

**AGENDA of the
Portfolio Committee: Management Services
20 March 2018
(Also the agenda for the Mayoral Committee Meeting: 28 March 2018)**

**3.
DRAFT REVIEWED PERFORMANCE MANAGEMENT FRAMEWORK (PMF)**

9/1/2/5

R Louw

26 February 2018

(028) 313 8071

Hermanus Administration

1. Executive Summary

The purpose of this report is to present the Draft Reviewed Performance Management Framework (PMF) to Council to be noted.

2. Service Delivery and Budget Implementation Plan - IGNITE

Management Services
Strategic Services

3. Compliance with Strategic Priority

Provision of democratic, accountable and ethical governance

4. Delegated Authority

None

5. Legal Requirements

Section 38 of the Local Government: Municipal Systems Act, 32 of 2000 (MSA)
Municipal Planning and Performance Management Regulations, 2001

6. Background

In terms of section 38 of the Municipal Systems Act No 32 of 2000 a municipality must -

- (a) establish a performance management system that is -
 - (i) commensurate with its resources;
 - (ii) best suited to its circumstances; and
 - (iii) in line with the priorities, objectives, indicators and targets contained in its integrated development plan (IDP);
- (b) promote a culture of performance management among its political structures, political office bearers and councillors and in its administration.

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In terms of regulation 7(1) of the Municipal Planning and Performance Management Regulations, 2001 a municipality's performance management system 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.

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

The PMF differentiates performance management on three levels in the Overstrand municipality namely organisational, individual and service provider performance management.

Council adopted the initial Performance Management Framework (PMF) on 25 June 2014. This document is a review of the PMF.

Discussion

An operational evaluation resulted in a review of the Performance Management Framework.

Sections were reviewed according to the following general explanatory note:

[] Words in bold type in square brackets indicate omissions from existing enactments.

 Words underlined with a solid line indicate insertions in existing enactments.

Summary of the sections reviewed in the draft reviewed PMF are:

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The draft reviewed PMF is attached as Annexure A.

Way forward

The draft reviewed performance management framework was circulated in the March 2018 ward committee cycle for perusal and comments. After council approval is obtained the draft reviewed document will also be open for public comment in April 2018, along with the draft 2018/19 IDP review.

The public comments received will be incorporated in the Final reviewed performance management framework to be presented for Council approval on 30 May 2018.

7. Financial Implications

None

8. Staff Implications

The draft reviewed document was compiled in-house.

9. Comments from other Departments, Divisions and Administrations

The departments of Human Resources, Contract Management and Internal Audit provided inputs to the draft reviewed PMF on the sections relevant to their functional areas.

The draft reviewed PMF served before the municipality's internal Human Resource Technical Working group in November 2017.

10. Annexures

Annexure A: Draft Reviewed Performance Management Framework (PMF)

RECOMMENDATION TO THE COUNCIL:

1. that the draft reviewed Performance Management Framework **be noted**; and

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2. that the local community **be invited** to submit representations in connection with the draft reviewed performance management framework.

RESPONSIBLE OFFICIAL :

**R LOUW
L BUCCHIANERI
D VAN DER HEEVER
C ROETS**

TARGET DATE FOR IMPLEMENTATION :

NONE

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9/1/2/5

R Louw

(028) 313 8071

Hermanus Administration

26 February 2018

**THIS MATTER SERVED BEFORE THE JOINT PORTFOLIO COMMITTEE ON
20 MARCH 2018, WHICH COMMITTEE RECOMMENDED AS FOLLOWS:**

RECOMMENDATION TO THE COUNCIL:

1. that the draft reviewed Performance Management Framework **be noted**; and
2. that the local community **be invited** to submit representations in connection with the draft reviewed performance management framework.

RESPONSIBLE OFFICIAL :

**R LOUW
L BUCCHIANERI
D VAN DER HEEVER
C ROETS**

TARGET DATE FOR IMPLEMENTATION :

NONE

Overstrand Municipality



Performance Management Framework (PMF)

Draft Reviewed, 28 March 2018

GENERAL EXPLANATORY NOTE:

[] Words in bold type in square brackets indicate omissions from existing enactments.

_____ Words underlined with a solid line indicate insertions in existing enactments.

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1. Introduction

Performance Management (PM) is a process which measures the implementation of the organisation's strategy. In local government the strategic direction of a municipality is defined in its Integrated Development Plan (IDP). PM is also a management tool to plan, monitor, measure and review performance indicators to ensure efficiency, effectiveness and the impact of service delivery by the municipality.

2. Purpose of the framework

In terms of section 38 of the Municipal Systems Act No 32 of 2000 a municipality *must* -

- (a) establish a performance management system that is -
 - (i) commensurate with its resources;
 - (ii) best suited to its circumstances; and
 - (iii) in line with the priorities, objectives, indicators and targets contained in its integrated development plan (IDP);
- (b) promote a culture of performance management among its political structures, political office bearers and councillors and in its administration.

In terms of regulation 7(1) of the Municipal Planning and Performance Management Regulations, 2001 a municipality's performance management system 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.

The purpose of this document is to facilitate the implementation of the performance management system (PMS) through the following process:

- Setting performance indicators and targets
- Approval of annual performance agreements
- Performance monitoring and evaluation
- Auditing
- Reporting
- Review and improvement of the Performance Management System (PMS)

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

3. Legal context

3.1 *Municipal Systems Act No 32 of 2000*

Chapter 6 deals with performance management. The following sections are applicable:

38: Establishment of performance management system

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- 39: Development of performance management system
- 40: Monitoring and review of performance management system
- 41: Core components
- 42: Community involvement
- 43: General key performance indicators
- 44: Notification of key performance indicators and performance targets
- 45: Audit of performance measurements
- 46: Annual performance reports

3.2 Municipal Finance Management Act No 56 of 2003

The following sections are applicable:

- 72: Mid-year budget and performance assessment
- 121: Preparation and adoption of annual reports

3.3 Municipal Planning and Performance Management Regulations, 2001

Chapter 2 of the Regulations deals with performance management. The chapter covers the following:

- Nature of performance management system
- Adoption of performance management system
- Setting of key performance indicators
- General key performance indicators
- Review of key performance indicators
- Setting of performance targets
- Monitoring, measurement and review of performance
- Internal auditing of performance measurements

3.4 Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers, 2006

Chapter 2 (employment contracts) and chapter 3 (performance agreements) are applicable. These are the regulations that prescribe in detail how performance management is to be done in Municipalities. This framework for implementing performance management is in line with the regulations.

3.5 Local Government: Regulations on Appointment and Conditions of Employment of Senior Managers, 2014

These regulations repeal regulations 6, 7, 9, 10, 11, 12, 13, 15 26 (8), 35, 36, 37 and 38 of the Local Government: Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers of August 2006. Section 9 and Annexures A- B of the regulation deal with the competency requirements for senior managers.

4. Applicability of framework

This policy framework is applicable to the Overstrand Municipality.

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The Municipal Systems Act (2000) places the responsibility on the Council to adopt a PMS, while holding the Executive Mayor responsible for the development and management of the system.

The Executive Mayor delegates the responsibility for the development and management of the PMS to the Municipal Manager of Overstrand Municipality. The Directors will be responsible for executing the PMS in their respective directorates according to the approved framework.

5. Objectives of a Performance Management System

5.1 Objectives

The objectives of the performance management system are described in the municipality's 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).

