

# **R**AMOTSHERE **M**OILOA **L**OCAL **M**UNICIPALITY



# **P**ERFORMANCE **M**ANAGEMENT **F**RAMWORK

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## 1. Introduction

The Municipal Planning and Performance Management Regulations stipulates that a municipality's Performance Management System (PMS) must entail 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.

Chapters 6 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000), requires the Municipality to:

- Establish a performance management system for planning, monitoring, measuring, reviewing, reporting and improving on Performance;
- Set targets, monitor and review performance based on indicators linked to the Integrated Development Plan (IDP);
- Involve the community in setting indicators and targets and reviewing municipal performance through the IDP processes;
- Incorporate and report on a set of general key performance indicators prescribed nationally by the Minister responsible for local government;
- Determine the roles and responsibilities of different role players in the functioning of the system;
- Determine the frequency of reporting and the lines of accountability for performance;
- Conduct an internal audit on performance measurement before tabling the report;
- Have the annual performance report audited annually by the Auditor-General; and
- Publish an annual report on performance management for the councillors, staff, the public and other spheres of government;

The purpose of this document is to, according to the requirements of the Municipal Systems Act, 2000 (Act No. 32 of 2000) develop a performance management framework for Ramotshere Moiloa Local Municipality. This framework caters for the initiation, development, implementation and roll out of performance management within the Municipality. It also deals with the collection, recording, processing and reporting of Performance Information.

In developing the framework the following primary sources were consulted:

- Chapter 6 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000);
- Chapter 3 of the Local Government: Municipal Planning and Performance Management Regulations, 2001;
- Local Government: Municipal Systems Amendment, 2011 (Act No. 7 of 2011);
- Performance Management Guide for Municipalities, 2001;
- Framework for Managing Programme Performance Information
- GNR. 805 of 1 August 2001: Local Government: Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to the Municipal Manager, 2006.

## 2. PERFORMANCE MANAGEMENT PROCESS

### 2.1. INITIATION PHASE:

#### 2.1.1. *Delegation of responsibilities of different role players;*

2.1.1.1. The Executive Committee of Council is responsible for the development and management of the Performance Management System as required in the Municipal System Act, (Act 32 of 2000). It has assigned this responsibility to the Municipal Manager; however it is ultimately accountable for the development and management of the System;

2.1.1.2. The Municipal Manager further delegates this responsibility to the official managing the Performance Management Unit;

2.1.1.3. The Municipal System Act places responsibility on Council to adopt the Performance Management System;

2.1.1.4. The table below illustrate responsibilities of the different role players in the Operation and Management of Performance Management System on various levels:

**a) Municipal Council's political oversight roles and responsibilities**

PLANNING	REVIEWING	MONITORING	
		REPORTING	AUDIT OF PERFORMANCE
<ol style="list-style-type: none"> <li>1. Adopt a process set out in writing to guide the planning, drafting, adoption and review of its integrated development plan S28 MSA;</li> <li>2. Adopts a single, inclusive and strategic plan (Integrated Development Plan) for the development of the Municipality, S25(1) MSA;</li> <li>3. Adopts any amendments to the IDP, S25(2);</li> <li>4. Adopts the PMS framework.</li> <li>5. Assigns the responsibility for the</li> </ol>	<ol style="list-style-type: none"> <li>1. Annually reviews the IDP in accordance with an assessment of its performance measurements which includes the review of the key performance indicators, targets and development priorities and objectives); s 34 of MSA</li> <li>2. Approves the annual improvement measures of the municipality as part of the new municipal strategic scorecard.</li> <li>3. Approves any</li> </ol>	<ol style="list-style-type: none"> <li>1. Receives externally audited performance reports from the mayor every quarter.</li> <li>2. Reports the municipality performance to the community twice a year.</li> <li>3. Approves recommendations for the improvement of the performance management system.</li> <li>4. Annually approves performance appraisal of the municipal</li> </ol>	<ol style="list-style-type: none"> <li>1. Notes the municipal annual audit plan and any substantial changes to it.</li> <li>2. Can receive reports directly from the Audit Committee.</li> <li>3. Approves the implementation of the recommendations of the Audit Committee with regard to both improvement in the performance of the municipality or improvement of the performance management system itself.</li> </ol>

**b) Roles and responsibilities of the Executive Committee**

PLANNING	REVIEWING	MONITORING	
		REPORTING	AUDIT OF PERFORMANCE
<ol style="list-style-type: none"> <li>1. Manage the drafting of the municipality's integrated development plan, <i>s30 MSA</i></li> <li>2. Submits the draft plan to Council for adoption, <i>s30 MSA</i>;</li> <li>3. Manage the development of the Municipality's Performance Management System;</li> <li>4. Submits the PMS framework to Council for adoption, <i>s39 MSA</i>;</li> <li>5. Submits the municipality's service delivery and budget implementation plan that includes key performance indicators and performance targets</li> </ol>	<ol style="list-style-type: none"> <li>1. Proposes to Council, the annual review programme of the IDP, including the review of key performance indicators and performance targets.</li> <li>2. Proposes the annual performance improvement measures of the municipality.</li> <li>3. Proposes changes to the priorities, objectives, key performance indicators and performance targets of the municipality.</li> <li>4. Quarterly evaluates the performance of the municipality against adopted KPIs and targets.</li> <li>5. Quarterly reviews the performance of departments to improve the</li> </ol>	<ol style="list-style-type: none"> <li>1. Receives performance reports quarterly from the Municipal Manager</li> <li>2. Receives performance reports twice a year from the Audit Committee.</li> <li>3. Receives Monthly financial indicators and quarterly performance reports from the Municipal Manager on the performance of section 57 employees.</li> <li>4. Reports to Council on the performance of the municipality once every quarter.</li> <li>5. Reports to Council on</li> </ol>	<ol style="list-style-type: none"> <li>1. Submits the municipal annual audit plan and any substantial changes to it to Council for approval.</li> <li>2. Approves the implementation of the recommendations of the internal auditor with regard to both improvement in the performance of the municipality or improvement of the performance management system itself.</li> <li>3. Receives performance audit report from the Auditor General and makes recommendations</li> </ol>

**c) Roles and responsibilities of the Municipal Manager**

PLANNING	IMPLEMENTATION	REVIEW	MONITORING	
			REPORTING	AUDIT OF PERFORMANCE
<ol style="list-style-type: none"> <li>1. Submits a copy of adopted IDP and any amendments to the MEC for Local Government, s32</li> <li>2. Delegated to coordinate the drafting process of the Municipality's IDP;</li> <li>3. Delegated to coordinate the formulation and revision of the PMS framework, s39 MSA.</li> <li>4. Coordinates the formulation and revision of the municipality's integrated development plan that includes key performance indicators</li> </ol>	<ol style="list-style-type: none"> <li>1. Manages the overall implementation of the IDP;</li> <li>2. Ensures that all role players implement the provisions of the PMS framework;</li> <li>3. Ensures that the Service Delivery and Budget Implementation Plan serve the achievement of corporate performance targets.</li> <li>4. Ensures that the SDBIP is implemented according to the approved targets and timeframes.</li> <li>5. Implements performance</li> </ol>	<ol style="list-style-type: none"> <li>1. Formulates the annual review programme of the IDP, including the review of key performance indicators and performance targets for the consideration of Council Committees and the Mayor.</li> <li>2. Formulates the annual performance improvement measures of the municipality as part of the new corporate strategy and SDBIP.</li> <li>3. Quarterly reviews the performance of departments to improve the</li> </ol>	<ol style="list-style-type: none"> <li>1. Receives performance reports quarterly from the internal auditor.</li> <li>2. Receives performance reports twice a year from the Performance Audit Committee.</li> <li>3. Receives monthly departmental performance reports from HoDs.</li> <li>4. Reports once quarterly to council committees and the Mayor on the performance of Directorates.</li> <li>5. Reports on the implementation</li> </ol>	<ol style="list-style-type: none"> <li>1. Formulates the municipal annual audit plan.</li> <li>2. Formulates a response to the recommendations of the internal auditor and the Audit Committee.</li> <li>3. Formulates a response to performance audit report of the Auditor General and makes recommendat</li> </ol>

