

SOL PLAATJE MUNICIPALITY



INTEGRATED PERFORMANCE MANAGEMENT POLICY FRAMEWORK

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1. Introduction

1.1 Why performance management?

Performance information indicates how well a municipality is meeting its aims and objectives, and which policies and processes are working. Making the best use of available data and knowledge is crucial for improving the execution of its mandate. Performance information is key to effective management, including planning, budgeting, implementation, monitoring and reporting. Performance information also facilitates effective accountability, enabling councilors, members of the public and other interested parties to track progress, identify the scope for improvement and better understand the issues involved.

The municipality delivers services essential to the well-being and development of the communities. To ensure that service delivery is as efficient and economical as possible, municipalities are required to formulate strategic plans, allocate resources to the implementation of those plans, and monitor and report the results. Performance information is essential to focus the attention of the public and oversight bodies on whether municipalities 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.

Performance information also plays a growing role in budget allocations and will increasingly be used to monitor service delivery. This means the information must be accurate, appropriate and timely.

The most valuable reason for measuring performance is that what gets measured gets done. If an institution knows that its performance is being monitored, it is more likely to perform the required tasks - and to perform them well. In addition, the availability of performance information allows managers to pursue results-based management approaches, such as performance contracts, risk management, benchmarking and market testing.

1.2 Purpose of the policy framework

The Municipal Systems Act of 2000 and the Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers of 2006, provide for the establishment and implementation of a performance management system for each and every municipality in South Africa. In order to comply with legislation and to improve on good governance and service delivery it is essential for the municipality to adopt a policy on performance management.

The performance policy framework will provide guidance in terms of the municipality's cycle and processes of performance planning, monitoring, measuring, reviewing, reporting, auditing and quality control. The Performance Management Policy as informed by the Municipal Systems Act (2000) and the Municipal Performance Regulations (2006).

This Framework aims to:

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- Clarify definitions and standards for performance information in support of regular audits of such information where appropriate
- Improve integrated structures, systems and processes required to manage performance information
- Define roles and responsibilities for managing performance information
- Promote accountability and transparency by providing Parliament, provincial legislatures, municipal councils and the public with timely, accessible and accurate performance information.

This document is a revised document of the Framework adopted by Council on in order to bring in line with the latest legal requirements pertaining to an Integrated Performance Management System (PMS).

2. Policy and Legislative Framework for Performance Management

The following Policy and Legislative provisions governs performance management in the local government sphere:

2.1 The White Paper on Local Government (1998)

The White Paper on Local Government (1998) suggested that local government should introduce the idea of *performance management systems*. The white paper noted that,

"Involving communities in developing some municipal key performance indicators increases the accountability of the municipality. Some communities may prioritise the amount of time it takes a municipality to answer a query, others will prioritise the cleanliness of an area or the provision of water to a certain number of households. Whatever the priorities, by involving communities in setting key performance indicators and reporting back to communities on performance, accountability is increased, and public trust in the local government system enhanced" (The White Paper on Local Government, 1998).

2.2 Batho Pele (1998)

Similarly, the White Paper on Transforming Public Service Delivery (Batho Pele) puts forward eight principles for good public service:

2.2.1 Consultation:

Citizens should be consulted about the level and quality of public service they receive, and, where possible, should be given a choice about the services, which are provided.

2.2.2 Service standards:

Citizens should know what standard of service to expect.

2.2.3 Access:

All citizens should have equal access to the services to which they are entitled.

2.2.4 Courtesy:

Citizens should be treated with courtesy and consideration.

2.2.5 Information:

Citizens should be given full and accurate information about the public services they are entitled to receive.

2.2.6 Openness and transparency:

Citizens should know how departments are run, how resources are spent, and who is in charge of particular services.

2.2.7 Redress:

If the promised standard of service is not delivered, citizens should be offered an apology, a full explanation and a speedy and effective remedy; and when complaints are made citizens should receive a sympathetic, positive response.

2.2.8 Value-for-money:

Public services should be provided economically and efficiently in order to give citizens the best possible value-for-money.

"Importantly, the Batho Pele White Paper notes that the development of a service-oriented culture requires the active participation of the wider community. Municipalities need constant feedback from service-users if they are to improve their operations. Local partners can be mobilised to assist in building a service culture. For example, local businesses or non-governmental organisations may assist with funding a helpline, providing information about specific services, identifying service gaps or conducting a customer survey" - The White Paper on Local Government (1998).