6. Definition and Key Steps in Performance Management

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

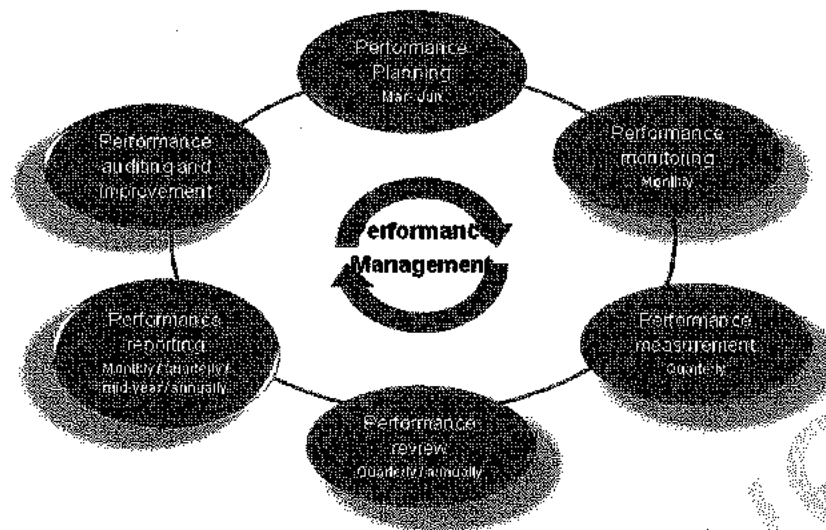
The performance management system can assist to make a significant contribution to organisational and individual performance. The system is designed to improve strategic focus and organisational effectiveness through continually seeking to improve the performance of the municipality as a whole and the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

6.1 Performance Cycle

The performance cycle for the Municipality runs from 1 July to 30 June in line with the financial year and is an integral part of the IDP process.

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

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Performance Management Framework : Overstrand Municipality**Figure 1: Performance Management Cycle**

Each of the above cycles can be explained as follows:

- **Performance Planning (Mar-Jan)** ensures that the strategic direction of the Municipality more explicitly informs and aligns the IDP with all planning activities and resource decisions. This is the stage where Key Performance Areas and Key Performance Indicators are designed to address the IDP objectives, national policy and targets are set.
- **Performance Measuring and Monitoring (Monthly and Quarterly)** is an on-going 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 (Quarterly/ annually)** 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 (Monthly/ quarterly/mod-year/annually)** 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

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during the following years planning phase.

6.2 Key Steps in Performance Management

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

1. IDP consultation and strategic processes to determine
 - a. Strategic Objectives aligned with the National Agenda and local needs
 - b. Establish the Municipal Key Performance Areas (KPA's)
2. Capital project priorities for budgeting purposes is aligned with municipal strategy and approved methodology
3. Start with budget processes
4. Determine organisational key performance indicators (KPI's) in terms of strategy, budget
5. Obtain baseline figures and past year performance
6. Set multi-year performance target dates
7. Determine steps/plans to achieve budget and KPI's
8. Assign strategic focused KPI's to Senior Management (Top Layer SDBIP)
9. Assign organisational KPI's to directorates and members of management (Departmental SDBIP)
10. Prepare individual performance agreements aligned with budget and SDBIP (s57 and management)
11. Prepare performance plans for staff and align work place skills plan with development plans
12. Provide monthly/quarterly status reports on progress with KPI implementation
13. Evaluate performance on individual (1/2 yearly) and organisational levels (monthly and quarterly)
14. Compilation of various performance reports
15. Auditing of performance reported and portfolio of evidence(POE's)
16. Appoint oversight committee to analyse and prepare report on improvement of performance
17. Submit year-end report to various stakeholders

The above steps will be explained in more detail below.

7. Organisational Performance

7.1 Integrated Development Planning (IDP)

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

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

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In terms of Section 34 of the Municipal Systems Act, 2000: A Municipal Council must review its Integrated Development Plan –

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

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

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

7.1.1 IDP Process

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

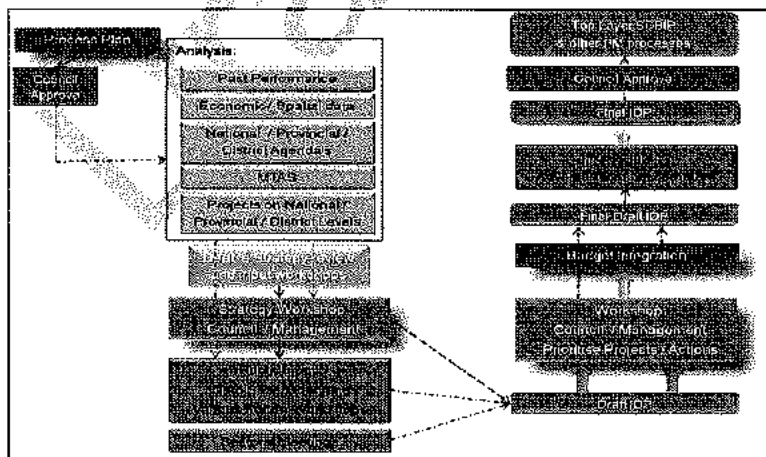


Figure 2: IDP process flow

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

7.2 The Service Delivery Budget Implementation Plan (SDBIP)

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

Organisational performance is the first step to seamlessly integrate the IDP and performance management. Organisational performance is measured through the SDBIP. The SDBIP comprises of the municipal scorecard (Top layer SDBIP) and the Departmental SDBIP.

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

7.2.1 The municipal scorecard

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

- **One-year** detailed plan, but should include a **three-year capital plan**
- The 5 necessary components includes:
 - Monthly projections of revenue to be collected for each source
 - Expected revenue to be collected NOT billed
 - Monthly projections of expenditure (operating and capital) and revenue for each vote
 - Section 71 format (Monthly budget statements)
 - Quarterly projections of service delivery targets and performance indicators for each vote
 - Non-financial measurable performance objectives in the form of targets and indicators

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- 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 12 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):