**d) Roles and responsibilities of Council Committees**

<b>PLANNING</b>	<b>REVIEWING</b>	<b>MONITORING</b>	
		<b>REPORTING</b>	<b>AUDIT OF PERFORMANC</b>
<ol style="list-style-type: none"> <li>1. Advise the mayor on priorities and objectives of the Integrated Development Plan.</li> <li>2. Deliberates and advice on the IDP and SDBIP that includes key performance indicators and performance targets.</li> <li>3. Ensures that concerns of community structures are taken</li> </ol>	<ol style="list-style-type: none"> <li>1. Participate in the formulation of the annual review programme of the IDP.</li> <li>2. Participate in the formulation of proposals for the annual performance improvement measures of the municipality as part of the corporate strategy.</li> <li>3. Quarterly evaluates the performance of their portfolios against adopted</li> </ol>	<ol style="list-style-type: none"> <li>1. Receives quarterly reports from the Directors responsible for their portfolios before they are tabled at the mayor and Council.</li> <li>2. Reports to the mayor on the recommendations for the improvement of the performance management system.</li> </ol>	<ol style="list-style-type: none"> <li>1. Participate in the formulation of the annual audit plan.</li> <li>2. Advises the mayor on the implementation of the recommendations of the internal auditor with regard to both the improvement in the performance of the municipality and improvement of the performance</li> </ol>



**e) Roles and responsibilities of Heads of Departments**

PLANNING	IMPLEMENTATION	REVIEW	MONITORING	
			REPORTING	AUDIT OF PERFORMANCE
<ol style="list-style-type: none"> <li>1. Participates in the IDP process plan;</li> <li>2. Participates in the formulation and revision of the municipality's Integrated Development Plan;</li> <li>3. Develop Technical SDBIP</li> <li>4. Enters into an Annual Performance Agreement (which include the Performance Objectives and Targets) with the Municipal Manager.</li> <li>5. Manages the development of subordinates' performance measurement system.</li> </ol>	<ol style="list-style-type: none"> <li>1. Carry out the task of implementing the Municipality's Integrated Development Plan;</li> <li>2. Operate in accordance with the Municipality's Performance Management System;</li> <li>3. Be responsive to the needs of the local community to participate in the affairs of the Municipality;</li> <li>4. Manages the implementation of the SDBIP.</li> <li>5. Ensures that the SDBIP is implemented according to the approved targets and timeframes.</li> <li>6. Implements performance improvement measures approved by the mayor and the Council.</li> <li>7. Manages the implementation of subordinates' performance</li> </ol>	<ol style="list-style-type: none"> <li>1. Participates in the formulation of the annual review programme of the IDP, including the review of key performance indicators and performance targets;</li> <li>2. Quarterly and annually evaluates and reviews the performance of the Municipality</li> </ol>	<ol style="list-style-type: none"> <li>1. Monitor the progress of the implementation of the Integrated Development Plan;</li> <li>2. Submit monthly section 71</li> <li>3. Comment on material variances per section 71 reports</li> <li>4. Reports on the implementation of improvement measures adopted by the mayor and Council.</li> <li>5. Quarterly and annually reports on the performance of the department.</li> </ol>	<ol style="list-style-type: none"> <li>1. Participates in the formulation of the response to the recommendations of the internal auditor and the Performance Audit Committee.</li> <li>2. Participates in the formulation of the response to performance audit report of the Auditor General and makes recommendations to the Municipal Manager</li> </ol>

**f) Roles and responsibilities of staff**

<b>PLANNING</b>	<b>IMPLEMENTATION</b>	<b>REVIEWING</b>	<b>REPORTING</b>
<ol style="list-style-type: none"> <li>1. Participates in the development of the SDBIP</li> <li>2. Participates in the development of their own performance</li> </ol>	<ol style="list-style-type: none"> <li>1. Executes individual work plans.</li> </ol>	<ol style="list-style-type: none"> <li>1. Participates in the review of unit plans.</li> <li>2. Participates in the review of own performance.</li> </ol>	<ol style="list-style-type: none"> <li>1. Reports to line manager on the implementation of their work plans.</li> </ol>

**g) Roles and responsibilities of the internal Audit**

<b>PLANNING</b>	<b>MONITORING</b>	
	<b>REVIEW</b>	<b>REPORTING</b>
<ol style="list-style-type: none"> <li>1. Participates in the formulation of the Internal Audit Charter.</li> <li>2. Ensure the formulation of the annual risk based audit plan.</li> </ol>	<ol style="list-style-type: none"> <li>1. Audit the results of the Performance Measurements;</li> <li>2. Verify the performance of departments according to KPIs and performance targets set in the IDP and SDBIP.</li> <li>3. Assess the functionality of the PMS.</li> </ol>	<ol style="list-style-type: none"> <li>1. Submit quarterly reports to the Municipal Manager.</li> <li>2. Submit quarterly reports to the Audit Committee.</li> </ol>

**h) Roles and Responsibilities of the Audit Committee**

<b>PLANNING</b>	<b>MONITORING</b>	
	<b>REVIEWING</b>	<b>REPORTING</b>
<ol style="list-style-type: none"> <li>1. Participates in the formulation of the Audit Committee Charter.</li> <li>2. Participates in the formulation of the annual audit plan.</li> </ol>	<ol style="list-style-type: none"> <li>1. Review quarterly reports from Departments and the internal audit committee.</li> </ol>	<ol style="list-style-type: none"> <li>1. Reports quarterly to the Municipal Council.</li> </ol>

**i) Roles and Responsibilities of the Municipal Public Accounts Committees**

<b>PLANNING</b>	<b>MONITORING</b>	
	<b>REVIEWING</b>	<b>REPORTING</b>
<ol style="list-style-type: none"> <li>1. Promote good governance, transparency and accountability on the use of municipal resources;</li> <li>2. Perform any other functions assigned to it through a resolution of council within its area of responsibility</li> </ol>	<ol style="list-style-type: none"> <li>1. Evaluate the content of the annual report and to make recommendations to Council when adopting an oversight report on the annual report;</li> <li>2. Review information relating to past recommendations made on the Annual Report (i.e. quarterly, mid-year and annual reports);</li> <li>3. Evaluate the extent to which the Audit Committee's and the Auditor General's recommendations through examination of the AFS and Audit Reports have been implemented</li> <li>4. Review any investigation report already undertaken by the Municipality or Audit Committee</li> </ol>	<ol style="list-style-type: none"> <li>1. Reports quarterly to the Municipal Council.</li> </ol>

**j) Roles and Responsibilities of the Community**

PLANNING	IMPLEMENTATION	MONITORING	
		REVIEWING	REPORTING
<ol style="list-style-type: none"> <li>1. Participate in the drafting and implementation of the municipality's IDP through established forums;</li> <li>2. Participates in the development of the PMS and setting of appropriate Key Performance Indicators and Performance Targets;</li> <li>3. Make representations on the draft annual budget</li> </ol>	<ol style="list-style-type: none"> <li>1. Participate in the implementation of the Performance Management System;</li> </ol>	<ol style="list-style-type: none"> <li>1. Participate in the annual review of the performance through their involvement in the development of the Oversight Report.</li> </ol>	<ol style="list-style-type: none"> <li>1. Receive annual performance and budget reports from council</li> <li>2. Participate in the development of the Oversight report</li> </ol>

