list-style-type: none"> <li>- Quality of Service delivery totally unacceptable; Consider termination of Agreement and all Services.</li> <li>- Non-compliances, progress with projects and new service requests and service failure events worse than for rating 2;</li> <li>- Commitment from Service Provider to resolve outstanding issues is lacking;</li> <li>- Skills and resources to deliver a quality service are inadequate;</li> <li>- Participation in contract governance, service management and effective communication is lacking or inadequate.</li> </ul> <p>1.1.1.2</p>

### **5.3.7 Notification of Service Providers upon appointment**

All service providers must be informed of:

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

### **5.3.8 -Evaluating the Performance of Service Providers**

Thresholds (size and types of service provider contracts in line that need to comply with the requirements of the SCM policy should be allowed to. The thresholds that need to be reviewed include:

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

Contracts must be signed by service providers must sign a service level agreement indicating the services to be delivered,

- 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

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

### **5.3.10 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.

## **6. 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).

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

The Municipal Manager and PMS Department 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 IDP/manager should support him/her in verifying the performance data and prepare the performance reports.

### **6.2 Performance investigations**

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

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

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

### **6.3 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.

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

### **6.4 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 .

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.

## **7. 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:

### **7.1 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.

### **7.2 Quarterly reports**

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

### **7.3 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.

#### 7.4 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.

#### 7.5 Annual Report

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

#### 7.6 Legislative Reporting Requirements

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

<b>Time frame</b>	<b>MSA/ MFMA Reporting on PMS</b>	<b>Section</b>
<b>Quarterly reporting</b>	<p>The municipal manager collates the information and draft the organisational performance report, which is submitted to Internal Audit.</p> <p>The Internal Auditors (IA) must submit quarterly audited reports to the Municipal Manager and to the Performance Audit Committee</p> <p>The Municipal Manager submits the reports to the Council.</p>	MSA Regulation 14(1)(c)
<b>Bi-annual reporting</b>	<p>The Performance Audit Committee must review the PMS and make recommendations to council</p> <p>The Performance Audit Committee must submit a report at least twice during the year a report to Council</p> <p>The Municipality must report to Council at least twice a year</p> <p>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.</p>	<p>MSA Regulation 14(4)(a)</p> <p>MSA Regulation 14(4)(a)</p> <p>MSA Regulation 13(2)(a)</p> <p>MFMA S72</p>
<b>Annual reporting</b>	The annual report of a municipality must include the annual performance report and any recommendations of the municipality's audit	MFMA S121 (3)(c)(j) & MSA S46