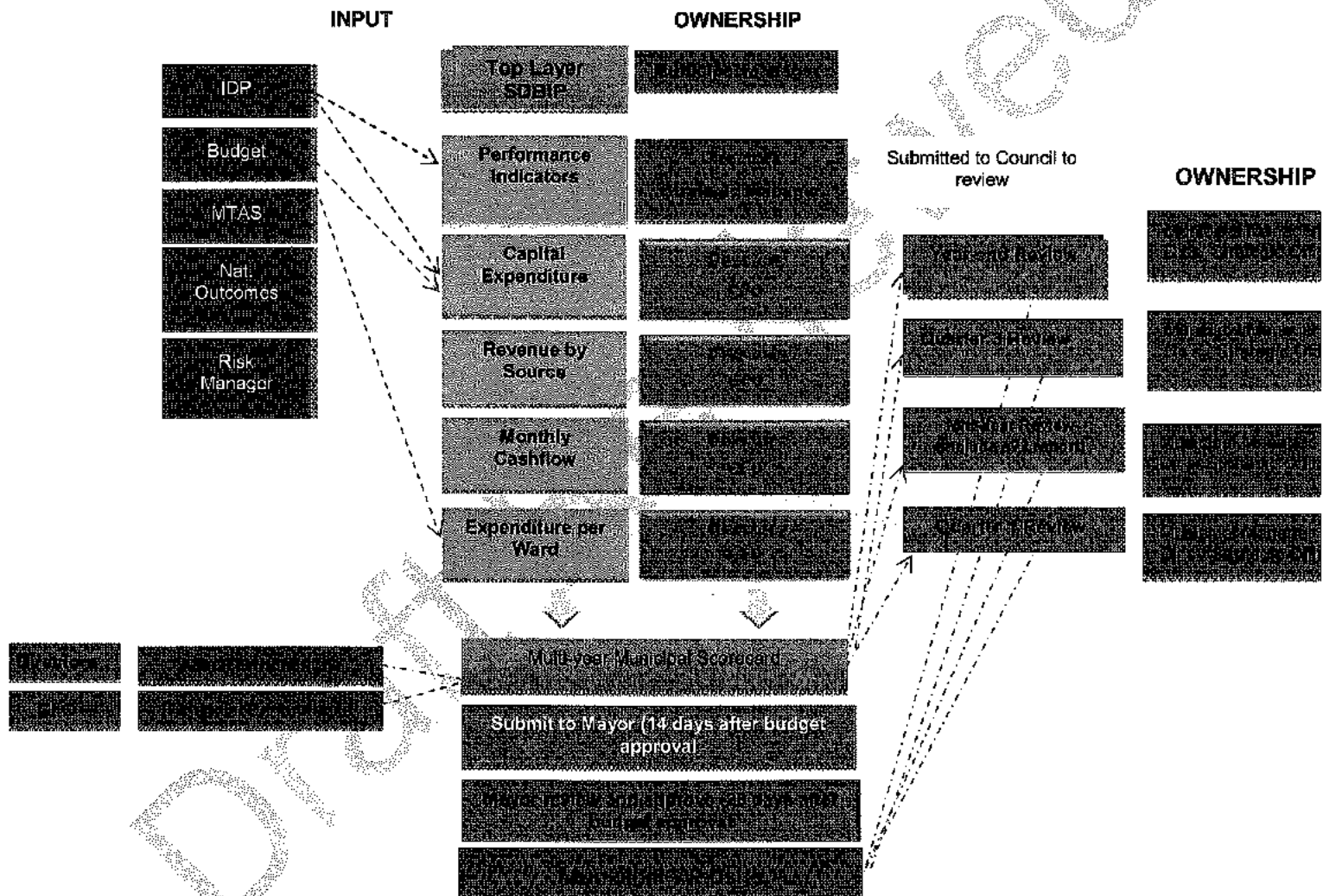


Figure 3: Top Layer SDBIP

7.2.2 Preparing the TL SDBIP

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

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

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

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

The KPI's must be analysed to ensure that the objectives set in the IDP will be achieved by delivering on the KPI's. Please refer to section 12 on the development of key performance indicators for assistance on how to develop indicators and targets.

7.2.3 Approval of TL SDBIP

The municipal scorecard must be submitted to the Executive Mayor within 14 days after the budget has been approved. The Executive Mayor needs to consider and approve the SDBIP within 28 days after the budget has been approved. The scorecard must be updated after the adjustment estimate has been approved and any changes to the scorecard must be submitted to Council with the respective motivation for the changes suggested, for approval.

Important note: The Executive Mayor should review the document for compliance, alignment and adherence to the Council's Agenda as Municipal Manager and Directors will use the TL SDBIP as

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a basis for reporting on performance to the Executive Mayor, Council and the public. The performance agreements of the senior management team will also be based on this document.

7.2.4 Update actual performance

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

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

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

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

7.2.5 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.

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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.

7.2.6 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 takes 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.

7.2.7 Public Reviews

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

7.2.8 Adjustments to KPI's

KPI's should be adjusted to be aligned with the adjustment estimate (incl. capital projects) and the reason for the adjustment in the indicator / target should be submitted in a report to Council. The KPI's can only be changed on the electronic PM system after Council approval has been obtained.

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Please note that KPI targets may not be adjusted downwards. Refer to the Framework for Managing Programme Performance Information in this regard. The approval documents should be safeguarded for audit purposes.

7.3 Directorate/Departmental scorecards

The directorate and departmental scorecards (departmental 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:

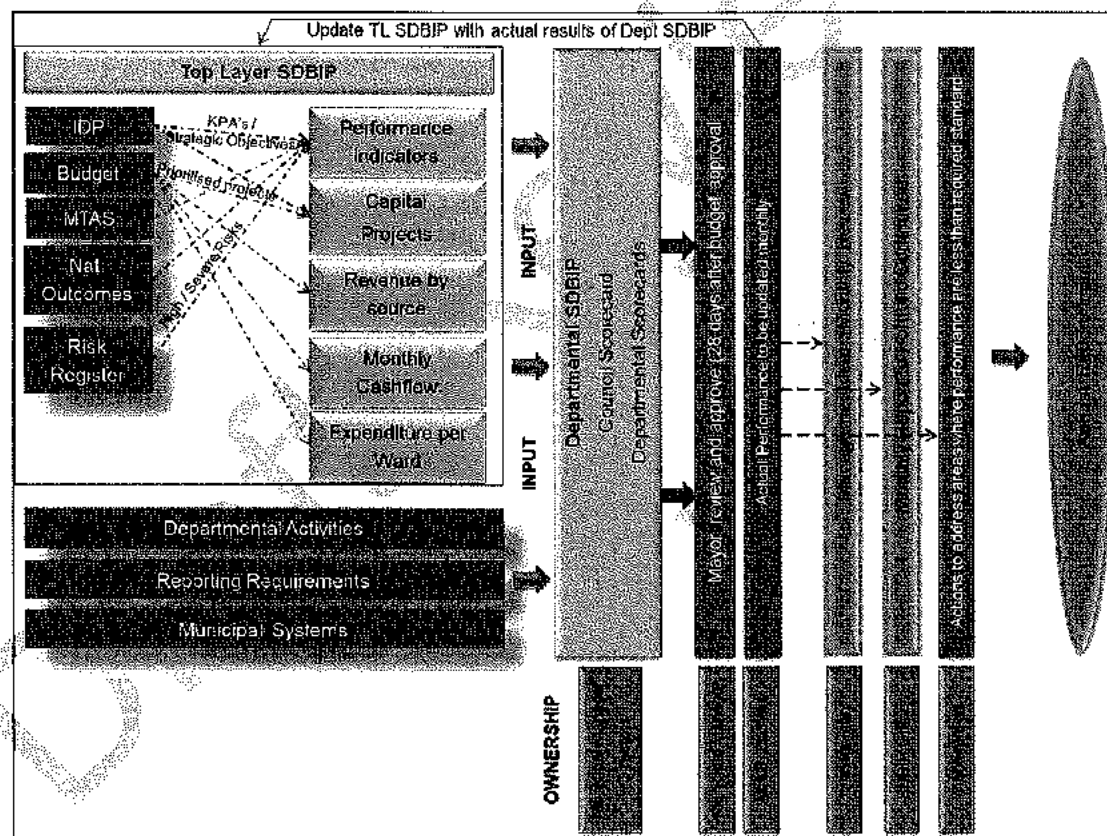


Figure 4: Departmental SDBIP

7.3.1 Preparing the Departmental SDBIP's

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

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- 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 cashflow budgets and project plans.
- Add KPI's to address the key departmental activities.
- Each KPI should have clear monthly targets and should be assigned to the person responsible for the KPI'. KPI's should be SMART.

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

Please refer to section 12 on the development of key performance indicators for assistance on how to develop indicators and targets.