**k) Roles and Responsibilities of the MEC for Local Government**

PLANNING	REVIEWING	MONITORING	REPORTING
<ol style="list-style-type: none"> <li>1. Assist in the planning and drafting of the IDP, <i>s31 of MSA</i></li> </ol>	<ol style="list-style-type: none"> <li>1. Review the Integrated Development Plan of the Municipality, <i>s31 of MSA</i>;</li> <li>2. Identify Municipalities that under-performed during the year;</li> <li>3. Propose remedial actions to be taken on under-performance</li> </ol>	<ol style="list-style-type: none"> <li>1. Monitor process followed by a Municipality to draft its IDP, <i>s31 of MSA</i>;</li> <li>2. Monitor the Performance of the Municipality</li> </ol>	<ol style="list-style-type: none"> <li>1. Compile and submit a consolidated report on the performance of Municipalities in the Province to Provincial Legislatures;</li> <li>2. Publish the report on the Performance of Municipalities in the Provincial <i>Gazette</i>;</li> <li>3. Submit a copy of the Performance Report to the National Council of Provinces</li> </ol>



## **2.2. Establishment of Performance Management Unit**

The Municipal Manager is responsible for establishing a Performance Management Unit. The Manager Performance Management System is responsible for organisational performance management delegated by the municipal manager. The Manager Performance Management System will report to the Municipal Manager on the assessment of how planning, implementation and monitoring takes place within the Municipality and on the identification of the gaps between the IDP and performance management requirements, who will in turn account to the Executive Committee, and finally Council

## **3. DEVELOPMENT PHASE**

### **3.1. Development process**

During the development phase the PMS Manager plans how the process for developing the system is to be managed within the framework of the legislation. This phase starts with identifying stakeholders with their roles and responsibilities and establishing structures to facilitate the development of the system as illustrated on table above.

### **3.2. Management of the development phase**

- The development of the system is ultimately managed by the executive committee, but the municipality has also identified other means of managing the system.
- Other means of managing the development of the performance management system will take place through participation of all stakeholders as follows:
  - For community participation the Performance Management structures will be managed and linked through the following IDP structures:
    - Ward committees;
    - IDP Steering Committee;
    - Local Newspapers/ Municipality notice boards.
    - For internal participation by Top Management monthly/quarterly interaction meetings will be held as per the municipal manager

### **3.3. Adoption of the System**

The municipality must ensure that the performance management system is adopted before or at the same time as the commencement by the municipality of the process of setting key performance indicators and targets in accordance with its integrated development plan.

## **4. IMPLEMENTATION PHASE**

### **4.1. Planning**

The performance management system must be aligned and be consistent with the objectives, indicators and targets contained in the integrated development plan. Therefore the planning stage of the performance management system starts at the development stage of the IDP.

#### 4.2. Key Performance Areas

The IDP focuses its priorities and objectives on the following key performance areas to address community needs through service delivery

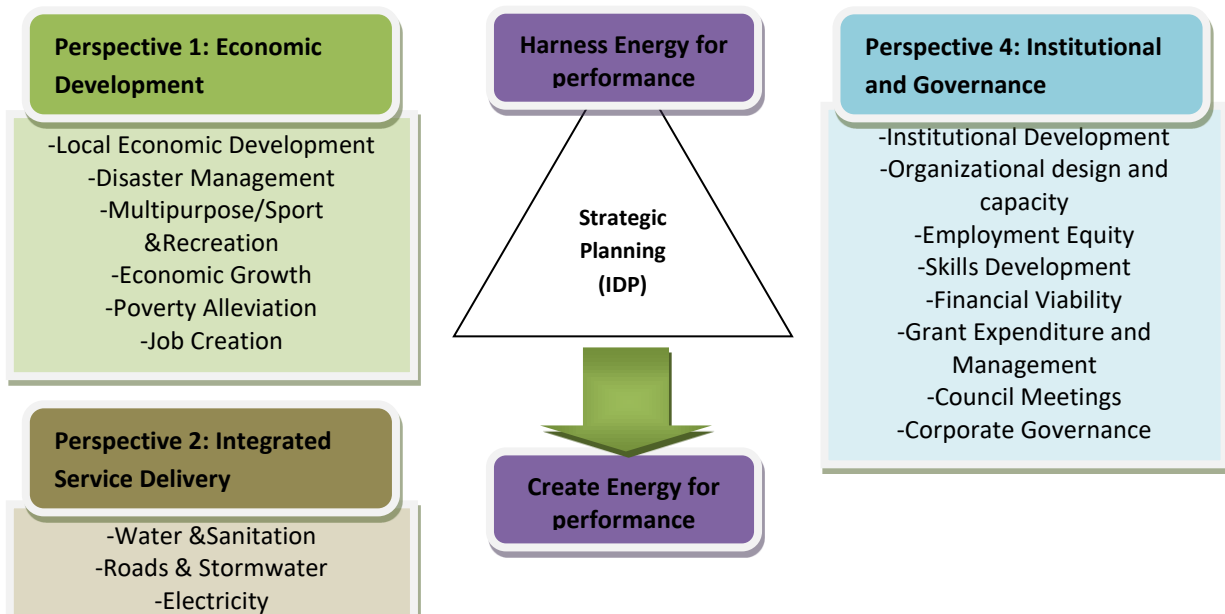
- Municipal Transformation and Organizational Development;
- Good governance and Public Participation;
- Basic Service Delivery and Infrastructure Investment
- Municipal Financial Viability; and
- Local Economic Development

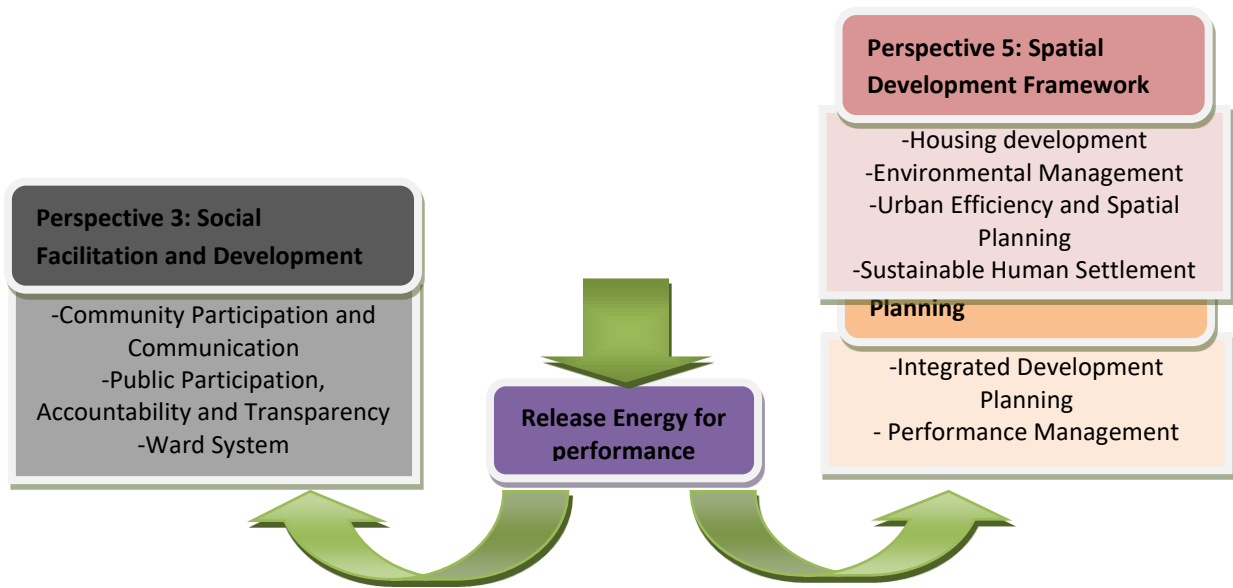
#### 4.3. Score Card

A Municipal Scorecard Model is a balanced scorecard adapted for measuring key performance on developmental areas that are relevant to municipal service delivery and the public sector. This municipal scorecard model groups indicators together under the 5 Year Local Government Strategic Agenda Key Performance Areas (KPA's). There are five KPA's that municipalities are required to align their strategic planning on and these cut across every functional area of a municipality.