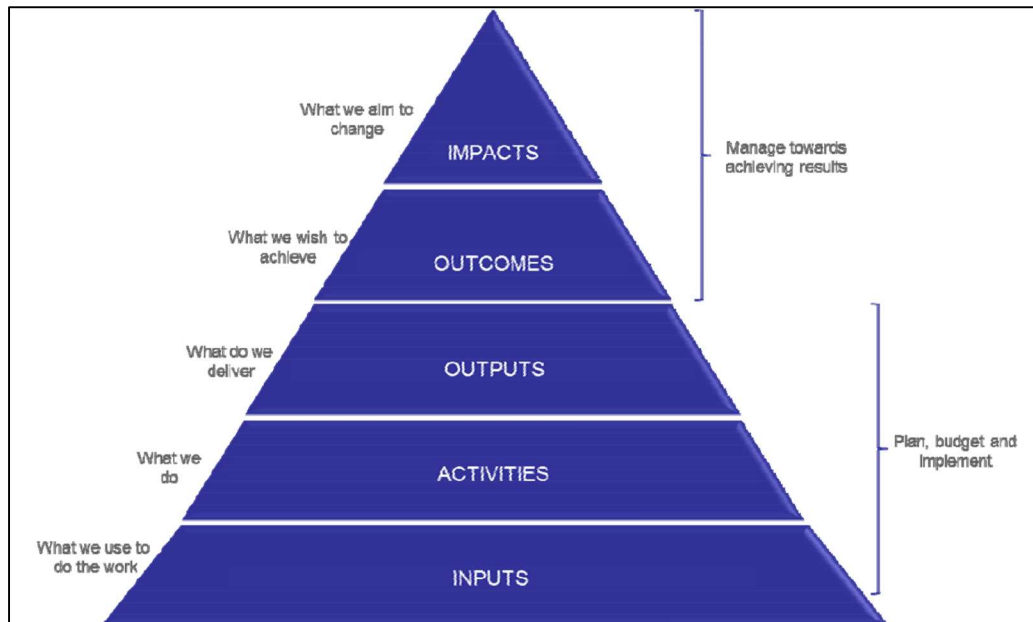
	<p>committee</p> <p>The accounting officer of a municipality must submit the performance report to the Auditor-General for auditing within two months after the end of the financial year to which that report relate</p> <p>The Auditor-General must audit the performance report and submit the report to the accounting officer within three months of receipt of the performance report</p> <p>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</p>	<p>MFMA S126 1(a)</p> <p>MFMA S126 (3)(a)(b)</p> <p>MFMA S127(2)</p>
	<p>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</p> <p>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.</p> <p>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</p> <p>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</p> <p>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</p>	<p>MFMA S127 (4)(a)</p> <p>MFMA S127 (5)(b)</p> <p>MFMA S129 (1)</p> <p>MFMA S130 (1)</p> <p>MFMA S134</p>
<b>Contracts and contract Management</b>	(1)A contract or agreement procured through the supply chain management system of a municipality or municipal entity must-	MFMA 116

	<p>(a) be in writing;</p> <p>(b) stipulate the terms and conditions of the contract or agreement, which must include provisions providing for-</p> <p>(i) the termination of the contract or agreement in the case of non- or underperformance;</p> <p>(ii) dispute resolution mechanisms to settle disputes between the parties;</p> <p>(iii) a periodic review of the contract or agreement once every three years in the case of a contract or agreement for longer than three years; and</p> <p>(iv) any other matters that may be prescribed.</p> <p>(2) The accounting officer of a municipality or municipal entity must-</p> <p>(a) take all reasonable steps to ensure that a contract or agreement procured through the supply chain management policy of the municipality or municipal entity is properly enforced;</p> <p>(b) monitor on a monthly basis the performance of the contractor under the contract or agreement;</p> <p>(c) establish capacity in the administration of the municipality or municipal entity-</p> <p>(i) to assist the accounting officer in carrying out the duties set out in paragraphs (a) and (b); and</p> <p>(ii) to oversee the day-to-day management of the contract or agreement; and</p> <p>(d) regularly report to the council of the municipality or the board of directors of the entity, as may be appropriate, on the management of the contract or agreement and the performance of the contractor.</p> <p>(3) A contract or agreement procured through the supply chain management policy of the municipality or municipal entity may be amended by the parties, but only after-</p> <p>(a) the reasons for the proposed amendment have been tabled in the council of the municipality or, in the case of a municipal entity, in the council of its parent municipality; and</p> <p>(b) the local community-</p> <p>(i) has been given reasonable notice of the intention to amend the contract or I O agreement; and</p> <p>(ii) has been invited to submit representations to the municipality or municipal entity.</p>	
--	---	--

## 8. Design of Key Performance Indicators and Targets

### 8.1 Setting indicators

In setting indicators it is important that one understands the key performance concepts) 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.