7.3.2 Approval of Departmental SDBIP

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

7.3.3 Update actual performance

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

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

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

7.3.4 Monthly reviews

The Directorates will review their performance at least monthly and report their performance in terms of the SDBIP to the Municipal Manager and the respective Portfolio Councillor. Decision-makers should be warned immediately of any emerging failures to service delivery so that they can intervene if necessary. It is important that Directorates use these reviews as an opportunity for reflection on their goals and programmes and whether these are being achieved. The Portfolio Committee should have a standing agenda item to discuss at their monthly meetings. The SDBIP

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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.

7.3.5 Adjustments to KPI's

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.

8. 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 in terms of this framework 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:

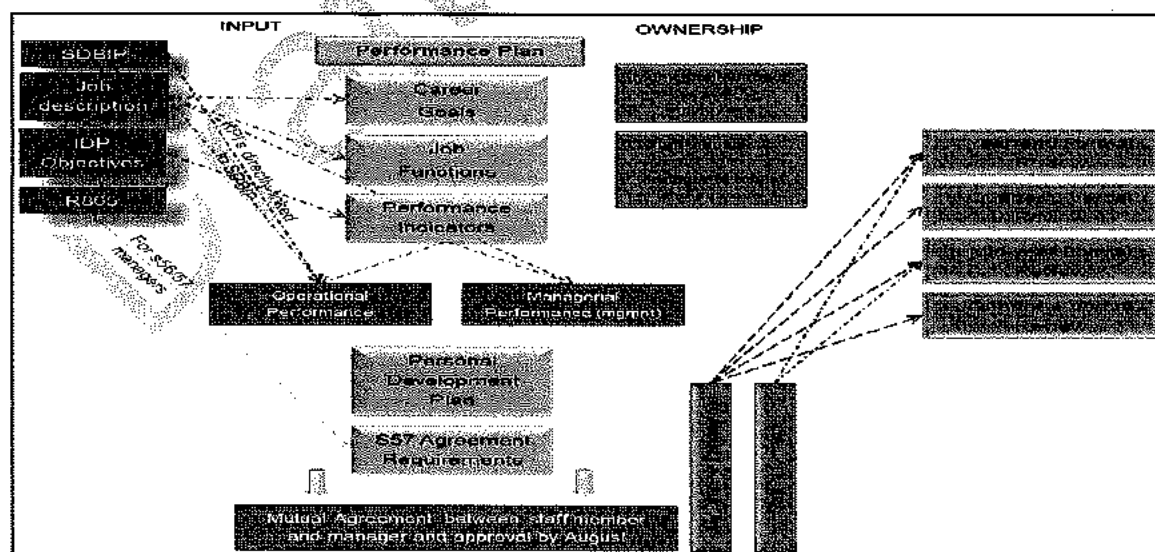


Figure 5: Individual performance management processes

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.

8.1 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. In addition the Regulation in *Government Gazette* 37245, of 17 January 2014 (Local Government: Regulations on Appointment and Conditions of Employment of Senior Managers, Section 9, Annexures A and B) notes the competency requirements for senior managers. The Performance Agreements of the Municipal Manager and other Section 56/57 Managers should be directly linked to their employment contract. These Performance Agreements consist of three distinct parts:

- **Performance Agreement:** This is an agreement between the Section 56/57 Manager and the Municipality, which regulates the performance required for a particular position and the consequences of the performance. The Agreement deals with only one aspect of the employment relationship, namely performance. This agreement must be reviewed and renewed annually, subject to the individual's annual performance.
- **Performance Plan:** The Performance Plan is an Annexure to the Performance Agreement and stipulates in detail the performance requirements for a single financial year. The SDBIP transcends into the Performance Plan/s of the respective Section 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 and the Regulation in *Government Gazette* 37245, of 17 January 2014 (Local Government: Regulations on Appointment and Conditions of Employment of Senior Managers, Annexures A and B). Performance will be reviewed quarterly of which the mid-year and year-end performance will be formal evaluations.

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8.2 Individual scorecards (rest of staff)

8.2.1 Management (Post level Task-14 to 19)

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 task 14-19 as part of his / her career development plan and could 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.

8.2.2 All staff reporting up to management

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

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

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The agreements must be finalised by August every year and be agreed and approved by the respective employee and supervisor.

8.2.3 Skills Development Plan

The skills development plan needs to be compiled / updated with the information obtained from the performance agreements and the development plans. The Human Resources: Training and Development Department together with the respective line manager is responsible to facilitate the implementation of the skills development plan subject to funding and prioritisation of training needs.

8.2.4 Formal performance reviews

Although performance should be managed on a daily basis, formal performance reviews should be done by the respective supervisor [at least bi-annually] quarterly and bi annually for section 57 employees. The objective review should be based on actual performance and performance evidence. The supervisor and employee needs to prepare for the review and discuss the performance during a focussed performance meeting. Feedback should be provided during the review.

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

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

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

8.2.5 Percentage related to the KPI rating scale

In the municipality's electronic performance management system all performance results relate to percentages.

A rating of 3 (fully effective) relates to percentage range of 92-99%. The rating of 4 relate to 100% and 5 relate to percentage higher than 100% which indicate performance above what is regarded as fully effective. Similarly ratings 2 and 1 relate to percentages lower than 100% which indicate performance below what is regarded as fully effective. The major rating intervals and related percentages are shown in the table below:

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<u>Rating</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>
<u>Related</u>	<u>01-59%</u>	<u>60-91%</u>	<u>92-99%</u>	<u>100%</u>	<u>above</u>

8.2.6 Monitoring and evaluation

The key performance indicators (KPI's) and performance targets must be monitored on a monthly basis and formal evaluation and rating on the five –point scale below must be done on a quarterly basis. The directors are responsible for the monitoring and evaluation of the division heads (line managers) and other staff members reporting directly to directors.

During the monitoring and evaluation sessions the actual performance of each employee must be captured on the municipality's electronic performance management database together with the reasons for underperformance (if any) and interventions where necessary. In the event of employee's scoring 4 and above proof of evidence must be provided for audit purposes.

During the quarterly evaluation sessions the ratings must also be captured electronically on the performance management system database.

After each quarterly evaluation session the results must be checked and signed off electronically on the municipality' electronic performance management database by the following parties:

<u>Electronic sign off by</u>	<u>Electronic sign off for</u>
Executive Mayor	Municipal Manager
Municipal Manager	Directors
Directors	Senior Managers and Staff members reporting to Directors
Senior Managers	Managers
Managers	Staff members

Table 1: Electronic sign off by parties

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8.2.7 Rating scale for KPI's

Regulation 27 (4) (c) of the Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers, 2006 prescribes the following five point scale for the purposes of rating employees' performance in respect of KPI's:

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

Table 2: Rating scale for KPI's

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8.3 Circumstances that impact on performance evaluations**a) Absence during the performance cycle**

If an employee is on leave or on sick leave for a month or more, it should not impact on the performance of the employee. The employee should receive the rating as previous evaluation. Section 6 of the Employment Equity Act prohibits unfair discrimination against employees on the grounds of disability or illness.

i. Staff Movements (same level transfer)

When an employee is transferred at the same level, it is his/her responsibility to provide his/her most recent performance assessment to the new department.

ii. Movement within department

Where staff members change jobs within the department during the performance cycle, performance reviews related to the employee vacating the post have to be completed prior to moving to the new position. If the employee changing jobs is a supervisor or manager, performance reviews for each employee under his/her control should be completed prior to his/her movement.