The RMLM Performance Management Model Has 6 Perspectives that determines the balance of performance within the municipality. These perspectives are determined through the IDP process of the Municipality and form the core of the **Organizational Performance Management**. The Premise is that these perspectives are in no particular order of importance, but that the municipality needs to balance performance between them, so as to ensure a holistic approach to developmental local government.

Considering all of the above hierarchies and criteria for performance reporting that has a bearing on the RMLM, the RMLM Performance Management Model can be illustrated as follows:





The Principle reporting Mechanisms that would be utilized for reporting on the performance of the organization is the **Organizational Scorecard**, which forms part of the **PMS Toolkit**.

#### 4.4. Setting Objectives/IDP Strategic Intervention/Function

The objectives/strategic interventions set in the IDP are well defined and provide a better basis from which to develop suitable programmes and projects, as well as appropriate indicators. These indicators communicate whether the institution is achieving the strategic goals and objectives.

#### 4.5. Setting Key Performance Indicator

4.5.1. Indicators are statements of measurement and are used to indicate whether progress is being made in achieving the goals. They provide a common framework for gathering data for measurements and reporting, translate complex concepts into simple operational measurable variables, enables the review of goals and objectives, assist in policy review processes and assist in providing feedback to the municipality and staff.

4.5.2. The municipality must set key performance indicators to measure performance in relation to inputs, activities, outputs, outcomes and impacts for each of the priorities and objectives set as per the IDP.

4.5.3. Indicators are classified into:

- Baseline indicators: they measure conditions before a project or programme is implemented;
- Input indicators: they measure what it cost for the municipality to purchase the essentials for producing desired outputs (economy), and whether the



organization achieves more with less, in resources terms (efficiency) without compromising quality. The economy indicators may be the amount of time, money or number of people it took the municipality to deliver a service;

- Output indicators: they measure whether a set of activities or processes yields the desired products – effectiveness indicators. They are usually expressed in quantitative terms. These indicators relate to programme activities or processes.

#### 4.5.4. The key performance indicators should be:

- *Reliable*: the indicator should be accurate enough for its intended use and respond to changes in the level of performance;
- *Well-defined*: the indicator needs to have a clear, unambiguous definition so that data will be collected consistently, and be easy to understand and use;
- *Verifiable*: it must be possible to validate the processes and systems that produce the indicator;
- *Cost-effective*: the usefulness of the indicator must justify the cost of collecting the data;
- *Appropriate*: the indicator must avoid unintended consequences and encourage service delivery improvements, and not give managers incentives to carry out activities simply to meet a particular target;
- *Relevant*: the indicator must relate logically and directly to an aspect of the institution's mandate, and the realisation of strategic goals and objectives.

#### 4.5.5. The key performance indicators must include general key performance indicators prescribed by the Municipal Planning and Performance Management Regulations, 2001 which are as follows:

- The percentage of households with access to basic level of water, sanitation, electricity and solid waste removal;
- the percentage of households earning less than R1100 per month with access to free basic services;
- the percentage of a municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plan;
- the number of jobs created through municipality's local, economic development initiatives including capital project
- the number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan;
- the percentage of a municipality's budget actually spent on implementing its workplace skills plan; and
- financial viability as expressed by the following ratios:

(i) 
$$\frac{A = B - C}{D}$$

Where -

"A" represents debt coverage

"B" represents total operating revenue received - "C" represents operating grants

"D" represents debt service payments (i.e. interest + redemption) due within the financial year;

$$(ii) \quad A = B$$

C

Where -

"A" represents outstanding service debtors to revenue "B" represents total outstanding service debtors

"C" represents annual revenue actually received for services;

$$(iii) \quad A = B + C$$

D

Where -

"A" represents cost coverage

"B" represents all available cash at a particular time "C" represents investments

"D" represents monthly fixed operating expenditure,

- 4.5.6. The key performance indicators should be reviewed annually as part of the performance review process referred to in *Regulation 13 of the Municipal Planning and Performance Management Regulations, 2001*. Whenever a municipality amends its integrated development plan in terms of *Section 34 of the Municipal Systems Act*, the municipality must, as part of the process referred to in *Regulation 3 of the Municipal Planning and Performance Management Regulations, 2001*, review those key performance indicators that will be affected by such amendments.

#### **4.6. Baseline**

It is the current level of performance that the institution aims to improve. The initial step in setting performance targets is to identify the baseline, which in most instances is the level of performance recorded in the year prior to the planning period. So, in the case of annual plans, the baseline will shift each year and the first year's performance will become the following year's baseline.

The following diagram indicates the performance management at various levels:

#### **4.7. Setting Targets**

Suitable performance targets needs to be set for each key performance indicator that has been defined for a programme or project. The step involves specifying

the level of performance the institution and its employees will strive to achieve. This involves specifying suitable performance targets relative to current baselines.

A municipality must set targets for each financial year. These targets must be practical and realistic. They must measure the efficiency, effectiveness, quality and impact of the performance of the municipality. They must identify the administrative components, structures, bodies or persons for whom these targets have been set. They targets should also be commensurate with available resources and the municipality's capacity. Lastly they must be consistent with the municipality's development priorities and objectives set out in its integrated development plan.

#### **4.8. Actual Performance**

This is the current level of performance that the Municipality have achieved according to the set target. Management is required to report back on service delivery according to the resources provided at the planning and budgeting processes.

#### **4.9. Reasons for variance and Corrective measures**

Regular monitoring and reporting of performance against expenditure plans and targets enables managers to manage their performance by giving them the information they need to take decisions to keep service delivery on track. Managers should understand that measuring, monitoring and managing performance are integral to improving service delivery. During this stage management needs to assess whether they have achieved the required performance according to the set target. Where there was under / over performance, valid reasons should be provided accordingly. These reasons should be corroborated with valid supporting source documentations.

#### **4.10. Budgeting**

Reporting on performance is essential to focus the attention of the public and oversight bodies on whether public institutions are delivering value for money, by comparing their performance against their budgets and service delivery plans, and to alert managers to areas where corrective action is required. Budget allocation is interrelated with key performance indicators and targets. Therefore managers need to ensure that there are required resources including sufficient budget to ensure that their set targets are achieved. Actual expenditure need to be provided during reporting stage and in cases were the budgets are exceeded, valid reasons and corrective actions for over expenditure should be provided. Therefore it is important that managers are involved in the budgeting process to ensure that they request sufficient budget to achieve their planned targets.

#### **4.11. Monitoring of Performance**

Regular monitoring and reporting of performance against quarterly and annual performance plans and targets enables managers to manage by giving them the

information they need to take decisions to keep service delivery on track. Measuring, monitoring and managing performance are integral to improving service delivery.

A municipality must, after consultation with the local community, develop and implement mechanisms, systems and processes for the monitoring, measurement and review of performance in respect of the key performance indicators and performance targets set by it.

When monitoring performance, a municipality must:

- a. Identify the roles of the different role players in monitoring and measuring the municipality's performance;
- b. The Performance manager will gather performance data and submit quarterly summary reports;
- c. Determine the data that must be collected in order to assess performance, how that data is to be collected, stored, verified and analyzed and how reports on that data are to be compiled;
- d. Provide for reporting to the municipal council at least twice a year;
- e. Be designed in a manner that enables the municipality to detect early indications of under-performance; and
- f. Provide for corrective measures where under-performance has been identified.