2.3 The Municipal Systems Act (2000)

National Government has enacted these policies in the Municipal Systems Act (2000), which requires all municipalities to:

- Develop a performance management system
- Set targets, monitor and review performance based on indicators linked to their IDP
- Publish an annual report on performance for the councillors, staff, the public and other spheres of government
- Incorporate and report on a set of general indicators prescribed nationally by the minister responsible for local government
- Conduct an internal audit on performance before tabling the report.
- Have their annual performance report audited by the Auditor-General
- Involve the community in setting indicators and targets and reviewing municipal performance

2.4 Municipal Planning and Performance Management Regulations (2001)

The Municipal Planning and Performance Management Regulations set out in detail requirements for municipal performance management systems. However the regulations do not sufficiently constitute a framework that fully proposes how the system will work. The regulations deal with provisions for the following aspects of the PMS:

- The framework that describes and represents the municipality's cycle and processes for the PMS and other criteria and stipulations [S7], and the adoption of the PMS [S8];
- The setting and review of Key Performance Indicators (KPIs) [S9 & 11];
- The General KPIs which municipalities have to report on [S10], and which include:
 - (i) Households with access to basic services
 - (ii) Low income households with access to free basic services

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- (iii) Capital budget spent in terms of the IDP
 - (iv) Job creation in terms of the LED programme
 - (v) Employment equity with target groups in the three highest levels of management
 - (vi) The implementation of work skills plan
 - (vii) The financial viability of the municipality.
- The setting of performance targets, and the monitoring, measurement and review of performance [S 12, 13];
 - Internal Auditing of performance measurements [S14];
 - Community participation in respect of performance management [S15]

2.5 Municipal Finance Management Act (2003)

The Municipal Finance Management Act (MFMA) of 2003 requires that municipalities prepare a Service Delivery and Budget Implementation Plan (SDBIP) as an implementation and management tool to ensure that budgetary decisions that are adopted by municipalities for the financial year are aligned with their Integrated Development Plan.

Section 1 of the Municipal Finance Management Act (MFMA) No. 56 of 2003 defines the “service delivery and budget implementation plan” as the detailed plan approved by the mayor of the municipality in terms of Section 53 (1) (c) (ii) for implementing the municipality’s delivery of municipal services and its annual budget and which must include the following:-

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

In terms of Section 53 (i)(c)(ii) of the MFMA, the SDBIP must be approved by the Mayor of a municipality within 28 days of the approval of the budget.

MFMA Circular 13 specifically addresses the detail of an SDBIP. The SDBIP serves as a “contract” between the administration, council and the community to deliver on the services outlined in the SDBIP and to manage the finances of the Municipality in a transparent and accountable manner. Not only will the SDBIP serve as an appropriate monitoring tool in the execution of the Municipality’s budget to achieve key strategic priorities as set by the Integrated Development Plan (IDP), but will also serve as an essential part of the annual performance contracts for senior management and provide a foundation for the overall annual and quarterly organizational performance.

2.6 Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers (2006).

According to the regulations the Municipal Manager and Managers directly accountable to the Municipal Managers must sign Performance Agreements based on the contents of the SDBIP.

These regulations seek to set out how the performance of Municipal Managers and Managers directly accountable to Municipal Managers will be uniformly directed, monitored and improved. The regulations include the following:

- Chapter 2 deals with the requirements and provisions of the employment contracts;
- Chapter 3 deals with the performance agreements, which must include prescribed Key Performance Areas and Core Competency Requirements.
- Chapter 4 deals with the content of a Job Description for Municipal Managers.

3. Objectives of a Performance Management System for the Sol Plaatje Municipality

Beyond the fulfilling of legislative requirements, Sol Plaatje Municipality requires a performance management system that will be constituted as the primary mechanism to monitor, review and improve the implementation of the municipality's IDP.

In doing so, it should fulfil the following functions:

3.1 Facilitate increased accountability

The performance management system should provide a mechanism for ensuring increased accountability between

- The citizens of Sol Plaatje and the municipal council;
- The political and administrative components of the municipality; and
- Each department and the executive office.

3.2 Facilitate learning and improvement

While ensuring that accountability is maximised, the performance management system must also provide a mechanism for learning and improvement. It should allow for the municipality to know which approaches are having the desired impact, and enable the municipality to improve delivery. It should form the basis for monitoring, evaluating and improving the IDP.

3.3 Provide early warning signals

The performance management system should provide managers, the Municipal Manager and Council with early warning of risks to full implementation of the IDP. It is important that the system ensure decision-makers are timeously informed of risks, so that they can facilitate intervention, if necessary.

3.4 Facilitate decision-making

The performance management system should provide appropriate management information that will allow efficient, effective and informed decision-making, particularly on the allocation of resources.