When an employee is transferred to another department, a progress review discussion will be conducted for the current performance cycle prior to the employee leaving the department. In the case of supervisors, regardless of the reason for their departure, they will be required to assess their staff prior to departure.

b) Misconduct and suspension

1) Decisions pertaining to performance rating should be based on an employee's actual performance. In the event of alleged misconduct, some questions need to be posed.

- What was the nature of the misconduct (e.g. financial, management)?
- Was the person found guilty or not?
- If found guilty, what was the nature of the sanction (e.g. discharge, suspension)?
- Did the misconduct and/or sanction impact on performance?
- Was the employee suspended for a prolonged period?

2) Each case should however be judged on its own merit. If a misconduct charge, and /or the hearing, and/or any sanctions have a serious negative impact on an employee's performance, it would be difficult to motivate for awarding a 3-rating or higher and therefore the granting of a performance incentive.

c) **Employees on probation**

The performance of the employees on probation should be evaluated quarterly and the assessment form should be submitted to HR.

d) **Managing performance that is not fully effective**

- (i) Poor work performance should be dealt with in terms of the procedural requirements of the Labour Relations Act schedule 8. Line managers are first required to identify and work with the employee to develop a plan to address performance that is not fully effective. Line managers can consider the following to overcome performance shortfalls:

(a) Personal counseling

(b) On-the-job mentoring, training and coaching

(c) Restating/explaining the performance plan and employee must be aware of performance requirements standard.

(d) Analysis of work environment to determine constraints and needs

- (ii) If an employee does not respond to continuous and reasonable attempts to improve performance, the incapacity processes should be followed.

8.4 Appeals process

8.4.1 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.

8.4.2 Employees

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

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8.5 Reward and Recognition

8.5.1 Performance improvement award

Due to the draft Cost containment regulations issued by National Treasury in February 2018, time off will be the only performance awarded to top achievers.

The year-end rewards will be finalized during September and will be based on the performance evaluation for the period 1 July to 30 June. Individuals achieving 100% or more will be given recognition at Council meeting.

8.6 Roles and Responsibilities

In the Overstrand Municipality individual performance management is coordinated by the Human Resources Department in the Directorate Management Services.

9. 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 Systems 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 Chapter 11 (Section 116(3)) of the Municipal Finance Management Act. Performance of suppliers gets further elaborated in the Contract Management Policy, paragraph 12.

The performance management of suppliers is supported by the Collaborator system, which sends out performance reviews tasks, on a monthly basis on the 25th. (The Collaborator training manual is available on the system).

9.1 Notification of Service Providers

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

- an assessment and reporting of the service provider's performance;

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

9.2 Evaluating the Performance of Service Providers

The Council must approve the thresholds (size and types of service provider contracts) that need to comply with the requirements of this policy. The thresholds that need to be reviewed annually include: (Monthly performance reviews gets supported by the Contract Management Policy):

- Contracts larger than R200 000 and
- Contracts where the service providers is required to deliver goods and services (Procured through the SCM System)

The service provider must sign a service level agreement (SLA) if applicable, indicating the services to be delivered (as set out in the specifications during the SCM process), the timeframes and the evaluation methodology. The service provider's performance must be assessed in the context of the project as a whole (KPI's to be established during the SCM specification phase of procurement). 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, (KPI's – Key Performance Indicators) after taking into account matters beyond the service provider's control.

9.2.1 Prescribed procedures to evaluate service providers

The following procedures need to be followed:

- The requirements of this policy must be included in the contract of the service provider.
- The performance of the service provider under the contract or service level agreement must be assessed monthly by the reporting officer and gets reported by the Contract Management Office to the relevant directors and accounting officer.
- The assessment must be completed in the contract management system.

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- The Reporting Officer must complete the Service Provider Assessment on the contract management system at the end of each month and on completion or termination of the contract.
- The quarterly assessment and reporting must be completed within 15 working days after the end of each quarter. (Refer to the Contract Management Policy, paragraph 5.5.3).
- 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 (Contract Management Office) will review the quarterly Service Provider assessments within 20 days after the end of each quarter and submit a summary report to Council.
- In the instance of under-performance:
 - The Municipality will facilitate support interventions to service providers in the identified areas of underperformance. (refer to the Contract Management Policy – Dispute resolution).
 - 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.
 - Corrective action should be documented in writing within the contract management system
 - The records of the support interventions must be documented, signed by both parties and appropriately filed in the contract management system.

10. 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).

10.1 Continuous quality control and co-ordination

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

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

10.2 Performance investigations

The Executive Mayor or JAPAC (Joint Audit and Performance Audit Committee) [**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

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- 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.

10.3 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]** key performance indicators. 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]** JAPAC.

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

10.4 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]** regulations 14 (2) and 14(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.
- 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,

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- 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.

11. 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:

11.1 Monthly reports

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

11.2 Quarterly reports

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

11.3 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.

11.4 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 electronic system and reviewed and updated in the performance comments field for reporting purposes.

11.5 Annual Report

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

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12. Design of Key Performance Indicators and Targets

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

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

Performance targets express a specific level of performance that the Municipality or individual is aiming to achieve within a given time period.

12.1 Key performance information concepts

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

CONCEPT	DEFINITION
Performance Management	A performance management framework that describes and represents how the municipal cycle and processes of performance planning, monitoring, measurements, review, reporting and improvement will be conducted, organised and managed, including determining roles of the different role players.
Performance Management System (PMS)	A strategic approach which provides a set of tools and techniques to plan regularly, monitor, measure and review performance of the organisation and individuals. Performance management is a system that is used to make sure that all parts of the municipality work together to achieve the goals and targets that are set.
Organisational Performance Management	Concerned with the overall performance of the Municipality/ Organisation in relation to giving effect to the IDP (Macro Dynamics).
Individual Performance Management	Linked to the Organisational Performance Management System are the individuals who contribute to the success or failure of the Municipality/ Organisation. Each individual will have performance objectives, targets and standards that are linked to objectives of his/her Division, Department and Municipality.
Integrated Development Plan (IDP)	Clearly defining 5-year Strategic Plan of a Municipality. IDP should be reviewed annually or as required.
Key Performance Area (KPA)	Key areas of responsibility and developed to achieve the objectives set
Objective	Statement about what outcomes we want to achieve. All components of the IDP need to be translated into a set of clear and tangible objectives. The statement of objectives requires a tangible, measurable and unambiguous commitment. In setting objectives, the municipality will need to: <ul style="list-style-type: none"> • Carefully consider the results desired. • Review the precise wording and intention of the objective.