#### **4.12. Conducting Performance Reviews**

4.12.1. The Performance Plan part of the Performance Agreements sets out –

- o the standards and procedures for evaluating the Employee's performance; and
- o the intervals for the evaluation of the Employee's performance.

4.12.2. Despite the establishment of agreed intervals for evaluation, the Employer may in addition review the Employee's performance at any stage while the contract of employment remains in force.

4.12.3. Personal growth and development needs identified during any performance review discussion must be documented in a Personal Development Plan as well as the actions agreed to and implementation must take place within set time frames.

4.12.4. The annual performance appraisal will involve:

- a. Assessment of the achievement of results as outlined in the performance plan:
  - i. Each KPA will be assessed according to the extent to which the specified standards or performance indicators have been met and with due regard to ad hoc tasks that had to be performed under the KPA;
  - ii. An indicative rating on the five-point scale will be provided for each KPA;
  - iii. The applicable assessment rating calculator will then be used to add the scores and calculate a final KPA score.

4.12.5. The Performance Agreements with senior management should include mechanisms for evaluating performance of these managers. These evaluation mechanisms need to address the following:

- The employee must agree to participate in the PMS of the municipality
- Performance standards must be part of the system and is to assist the employer, management and staff
- Employee should focus on projects that are part of the Key Performance Areas (KPA's) within the local government framework
- Employee will be assessed on an 80:20 principle, 80% weighting allocated to KPA's and 20% to CCR's (Core Competency requirements)
- KPA's and its respective weightings are to be negotiated for managers directly accountable to the MM

National KPA's on which a manager will be evaluated:

<b>Key Performance Areas (KPA's) for Municipal Managers</b>	<b>Weighting</b>
Basic Service Delivery	
Municipal Institutional Development	
Local Economic Development	
Municipal Financial Viability	
Good Governance and Public Participation	
<b>Total</b>	<b>100%</b>

b. Assessment of the CCRs

- iv. Each CCR will be assessed according to the extent to which the specified standards have been met;
- v. An indicative rating on the five-point scale will be provided for each CCR;
- vi. This rating will be multiplied by the weighting given to each CCR during the contracting process, to provide a score;
- vii. The applicable assessment rating calculator will then be used to add the scores and calculate a final CCR score.
- viii. The CCR's must be selected from the following (those that are deemed most critical and as agreed to its needed proficiency level)

<b>Core Competency Requirements for Employees (CCR)</b>		
<b>Core Managerial and Occupational Competencies</b>	<b>Indicate Choice</b>	<b>Weight</b>
<b>Core Managerial Competencies</b>		
Strategic Capability and Leadership		
Programme and Project Management		
Financial Management	Compulsory	
Change Management		
Knowledge Management		
Service Delivery Innovation		
Problem Solving Analysis		

People Management and Empowerment	Compulsory	
Client Orientation and Customer Focus	Compulsory	
Communication		
Honesty and Integrity		
<b>Core Occupational Competencies</b>		
Competence in Self Management		
Interpretation of and implementation within the legislative and national policy frameworks		
Knowledge of developmental local government		
Knowledge of performance management and reporting		
Knowledge of global and South African specific political, social and economical context		
Competence in policy conceptualization, analysis and implementation		
Knowledge of more than one functional municipal field/discipline		
Skills in Mediation		
Skills in Governance		
Competence as required by other national line sector departments		
Exceptional and dynamic creativity to improve the functioning of the municipality		
<b>Total Percentage</b>		<b>20%</b>

ix.

c. Overall rating

- x. An overall rating is calculated by using the applicable assessment rating calculator, which represents the outcome of the performance appraisal;
- xi. The performance assessment of the Employee will be based on the following five point rating scale for both KPA's and CCR's:

Level	Terminology	Description	Rating				
			1	2	3	4	5
5	Outstanding Performance	Performance far exceeds the standard expected of an employee at this level. The appraisal indicates that the Employee has achieved above fully effective results against all performance criteria and indicators					
4	Performance significantly above expectation	Performance is significantly higher than the standard expected in the job. The appraisal indicates that the Employee has achieved above fully effective results against more than half of the performance criteria and					

3	Fully effective	Performance fully meets the standards expected in all areas of the job. The appraisal indicates that the Employee has fully achieved effective results against all significant performance criteria and indicators as specified in the PA and Performance Plan.	
2	Not fully effective	Performance is below the standard required for the job in key areas. Performance meets some of the standards expected for the job. The review/assessment indicates that the employee has achieved below fully effective results against more than half the key performance criteria and indicators as specified in the PA and Performance Plan.	
1	Unacceptable Performance	Performance does not meet the standard expected for the job. The review/assessment indicates that the employee has achieved below fully effective results against almost all of the performance criteria and indicators as specified in the PA and Performance Plan. The employee has failed to	s

#### 4.12.5. Compilation of performance review committees/panel

For Managers reporting directly to the Municipal Manager their annual performance evaluation will be performed by the evaluation panel constituted by the following persons:

- a. Municipal Manager;
- b. Chairperson of the performance audit committee or the audit committee in the absence of a performance audit committee;
- c. Member of the mayoral committee;
- d. Municipal Manager from another municipality;

For the Municipal Manager the annual performance evaluation will be performed by the evaluation panel constituted by the following persons:

- a. Mayor;
- b. Chairperson of the performance audit committee or the audit committee in the absence of a performance audit committee;
- c. Member of the mayoral committee;
- d. Municipal Manager from another municipality;
- e. Member of a Ward Committee as nominated by the Mayor

The manager responsible for human resources of the municipality must provide secretariat services to the evaluation panels referred to above.

(iii) The evaluation of the Employee's performance will form the basis for rewarding outstanding performance or correcting unacceptable performance.

(iv) A performance bonus of between 5% and 14% of the all-inclusive annual remuneration package will be paid to the Employee in recognition of outstanding performance. In determining the performance bonus the relevant percentage is based on the overall rating, calculated by using the applicable assessment-rating calculator; provided as follows:

- a score of 130% to 149% is awarded a performance bonus of 5% to 9%; and
  - a score of 150% and above is awarded a performance bonus of 10% to 14%.
  - In the case of unacceptable performance, the Employer–
- must provide systematic remedial or developmental support to assist the Employee to improve his performance; and
  - after appropriate performance counseling and having provided the necessary guidance and support as well as reasonable time for improvement in performance, and performance does not improve, may consider steps to terminate the contract of employment of the Employee on grounds of unfitness or incapacity to carry out his duties.

#### **4.13. Managing and improving performance:**

Performance whether excellent or poor should be constantly improved to meet the needs of citizens as well as improve their quality of life. However poor performance should be of a priority. In order to improve on performance management need to identify “reasons for poor performance”, thereafter provide appropriate “remedial actions or corrective measures”.

The following serves as few examples of remedial actions which should be analysed due to poor performance:

<b>REASONS FOR POOR PERFORMANCE</b>	<b>APPROPRIATE REMEDIAL ACTION</b>
Inappropriate structure	Restructuring
Poor systems and processes	Process and system improvement
Lack of skills and capacity	Training and sourcing additional capacity
Absence of appropriate policy	Revision of policy by key decision-makers
Inappropriate organisational culture	Change management and education

#### **4.14. Reporting on Performance**

Section 46 (1) requires that a Municipality must prepare a performance report for each financial year. This report should reflect the performance of the municipality and of each external service provider during that financial year; a comparison between the performance and targets of the current and previous years and measures taken to improve performance.

The municipality should ensure that it provides reasons for targets not achieved and targets exceeded, as this has an impact on the budgeted amounts.