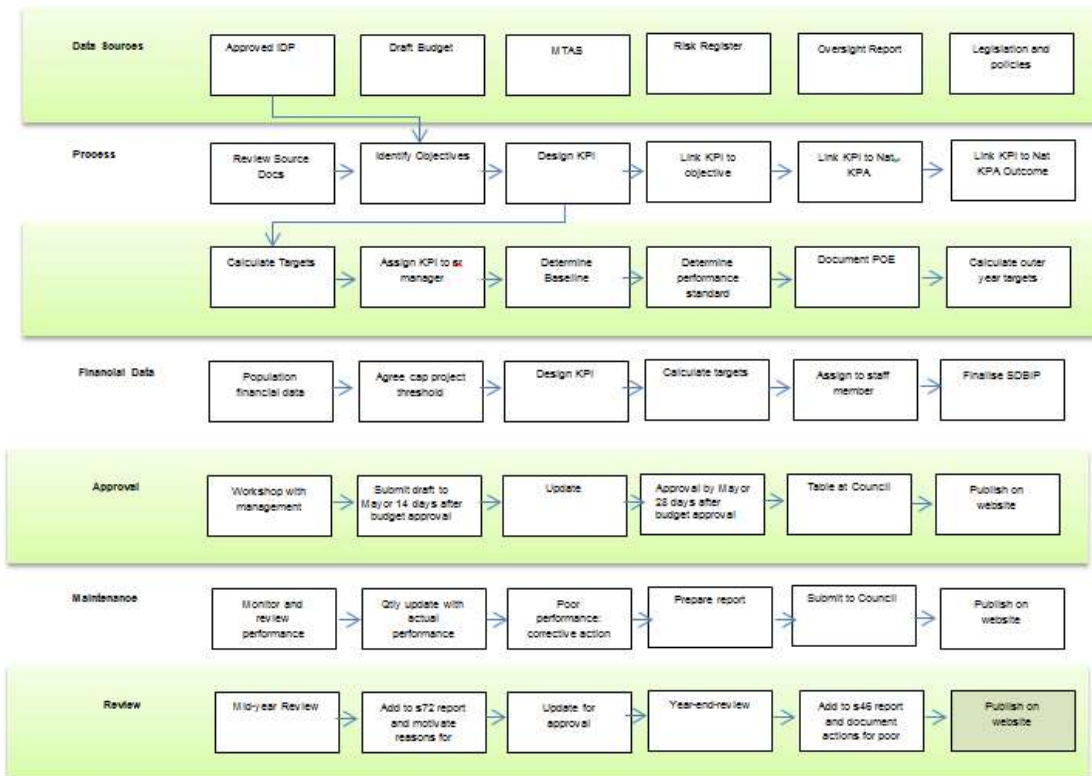
The following steps should be followed to develop a performance indicator:

- 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.