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CONCEPT	DEFINITION
	<ul style="list-style-type: none"> • Avoid overly broad results statements. • Be clear about the scope and nature of change desired. • Ensure that objectives are outcome and impact focused.
Core Competencies	Every employee, no matter at what level or within what function, is required to demonstrate a number of behaviours and skill that are considered core to achieve the objectives of the municipality.
Priorities	The IDP delivers products such as a set of delivery priorities and objectives, a set of internal transformation strategies, priorities and objectives, identified projects that contribute to the achievement of the above objectives and a financial plan.
Indicators	<p>Measures, which tell us whether we are making progress towards achieving our objectives. In setting key performance indicators the following criteria were taken into consideration.</p> <ul style="list-style-type: none"> • Focused and Specific: Indicators should be clearly focused and stated unambiguously. • Measurable: An indicator should by definition contain a unit of measurement. • Valid and Relevant: Validity is the degree to which an indicator measures what is intended to be measured. This correlates strongly to the relevance of the indicator to the objective being measured. It is also important that the whole set of indicators chosen should be contextually relevant to the South African context. • Reliable: Reliability is the degree to which repeated measures, under exactly the same conditions will produce the same result. • Simple: Good indicators will be simple, easy to communicate such that their relevance is apparent. • Minimise perverse consequences: Poorly chosen indicators, while nobly intended, can have perverse consequences in the behaviours it incentives. • Data Availability: Good indicators are reliable from data that is credible and available on a regular basis. This data should leave an audit trail and should be audited by the Office of the Auditor-General.
Key Performance Indicators (KPI)	<p>Measures (qualitative or quantitative) that tell us whether we are making progress towards achieving our objectives. These indicators have the following characteristics:</p> <ul style="list-style-type: none"> • Based on municipal operational functions • Based as far as possible, on existing measurements • Based on measurable functions • Compiled for monthly measurements (for organisational performance) • Target driven, which requires baseline information for the measurement of performance (performance is measured against targets, not demographics) • The indicators are split into input, output, outcome, process, legal requirements and national indicators as far as possible • All the indicators should be measurable, simple, precise, relevant, adequate and objective.
Input Indicators	These are indicators that measure what it costs the municipality to purchase the essentials for producing desired outputs (economy), and whether the municipality achieves more with less, in resources terms (efficiency) without compromising quality. The input indicators are indicating what we need to do the work and may be the amount of time, money or number of people it took the municipality to deliver a service.
Output Indicators	These are the indicators that measure whether a set of activities or processes yield the desired products – effectiveness indicators. They are usually expressed in quantitative terms and respond to what we have produced. These indicators relate to programme activities or processes.
Outcome Indicators	These are the indicators that measure the quality as well as the impact of the products/programmes in terms of the achievement of the overall objectives. In terms of quality, they measure whether the products meet the set standards in terms of the perceptions of the beneficiaries of the service rendered. In terms of impact, they measure the net effect of the products or services on the overall objective. Outcome indicators relate to programme objectives

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CONCEPT	DEFINITION								
	and responds to what we wish to achieve.								
Activity indicators	The process or activities that use a range of inputs to produce the desired outputs and ultimately outcomes. It therefore responds to the question "what we do"								
Impact indicators	The results of achieving specific outcomes, such as reducing poverty and creating jobs.								
Direct indicators	Data collected mainly by management information systems viz., <ul style="list-style-type: none"> • Quantity • Quality • Cost/Price • Timelines • Start and end times • Distribution • Adequacy • Accessibility 								
Opinion-based indicators	Data collected through surveys								
Relationship indicators	Calculated using a combination of direct and other data								
Target	The level of performance (or desired state of progress) of the indicator that is intended to be achieved within a specified time period. (Value)								
Baseline	The value (or status quo) of the indicator before the start of the programme or prior to the period over which performance is to be monitored and reviewed. If the baseline did not exist, then "new" will be used.								
Measurement source and frequency	Should indicate where the data emanates from, how frequently it can be measured and reported. This information will assist the auditing process.								
SMART	The following SMART criteria were used for the objectives, KPAs and KPIs: S - specific M - measurable A - achievable R - realistic T - time-framed								
Benchmarking	Refers to a process whereby organisations of a similar nature use each other's performance as a collective standard against which they can measure their own performance.								
General reporting indicators	<p>The following general key performance indicators are prescribed in terms of section 43 of the Municipal Systems Act, 2000: These indicators must appear on the Organisational Scorecard (TL SDBIP) in addition to all the KPI's which have been set by the Municipality.</p> <p>General Key Performance Indicators</p> <table border="1"> <tr> <td>1.</td><td>The percentage of households with access to basic level of water, sanitation, electricity and solid waste removal</td></tr> <tr> <td>2.</td><td>The percentage of households earning less than R1 100 per month with access to free basic services</td></tr> <tr> <td>3.</td><td>The percentage of a municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the municipality's IDP.</td></tr> <tr> <td>4.</td><td>The number of jobs created through the municipality's local economic development initiatives including capital projects</td></tr> </table>	1.	The percentage of households with access to basic level of water, sanitation, electricity and solid waste removal	2.	The percentage of households earning less than R1 100 per month with access to free basic services	3.	The percentage of a municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the municipality's IDP.	4.	The number of jobs created through the municipality's local economic development initiatives including capital projects
1.	The percentage of households with access to basic level of water, sanitation, electricity and solid waste removal								
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3.	The percentage of a municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the municipality's IDP.								
4.	The number of jobs created through the municipality's local economic development initiatives including capital projects								

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CONCEPT	DEFINITION						
	<table border="1"> <tr> <td>5.</td><td>The number of people from employment equity targets groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan.</td></tr> <tr> <td>6.</td><td>The percentage of a municipality's budget actually spent on implementing its workplace skill plan.</td></tr> <tr> <td>7.</td><td>Financial viability as expressed (refer regulation (10)(g))</td></tr> </table>	5.	The number of people from employment equity targets groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan.	6.	The percentage of a municipality's budget actually spent on implementing its workplace skill plan.	7.	Financial viability as expressed (refer regulation (10)(g))
5.	The number of people from employment equity targets groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan.						
6.	The percentage of a municipality's budget actually spent on implementing its workplace skill plan.						
7.	Financial viability as expressed (refer regulation (10)(g))						
(i)	<p>Debt Coverage</p> $A = \frac{B-C}{D}$ <p>Where-</p> <p>"A" represents debt coverage</p> <p>"B" represents total operating revenue received</p> <p>"C" represents operating grant</p> <p>"D" represents debt service payment (i.e. interest + redemption) due within the financial year;</p>						
(ii)	<p>Service Debtors to revenue</p> $A = \frac{B}{C}$ <p>Where-</p> <p>"A" represents outstanding service debtors to revenue</p> <p>"B" represents total outstanding service debtors</p> <p>"C" represents annual revenue actually received for services;</p>						
(iii)	<p>Cost Coverage</p> $A = \frac{B+C}{D}$ <p>Where -</p> <p>"A" represents cost average</p> <p>"B" represents all available cash at a particular time</p> <p>"C" represents investments</p> <p>"D" represents monthly fixed operating expenditure</p>						

Table 3: Key performance information concepts

12.2 Setting indicators

In setting indicators it is important that one understand the key performance concepts described above (par 10) and the relationship between the core performance information concepts illustrated below.