The set targets and budgeted amounts should only be revised during the mid-year budget and performance assessment through recommendations by the accounting officer as required by section 72(3) of the MFMA, Act 56 of 2003.

The process that should be taken to ensure proper reporting of performance information is as follows:

#### **4.14.1. Collating / Collecting**

- The responsible employee collects information required by the set indicator and target on a daily basis and submits it to the line manager on a weekly basis;
- The information is collected and collated differently depending on the type of key performance indicator and set target;

#### **4.14.2. Recording and Processing:**

- The line managers records collected information on a manual or electronic spreadsheet depending on the type of key performance indicator and set target;
- Processing takes place during recording phase as information will be analysed and corrected at the same time according to the portfolio of evidence;
- Any information not clear or which does not have portfolio of evidence will be taken back to the responsible employee to provide the required clarity and proof;
- Once information have been recorded and processed correctly it will be submitted to the Executive Managers. The submission is done on a monthly basis.

#### **4.14.3. Reporting**

- The Line Managers submits monthly reports to the Executive Managers on a monthly basis;
- The Executive Managers consolidate the reports after verifying the information with the portfolio of evidence for each key performance indicator and set target;
- The reports of the other section 57 Managers are consolidated for three months (each quarter) and submitted to the Performance Management System Unit ;
- The Performance Management Unit consolidate the reports of all Municipal Directorates and submit to the Municipal Manager for accountability;
- The Municipal Manager submits the reports of all Municipal Directorate to the Mayor for accountability;
- The Mayor then submits the reports to Council for accountability;
- The reporting process must take place within 30 days of the end of each quarter as required by section 52 (d) of the MFMA, Act 56 of 2003.
- The following reporting process should be followed in order to ensure other accountability:

<b>Performance Reporting</b>	<b>Lines of Accountability</b>
Minister for Provincial and Local	Parliament Public
MEC for Local Government	Minister for Provincial and Local Government National Council of
Municipal Manager	MEC for Local Government
MPAC	Council
Municipality	Citizens & Communities
Executive Committee	Council
Administration	Executive Committee
Line/Functional/ Sectoral Managers	Executive Management (Municipal Manager & his/her management team), Portfolio &

Employees	Line/Functional/ Sectoral Managers
Ward Committees	Communities

### 3. Principles Governing the RMLM Performance Management System

The principles that should govern the RMLM Municipal PMS are developed to ensure that the PMS is relevant, especially in attaining its objectives and legislative requirements. The said principles are the following:

**effective** utilization of financial and human resources

**simplicity** so as to facilitate implementation given any current capacity constraints,

**politically acceptable** to all political role players,

**administratively managed** in terms of its day-to-day implementation,

**implementable** within any current resource constraints,

**transparency and accountability** both in terms of developing and implementing the system,

**efficient and sustainable** in terms of the on-going implementation and use of the system,

**objectivity** based on credible information

**reliability** of the information provided on the progress in achieving the objectives as set out in its IDP.

**Alignment** with other municipal initiatives, like IDP, Budget, but also with national and provincial policy and guidelines.

### 4. RMLM Performance Management Model

The IDP of the Ramotshere Moiloa Local Council highlights the following link between the National KPA's and the Priority Issues of the Municipality:

Table 1:

Key performance Areas (KPA`s)	IDP
Basic Service Delivery	Integrated Service Delivery; Economic Development; Social Facilitation; Institutional and Governance;
Municipal Institutional Development and Transformation	Institutional and Governance; Economic Development

Local Economic Development	Economic Development; Intergraded Service Delivery
Municipal Financial Viability and Management	Institutional and Governance
Good Governance and Public Participation	Institutional and Governance; Social Facilitation; Environmental Management; Municipal Planning
Spatial Development Framework	Environmental management and sustainable human settlement

The following priorities per municipal perspectives and national KPA's are identified in the IDP with specific objectives and strategies for addressing these:

Table 2:

<b>National KPA</b>	<b>Priority Issue - IDP</b>	<b>IDP Perspective</b>
Basic Service Delivery	<b>Water &amp; Sanitation</b>	Integrated Service Delivery
Basic Service Delivery	<b>Roads &amp; Stormwater</b>	Integrated Service Delivery
Municipal Institutional Development and Transformation	<b>Housing Development</b>	Spatial Development Framework
Local Economic Development	<b>Local Economic Development</b>	Local Economic Development
Basic Service Delivery	<b>Electricity</b>	Integrated Service Delivery
Municipal Institutional Development and Transformation	<b>Institutional Development</b>	Institutional and Governance
Good Governance and Public Participation	<b>Community Participation and Communication</b>	Social Facilitation and Development
Local Economic Development? (As per IDP)	<b>Health Care Facilities</b>	Integrated Service Delivery
Local Economic Development? (As per IDP)	<b>Community Safety and Security</b>	Integrated Service Delivery
Basic Service Delivery	<b>Education</b>	Integrated Service Delivery
Local Economic Development	<b>Multipurpose/Sports &amp; Recreation</b>	Local Economic Development
Local Economic Development	<b>Disaster Management</b>	Local Economic Development

It is also important for the RMLM PMS Model to be able to relate to the Vuna Criteria, as this will be required when producing an annual performance report to the MEC and to be tabled at a public meeting by end February of each previous financial year.

The Vuna Criteria/perspectives are linked to the 5 National KPA's and are as follows:

<b>Key performance Areas (KPA's)</b>	<b>Vuna Criteria/perspectives</b>
Basic Service Delivery	Water Services Electricity Solid Waste Management Environmental Management Roads Housing Urban Efficiency and Spatial Planning Community Facilities
Municipal Institutional Development and Transformation	Organizational design and capacity Employment Equity Skills Development Integrated Development Planning Performance Management
Local Economic Development	Economic Growth Poverty Alleviation Job Creation
Municipal Financial Viability and Management	Financial Viability Grant Expenditure and Management
Good Governance and Public Participation	Public Participation, Accountability and Transparency Ward System Council Meetings Corporate Governance
Spatial Development Framework	

## **5. The Process of Managing Individual Performance**

### **5.1. Performance Management for all Other Employees**

The approach of working in functional teams has been adopted by the RMLM Council. The Council need very strong team sprits within the organization. If one even a single person is not functioning correctly, the whole system will collapse. Goal setting is done for teams, not for individuals. Recognition is also carried out in teams. This will make people to think in teams.

The principle of team interactions for ongoing improvement of performance through mutual learning and communication is based on the advantages of team work in an organization, and these include the following:

- a combination of strengths -especially if the team has been chosen carefully, you can get a good range of abilities, fields of expertise and personality types, so for every situation there should be at least one person who can deal with it.
- a range of opinions - if "two heads are better than one," six can be better still - a group meeting is often very useful for ironing out flaws in a plan,

testing it out, spotting pitfalls etc. (though if your team is too big, it can be difficult to reach decisions.)

- divided responsibility - while ultimate responsibility rests with the team leader, not much can be achieved without an effective team. The team structure allows those who have strengths in a particular area to take more responsibility for that area.
- team spirit - a good team, well led, creates loyalty in its members. Not wanting to let your team-mates down can be a powerful motivating force, as can the sense of pride in being part of a successful group. A little rivalry between the team members is also quite healthy as long as it doesn't get out of hand.
- Team members have the opportunity to learn from each other.
- Potential exists for greater work force flexibility with cross-training.
- Opportunity provided for synergistic combinations of ideas and abilities.
- New approaches to tasks may be discovered.
- Teams membership can provide social facilitation and support for difficult tasks and situations.
- Communication and information exchange may be facilitated and increased.
- Teams can foster greater cooperation among team members.
- Interdependent work flow can be enhanced.
- Potential exists for greater acceptance and understanding of team-made decisions.
- Greater autonomy, variety, identity, significance, and feedback for workers can occur.
- Team commitment may stimulate performance and attendance.