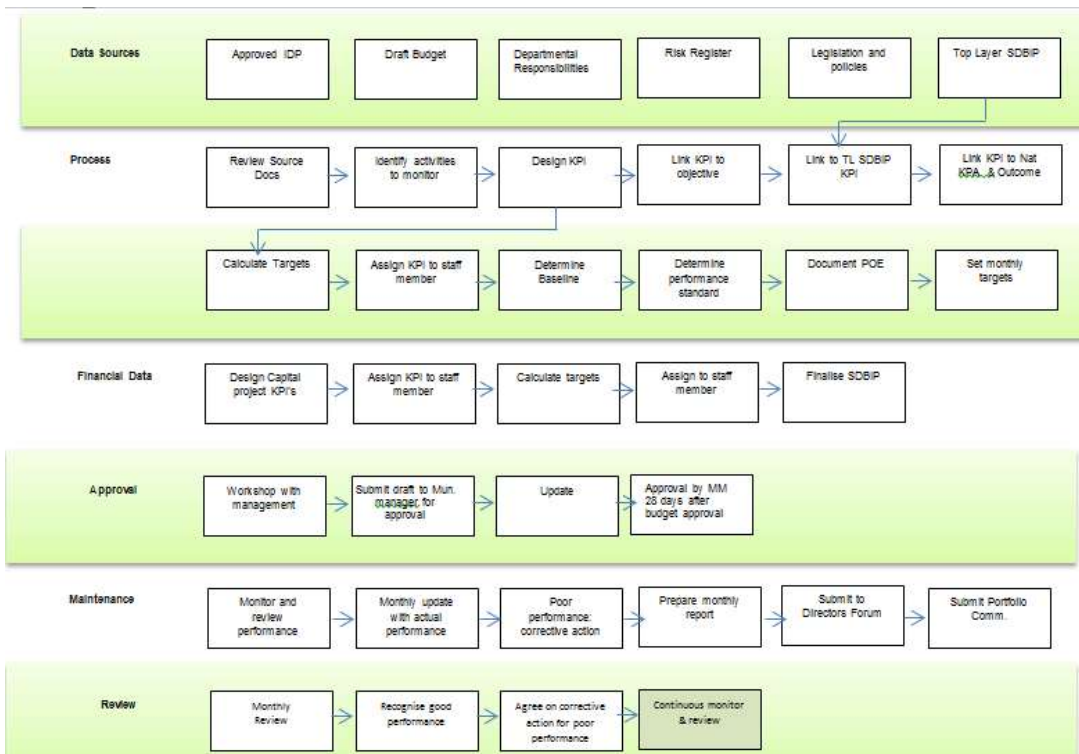
## **9. Performance Process Maps**

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

## 9.1 Top Layer SDBIP

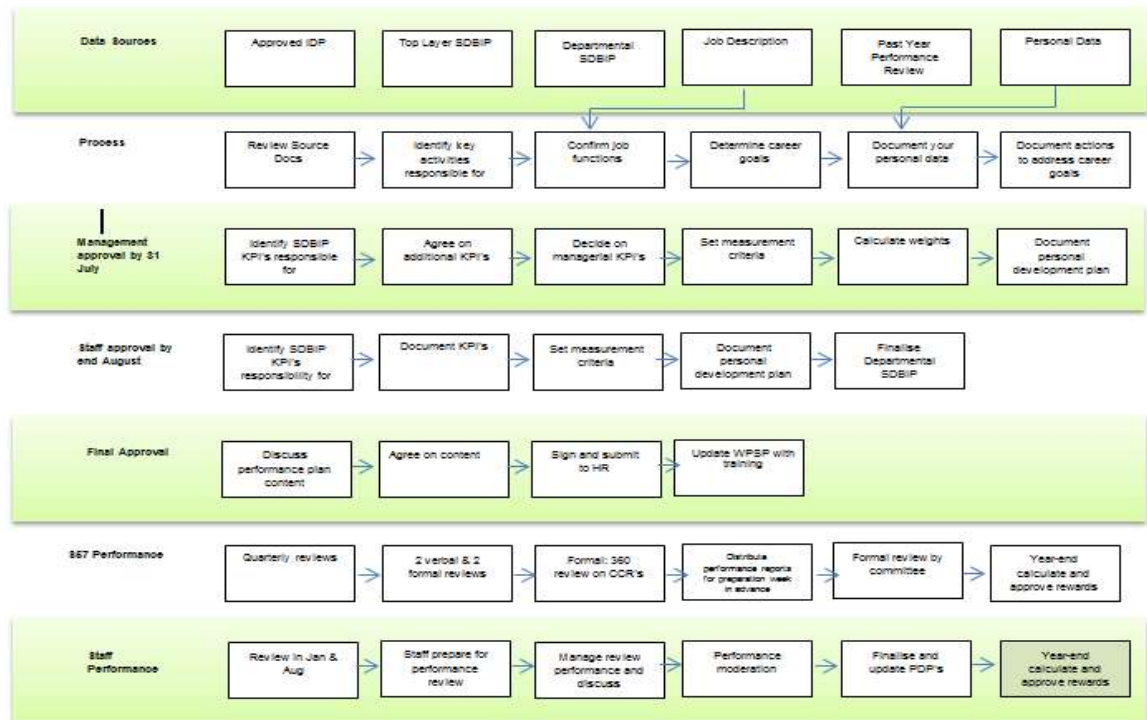


## Departmental SDBIP



## 9.2 Individual Performance

10.