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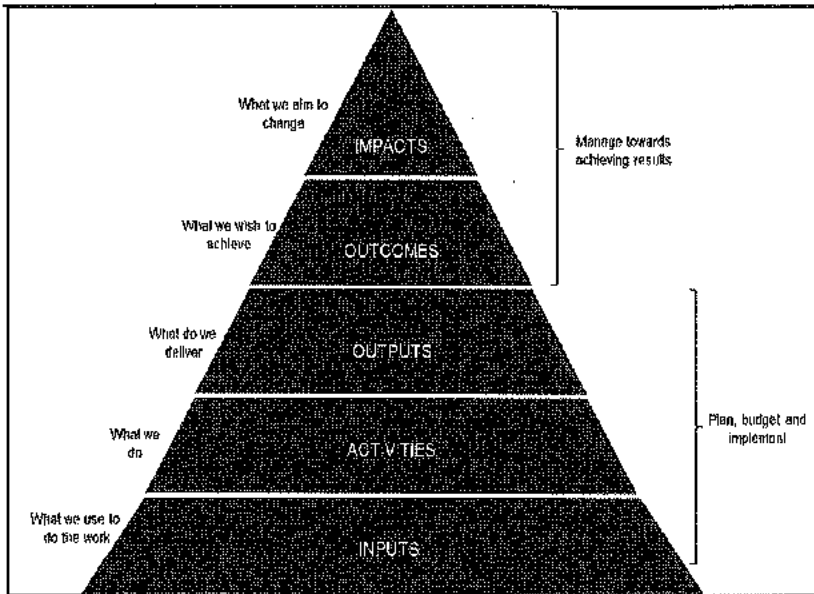


Figure 6: Relationship between the core performance information concepts

13. Performance Management System

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

14. 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.