When working in teams, managers must be aware of the possible disadvantages of working in teams, and must, through their respective CCR's be able to mitigate some of these disadvantages. These include:

- Some individuals are not compatible with team work.
- Workers must be selected to fit the team as well as requisite job skills.
- Some members may experience less motivating jobs as part of a team.
- Organization may resist change.
- Conflict may develop between team members or other teams.
- Teams may be time-consuming due to need for coordination and consensus.
- Teams can stymie creativity and inhibit good decision-making if "group think" becomes prevalent.
- Evaluation and rewards may be perceived as less powerful;

- "Free-riding" within the team may occur.
- Less flexibility may be experienced in personnel replacement or transfer.

**Job Descriptions:**

Job Descriptions need to be in place for all individuals to serve as guidelines for the individual responsibilities of the functional team members.

**Incentives for excellent performance of individuals:**

The following serves as examples of the types of rewards to be provided to outstanding performance:

- Employees may be provided time off for example half day or full day off;
- Recognizing employee by giving him / her 'employee of the month' certificate or listing him / her in the Municipality's newspaper;
- Reserve the best parking spot inside the Municipality's yard for a week;
- Have the employee's car washed;
- Provide employee with free lunch;
- Occasionally the Municipal Manager should recognize and thank the employee during departments' meetings; and
- Offer a gift (e.g. year planner diary, t-shirt printed "employee of the month" for that particular month)

In order to fulfill the objective of ensuring accountability, reviews are conducted according to the lines of accountability as follows:

<b>UNIT/PERSON</b>	<b>RESPONSIBILITY</b>
Supervisors	Review performance of individual or groups of employees reporting directly to them.
Line/ Functional Managers	Review performance of their respective areas regularly (monthly). The reviews should at least cover all the organizational priorities respective to these functions.
Executive Management	Review performance of the organization monthly, prior to and more often than the Mayoral Committee: <ul style="list-style-type: none"> <li>• Review performance more often, such that they can intervene promptly on operational matters where poor performance or the risks thereof occur;</li> <li>• Review performance before reporting to politicians so that they can prepare, control the quality of performance reports submitted and ensure that adequate response strategies are proposed in cases of poor performance;</li> <li>• Review performance prior to being conducted by standing, portfolio or committees.</li> </ul>
Standing/ Portfolio Committees	Manage performance of functions respective to their portfolios. They should at least review performance of organizational priorities that lie within their portfolio monthly, while
Executive Committee	Review performance of the administration, and should remain strategic. It is proposed that reviews take place on a quarterly basis with the regular final quarterly review taking the form of an annual review. The content of the review should be confined to agreed and confirmed priority areas and objectives only. The Municipal Manager should remain

Council	Review performance of the Municipal Council, its committees and the administration on an annual basis, in the form of a tabled annual report at the end of the financial year.
Public	Review performance of the Municipality and public representatives (Councillors) in the period between elections. It is required by legislation that the public is involved in

## 6. The Performance Management Process

The main steps in managing performance at all levels will differ slightly, and the focus under this section will be on the performance management process at the organizational and departmental levels. The process at lower levels will be explained under the section dealing with individual PMS linked with the organizational PMS.

The process will be Managed by the Performance Management Steering Committee, Which is Chaired by the Performance Management Coordinator. The Process is guided by an **Implementation Plan**, a standard outline which is part of the **PMS Toolkit**.

The roles and responsibilities of various role players in the process of managing performance are indicated in table 1.

The following main steps will form part of the PMS Implementation:

### **1. Performance Planning**

This involves the development or refinement of the municipal strategic and operational plans and cascading of this plan to all structural levels in the municipality. The basis for performance planning is the IDP process, linked and followed by detailed planning on other levels than organizational level.

This planning process should include the setting key performance indicators and targets in accordance with its integrated development plan as required by legislation.

It is crucial that for all the priorities in the Integrated Development Plan, objectives, indicators and targets are developed. The planning process takes place once a year and should be driven from the office of the municipal manager.

It should be noted that the last component of the cycle is that of performance review and the outcome of such a review process must inform the next cycle of IDP compilation/review by focusing the planning processes on those areas in which the Municipality has under-performed.

Formats for the Organizational Scorecard and Service Scorecards (also Known as Annual Work Plans) are being developed annually, and should be flexible to accommodate the changing needs and evolution of the Ramotshere Moiloa Local Municipality. It should not be so significant that it will warrant an annual change of the framework during the performance review process.

### **2. Performance Monitoring**

Monitoring of performance is a continuous and will be the responsibility of each line manager. The line manager will be responsible for each indicator on the scorecard (both Annual Work Plans and SDBIP's). While this official will not necessarily be accountable for performance on this indicator, he/she will be responsible for conducting measurements of that indicator, analysing and reporting these for reviews.

Performance monitoring is an ongoing process by which a Manager accountable for a specific indicator as set out in the Organizational Scorecard (or a service delivery target contained in an annual SDBIP) continuously monitors current performance against targets set. The aim of the monitoring process is to take appropriate and immediate interim (or preliminary) action where the indication is that a target is not going to be met by the time that the formal process of performance measurement, analysis, reporting and review is due.

Mechanisms, systems and processes for monitoring should provide for reporting at least twice per annum to the municipal council and the community, it should enable detection of early indication of underperformance and provide for corrective measures.

### **3. Performance Measurement**

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

It is suggested that measurement of performance progress be undertaken quarterly at both the municipal and individual employee levels.

### **4. Performance Reporting**

#### *4.1 Regular Reporting*

The Municipal Manager will report to the council on a quarterly basis on the progress made towards the achievement of the strategic municipal KPI's and deliverables in the balanced scorecard. This will also be submitted to the internal auditing function on a quarterly basis, and bi-annually to the performance auditing function.

Departmental Heads are required to report on their progress, using their Annual Work Plans and SDBIP's, on a quarterly basis. These progress reports on the Annual Work Plans format should be submitted by the various departmental managers to the municipal manager and would be discussed during the management team meetings.

Both these reporting formats will form the basis of a comprehensive annual review of performance as required by the MSA and the MFMA.

Individuals in the municipality will need to reflect on whether targets are being met and what the reasons for targets not being achieved are and suggest



corrective action. The purpose of management teams is to strengthen the culture of integrated management and eliminated silos..

#### *4.2 Annual Reporting*

On an annual basis a comprehensive report on the performance of the Municipality also needs to be compiled. The requirements for the compilation, consideration and review of such an annual report are set out in chapter 12 of the MFMA. In summary it requires that:

- All municipalities for each financial year compile an annual report
- The annual report be tabled within seven months after the end of the financial year
- The annual report immediately after it has been tabled be made public and that the local community be invited to submit representations thereon
- The municipal Council consider the annual report within nine months after the end of the financial year and adopt an oversight report containing the council's comments on the annual report
- The oversight report as adopted be made public
- The annual report as tabled and the Council's oversight report be forwarded to the Auditor-General, the Provincial Treasury and the department responsible for local government in the Province
- The annual report as tabled and the Council's oversight report be submitted to the Provincial legislature.

The oversight report to be adopted provides the opportunity for full Council to review the performance of the Municipality. The requirement that the annual report once tabled and the oversight report be made public similarly provides the mechanism for the general public to review the performance of the Municipality. It is however proposed that in an effort to assist the public in the process and subject to the availability of funding, a user-friendly citizens' report be produced in addition to the annual report for public consumption. The citizens' report should be a simple, easily readable and attractive document that translates the annual report for public consumption.

It is also proposed that annually a public campaign be embarked upon to involve the citizens of the Municipality in the review of municipal performance over and above the legal requirements of the Municipal Systems Act and the MFMA. Such a campaign could involve all or any combination of the following methodologies:

- Various forms of media including radio, newspapers and billboards should be used to convey the annual report.