### 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	
<b>Executive Mayor</b>	<ul style="list-style-type: none"> <li>Facilitate the development of a long term Vision regarding IDP and PMS</li> <li>Mayor is responsible for the performance and need to approve the SDBIP and submit the annual performance report to Council</li> <li>Approval of municipal manager performance plan and evaluate and report on municipal performance</li> </ul>	Optimum and equitable service delivery.

STAKEHOLDERS	INVOLVEMENT	BENEFITS
	ADMINISTRATIVE OVERSIGHT	
<b>Mayoral Committee</b>	<ul style="list-style-type: none"> <li>• Support to the Executive Mayor</li> <li>• Provide strategic awareness and manage the development of the IDP and PMS.</li> </ul>	Promotes public awareness and satisfaction.

STAKEHOLDERS	INVOLVEMENT	BENEFITS
	ADMINISTRATIVE OVERSIGHT	
<b>Portfolio Councillor</b>	<ul style="list-style-type: none"> <li>• Monitor the implementation of the strategy</li> <li>• Review and monitor the implementation of the IDP and the PMS</li> <li>• Evaluate performance of senior management, where applicable</li> </ul>	Facilitates the process of benchmarking and collaboration with other municipalities.
<b>Council</b>	<ul style="list-style-type: none"> <li>• Adopt the PMS policy and approve the IDP</li> <li>• Approve performance rewards</li> <li>• Oversight role to ensure that performance management processes are monitored</li> </ul>	Provides a mechanism for the implementation and review of PMS and IDP achievement.

STAKEHOLDERS	INVOLVEMENT	BENEFITS
	IMPLEMENTERS	
<b>Municipal Manager</b>	<ul style="list-style-type: none"> <li>• Ensure the implementation of the IDP and the PMS.</li> <li>• Communicate with the Executive Mayor and Senior Management Team.</li> </ul>	Clarifies goals, targets and work expectations of the executive management team, other senior managers, line managers and individual employees.

<p><b>Senior Management Team</b></p>	<ul style="list-style-type: none"> <li>• Manage Departmental and individual performance</li> <li>• Review and report on performance</li> </ul>	<p>Facilitates the identification of training and development needs at different levels in the municipality.</p>
<p><b>All Other Managers</b></p>	<ul style="list-style-type: none"> <li>• Implement the departmental business / operational plans and monitor the Individual Performance Plans.</li> </ul>	<p>Provides an objective basis upon which to reward good performance and correcting under performance.</p>
<p><b>Individual Employees</b></p>	<ul style="list-style-type: none"> <li>• Execute individual performance plans.</li> </ul>	<p>Mechanism for early warning indicators to check and ensure compliance.</p>
<p><b>Reporting Officer (for service provider evaluations)</b></p>	<ul style="list-style-type: none"> <li>• Line Departments</li> <li>• Monitor and assess work done or service provided as per the service delivery agreement or contract</li> <li>• Report on the performance of the service provider</li> </ul>	<p>Ensure quality and effective performance of service providers.</p>
<p><b>Supply Chain Management</b></p>	<ul style="list-style-type: none"> <li>• Manage the performance monitoring process of service providers.</li> <li>• Report on contract management and service provider performance to Council quarterly.</li> <li>• Report to Council annually on the performance of service providers.</li> <li>• Investigate and report on the impact of the interventions.</li> </ul>	<p>Enhances service delivery and performance. Addresses weak performance timeously. Effective reporting.</p>
<p><b>Internal Audit</b></p>	<ul style="list-style-type: none"> <li>• Assess the functionality, integrity, effectiveness and legal compliance with the PMS.</li> </ul>	<p>Enhances the credibility of the PMS and the IDP enhances the status and role of Internal Audit.</p>



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

## 11. Framework review

This framework will be reviewed as and when required.

## 12. Conclusion

This policy describes how the municipality's performance process, for the organisation as a whole will be conducted, organised and managed.

It is important to note that a Performance Management Policy 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 lends itself to improvement and positive changes with even more focused alignment to the municipality's strategic objectives and performance levels.