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14.1 Top Layer SDBIP

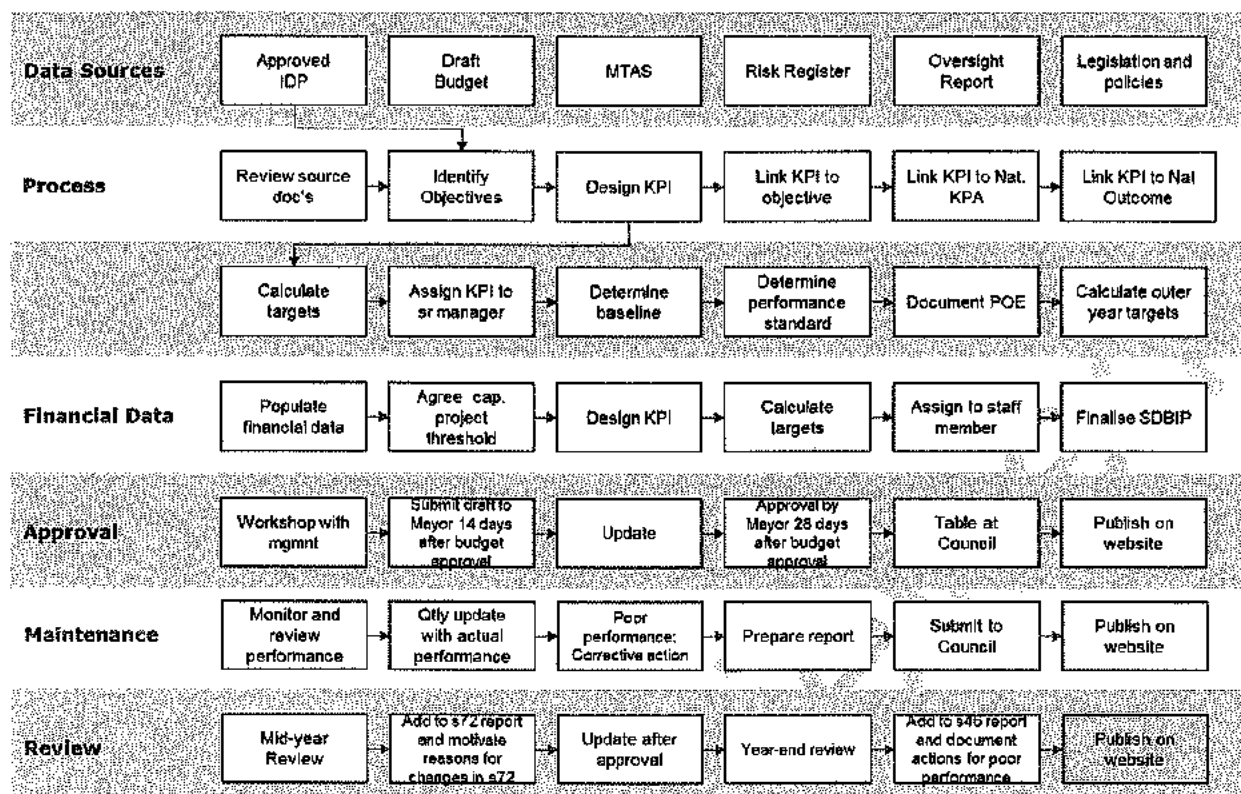


Figure 7: Top Layer SDBIP process map

14.2 Departmental SDBIP

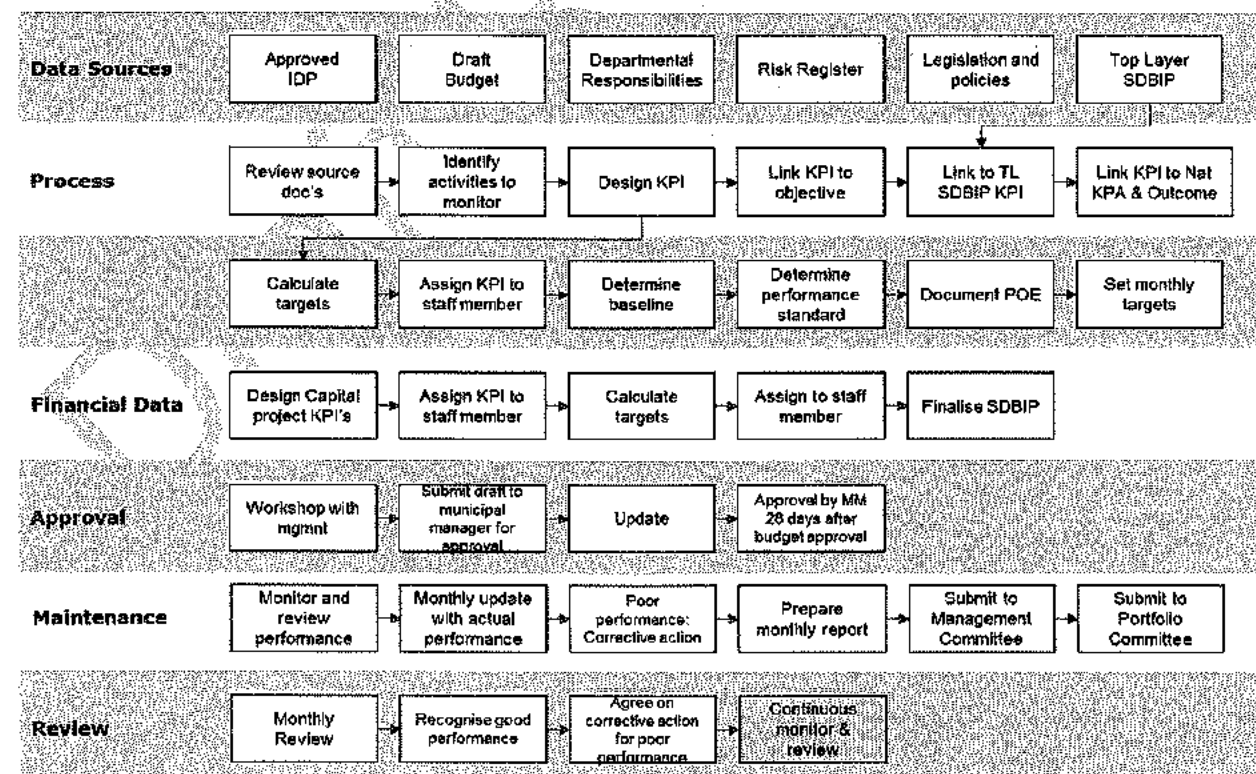


Figure 8: Departmental SDBIP process map

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14.3 Individual Performance

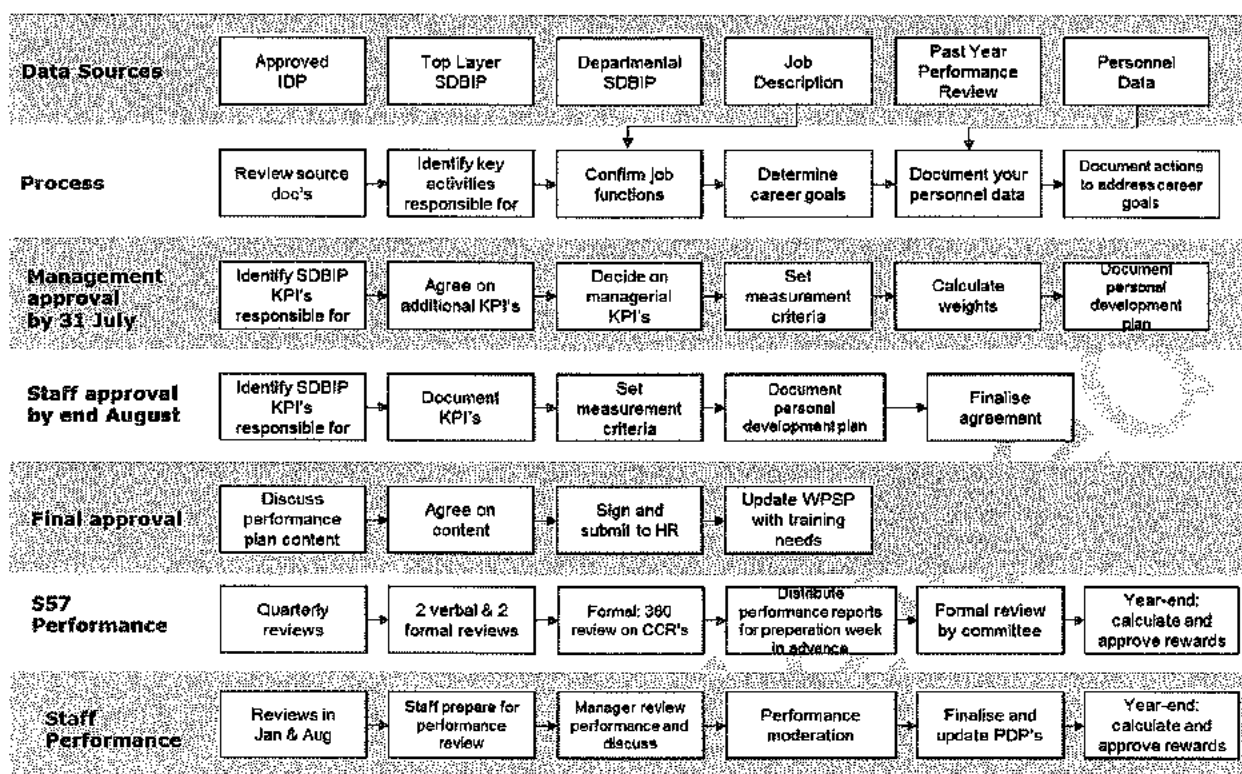


Figure 9: Individual performance process map

15. Role and Responsibilities of Stakeholders

In the Overstrand Municipality the overall performance management coordination resides within the Directorate Management Services, but the functional responsibility for individual and organisational performance is split with the Human Resources Department being responsible for individual performance and the Strategic Services department for organisational performance.

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

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

Table 4: Stakeholders - Administrative Oversight

STAKEHOLDERS	INVOLVEMENT	BENEFITS
	IMPLEMENTERS	
Municipal Manager	<ul style="list-style-type: none"> • Ensure the implementation of the IDP and the PMS. • Communicate with the Executive Mayor and Senior Management Team. 	Clarifies goals, targets and work expectations of the executive management team, other senior managers, line managers and individual employees.
Senior Management Team	<ul style="list-style-type: none"> • Manage Departmental and individual performance • Review and report on performance 	Facilitates the identification of training and development needs at different levels in the municipality.
All Other Managers	<ul style="list-style-type: none"> • Implement the departmental business / operational plans and monitor the Individual Performance Plans. 	Provides an objective basis upon which to reward good performance and correcting under performance.
Individual Employees	<ul style="list-style-type: none"> • Execute individual performance plans. 	Mechanism for early warning indicators to check and ensure compliance.
Reporting Officer (for service provider evaluations)	<ul style="list-style-type: none"> • Line Departments • Monitor and assess work done or service provided as per the service delivery agreement or contract • Report on the performance of the service provider 	Ensure quality and effective performance of service providers.

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STAKEHOLDERS	INVOLVEMENT	BENEFITS
	IMPLEMENTERS	
Supply Chain Management	<ul style="list-style-type: none"> • Manage the performance monitoring process of service providers • Report on contract management and service provider performance to Council quarterly • Report to Council annually on the performance of service providers • Investigate and report on the impact of the interventions on areas of underperformance as part of the quarterly and annually report. • Review the policy and process annually. • Liaise with departments on interventions for under-performing areas. 	<ul style="list-style-type: none"> • Enhances service delivery and performance. • Addresses weak performance timeously. • Effective reporting.
Internal Audit	<ul style="list-style-type: none"> • Assess the functionality, integrity, effectiveness and legal compliance with the PMS. 	<ul style="list-style-type: none"> • Enhances the credibility of the PMS and the IDP. • Enhances the status and role of Internal Audit.

Table 5: Stakeholders- Implementers

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

Table 6: Stakeholders – Oversight

16. 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.

17. Conclusion

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

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ANNEXURES

Annexure 1**List of acronyms**

AG	: Auditor General
CCR	: Core Competency Requirement
IDP	: Integrated Development Plan
JAPAC	: <u>Joint Audit and Performance Audit Committee</u>
KPA	: Key Performance Areas
KPI	: Key Performance Indicators
LED	: Local Economic Development
MEC	: Member of the Executive Council
MFMA	: Municipal Financial Management Act
MSA	: Municipal Systems Act
MTEF	: Medium Term [Economic] 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
SLA	: <u>Service Level Agreement</u>
SMART	: Specific, Measurable, Achievable, Realistic, Time-frame
TL SDBIP	: Top Layer Service Delivery Budget Implementation Plan
WPSP	: Work Place Skills Plan

Annexure 2**References**

- Constitution of the Republic Of South Africa (1996)
- Local Government :Municipal Systems Act (MSA) 2000 and its amendments
- Government Gazette :Regulations gazette No.7146
- Municipal Financial Management Act (MFMA) No.56 of 2003
- Municipal Structures Act 1998
- National Treasury : 2007 Framework for managing performance information
- White Paper on Local Government (1998)
- Batho Pele (1998)
- Local Government: Regulations on appointment and conditions of employment for senior managers (2014)
- 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 63: Update Annual Report
- MFMA Circulars: Municipal budget circulars (Issued annually in December & March)
- Notice 464: Directive: Performance information public audit act (2007)
- Overstrand Municipality Performance Management System Implementation Policy, 2008

Title: Performance Management Framework	
<i>Policy section:</i>	Strategic Services
<i>Directorate:</i>	Management Services
<i>Current Review</i>	28 March 2018
<i>Approval by Council</i>	25 June 2014