- The public should be invited to submit comments on the annual report via telephone, fax and email.
- Public hearings could be held in a variety of locations to obtain input of the annual report.
- Making use of existing structures such as ward and/or development committees to disseminate the annual report and invite comments.
- Hosting a number of public meetings and roadshows at which the annual report could be discussed and input invited.
- Producing a special issue of the municipal newsletter in which the annual report is highlighted and the public invited to comment.
- Posting the annual report on the council website and inviting input

The public review process should be concluded by a formal review of the annual report by the IDP Representative Forum of the Municipality.

Lastly it should be mentioned that the performance report of a municipality is only one element of the annual report and to ensure that the outcome thereof timeously inform the next cycle of performance planning in terms of an IDP compilation/review process, it is recommended that the annual performance report be compiled and completed as soon after the end of a financial year as possible but ideally not later than two months after financial-year end. The process of annual reporting needs to be concluded by the end of February of the next financial year, through the report being tabled at a public meeting.

The Systems Act requires the municipal manager to give written notice of meetings, in which the municipality's annual report is tabled or discussed by the Council, to the Auditor-General and the MEC for local government. The municipal manager must also submit copies of minutes of these meetings to the Auditor-General and MEC for local government in the province. Representatives of the Auditor-General and MEC for local government in the province are entitled to attend and speak in these meetings. A copy of the report must be submitted to the Auditor-General and MEC for local government in the province.

<b>Report</b>	<b>Frequency</b>	<b>Submitted for consideration and/or review to</b>	<b>Remarks</b>
<b>1.</b> Departmental SDBIPs	Continuous	Manager of Department	See MFMA Circular 13 of National Treasury for further information
<b>2.</b> Monthly budget statements	Monthly	Mayor (in consultation with EXCO)	See sections 71 and 54 of the MFMA
<b>2.1</b> Quarterly	Quarterly	Manager of	Based on

<i>performance plan based appraisals</i>		Department	requirements in "new" regulations
<b>3.</b> Departmental scorecards	Monthly	EXCO	Only if developed separately from Departmental SDBIPs
<b>4.</b> Strategic (municipal/organisational/corporate) Scorecard	Quarterly	EXCO	This PMS framework (see section 7.5.1 above)
<b>5.</b> SDBIP mid-year budget and performance assessment	Annually during January of each year	Mayor consultation (in with EXCO)	See sections 72 and 54 of the MFMA
<b>6.</b> Performance report	Annually	Council	See section 46 of the Municipal Systems Act as amended. Said report to form part of the annual report (see 7 below)
<b>7.</b> Annual report	Annually	Council	See chapter 12 of the MFMA

### **5. Performance Auditing**

The MFMA requires that the Municipality must establish an internal audit section which service could be outsourced depending on its resources and specific requirements. Section 45 of the Municipal Systems Act stipulates that the results of the Municipality's performance measures must be audited by the said internal audit section as part of the internal auditing process and annually by the Auditor-General. This is meant to ensure that performance information collected by the municipality is verifiable, reliable and correct.

The Municipal Planning and Performance Management Regulations (MPPR), 2001 requires that municipalities must develop and implement mechanisms, systems and processes for auditing the results of performance measurements as part of its internal auditing processes. This will ensure that performance information collected by the municipality is verifiable, reliable and correct.

The Regulations (2001) states that the **internal audit** function of the municipality must continuously audit performance measurements and submit quarterly reports to the municipal manager and performance audit committee. The capacity of the internal audit unit will need to be improved beyond the auditing of financial information.

The Regulations further state that:

The municipality must annually appoint and budget for a performance **audit committee** of at least three members, the majority of which cannot be a councillor or official

Any external member of the committee may be remunerated in line with tariffs determined by the South African Institute of Chartered Accountants

A municipality must provide secretariat services for its audit committee

The performance audit committee is given powers to communicate directly with municipal manager, councillors and staff, access any municipal records, and investigate matters where integrity of the system or measure is in doubt

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 Regulations stipulates that internal audit section must on a continuous basis audit all performance and the auditing must include an assessment of the following:

- (i) The **functionality** of the municipality's performance management system.
- (ii) Whether the municipality's performance management system **complies** with the Act.
- (iii) The extent to which the municipality's performance measurements are **reliable** in measuring the performance of municipalities by making use of indicators.

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 regulations,

- communicate directly with the Council, Municipal Manager or the internal and external auditors of the Municipality;
- 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. requested by the committee; and
- investigate any matter it deems necessary for the performance of its duties and the exercise of its powers.

It is further proposed each **cluster** be required to review the performance of their respective departments against their Annual Work Plans and SDBIP's. The cluster should appraise the performance of the department against committed targets.

Where targets are not being met, clusters should ensure that the reasons for poor performance are satisfactory and sufficient, and the corrective strategies proposed are sufficient to address reasons for poor performance.

It is required that Council appoint a special performance audit committee.

The audit committee should be comprised of seven members, two of whom should be councillors who are not members of the mayoral Committee and one from municipal administration. The other four members of the audit committee should be external to the municipal organisation and one must be an expert in performance management.

The composition of the audit committee should ensure that the following competencies are sufficiently catered for within the group:

- An understanding of performance management
- An understanding of finances
- An understanding of development, including rural development
- Credibility within all communities and organs of civil society within the municipality

## **6. Measuring outcomes**

Determining the overall municipal achievement of municipal scorecard (strategic objectives, goals and outcomes) should be conducted through at least two annual well representative citizens' surveys. It is recommended that the office responsible for IDP and PMS be tasked with managing the conducting of citizens' surveys

In order to obtain a reliable picture of how the municipality is performing in relation to the municipal and service scorecards and, two additional surveys are suggested:

- An annual partners, including business satisfaction survey
- Two-employee satisfaction surveys per year

The employee satisfaction surveys will assist with the management of the overall climate of the organization and poses to contribute to the spirit of teamwork in the municipality. A performance review, which a comprehensive evaluation of the municipal performance will be conducted at the end of the financial year after all performance information has been audited. In this process the municipality carefully analyses its performance, trying to understand why it has performed well or badly under the circumstances. Such an analysis could pick up trends in performance over time and over all departments. The municipality can use a number of tools such SWOT analysis in diagnosing its performance trends.

The management team, mayoral committee and council are responsible for the conducting the annual municipal review or evaluation.

## **7. Performance Review**

A performance review, in which a comprehensive evaluation of the municipal performance will be conducted, takes place in August each year after all performance information has been audited.

Performance review is the process where the leadership of an organization, after the performance of the organization have been measured and reported to it, reviews the results and decided on appropriate action.

The quarterly reviews should take into account that many of the indicators in the Organizational Scorecard will only be measurable on an annual basis. The

quarterly reviews should thus form the basis of a comprehensive annual review of performance in terms of both the Organisational and Annual Work Plans of senior managers

To ensure that the public is offered an opportunity to participate in the reviewing the municipal performance, a number of platforms and strategies are proposed:

- Ward committees be reported to and submit their review of the municipality to council. The performance management team should be used to summarise this input.
- 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 public hearings to be held in a variety of locations.
- The public reviews should be concluded by a review by the Integrated Development Plan Forum.

### **8. Performance Evaluations**

2 Levels, individual, managerial, see section 8

The roles and responsibilities of various role players in the process of managing performance are indicated in table 1.

## **7. Conclusion**

In conclusion, it must be emphasised that there are no definitive solutions to managing municipal performance. The process of implementing a performance management system must be seen as a learning process, where the Municipality must continuously improve the way the system works to fulfil the objectives of the system and address the emerging challenges from a constantly changing environment.