The functions listed above are not exhaustive, but summarise the intended benefits of the performance management system to be developed and implemented. These intended functions should be used to evaluate the performance management system, periodically.

4. Principles Governing Performance Management

The process of developing a performance management system for the Sol Plaatje Municipality was guided by the following principles:

- **Simplicity**

The system will need to be kept as simple as possible to ensure that the municipality can develop, implement, manage and review the system without placing an unnecessary great burden on the existing capacity of the municipality.

- **Politically acceptable and administratively managed**

The system must be acceptable to political role players on all levels. It must also be flexible enough to be accepted by the municipal council and to enjoy buy-in across political differences. The process will involve both Councillors and officials but the day-to-day management of the process will be managed administratively with regular report back on progress to the political level.

- **Implementable**

Considering the resource framework of the municipality, the PMS should be implementable with these resources, which will include time, institutional, financial, and technical resources.

- **Transparency and accountability**

The development and implementation of a PMS should be inclusive, transparent and open. The general public should, through the system, be made aware of how the operations of the municipality are being administered, how the public resources are being spent and who certain responsibilities belong to.

- **Efficient and sustainable**

The PMS should, like other services within the municipality, be cost effective and should be professionally administered, and needs to happen in a sustainable manner.

- **Public participation**

The constituency of the municipality should be granted their legal rights, in terms of the Constitution and the MSA, through encouragement of public participation by the municipality during the development and implementation of a PMS.

- **Integration**

The PMS should be developed and implemented in such a manner that it will be integrated with the integrated development process of the municipality and its employee performance management.

- **Objectivity**

The PMS to be developed and implemented must be developed on a sound value system with the management of the system and the information it is based upon being objective and credible.

- **Reliability**

The PMS should provide reliable information on the progress made by the municipality in achieving the objectives as set out in its IDP.

5. Sol Plaatje Performance Management Model

International experience in both the private and public sectors has shown that traditional approaches to measuring performance that have been heavily reliant on financial measures are severely lacking. It has become well accepted that in order to assess an organisation's performance, a balanced view is required, incorporating a multi-perspective assessment of how the organisation is performing as seen by differing categories of stakeholders. To ensure this balanced multi-perspective view of performance, it is proposed that a model be adopted for the performance of the organisation.

5.1 What is a model?

A model for performance management provides a framework for what aspects of performance get measured and managed. It can be defined as the grouping together of indicators, often based on the type of indicator into logical categories or groups, as a means to enhance the ability of an organisation to manage and analyse its performance.

5.2 Why do we need a model?

Models have proved useful in performance management for the following reasons. They provide:

5.3 Balance

A good model will ensure balance in how the organisation measures and manages its performance. It should not bias performance measurement by relying on one facet of performance, but represent a multi-perspective holistic assessment of municipal performance.

5.3.1 Simplicity

A good model should organise simply, what would otherwise be a long list of indicators attempting to comprehensively cover performance, into a set of categories sufficiently covering all key areas of performance. Models differ most significantly in what they assert are the key aspects of performance.

5.3.2 Mapping of Inter-relationships

A good model will map out the inter-relationships between different areas of performance. These inter-relationships relate to the extent to which poor performance in one category would lead to poor performance in other related areas and the converse. These inter-relationships help in both the planning stage and the review stage, particularly in the diagnosis of causes of poor performance.

5.3.3 Alignment to the Integrated Development Planning (IDP) and Budget

A good model will align the processes of performance management to the IDP processes and budget of the organisation. It will ensure that IDP and budget translated into performance plans that will be monitored and reviewed. The categories of key performance areas provided by a model should relate directly to the identified priority areas of the IDP.

5.4 The Performance Model

Sol Plaatje Municipality must implement a performance model that should include the Municipal Scorecard (SDBIP), individual scorecards for s57 appointees (performance contracts), individual scorecards for middle management (performance agreements) and eventually scorecard for all staff. The Municipal Scorecard (SDBIP) will be aligned with the IDP and the Budget. The SDBIP will include the following municipal objectives and identified strategies which are aligned with the national KPA's:

- Basic Service Delivery
- Municipal Institutional Development and Transformation
- Local Economic Development
- Municipal Financial Viability and Management
- Good Governance and Public Participation
- Infrastructure

Sol Plaatje added the last objective to the National KPA's as it is an important focus of the municipality.

5.5 Scorecards at different levels

It is proposed that the organisational performance be evaluated by means of a corporate scorecard at organisational level and through directorate and departmental scorecards at directorate and departmental levels.

5.5.1 The Corporate scorecard

The corporate scorecard (high level SDBIP) will provide an overall picture of performance for the municipality as a whole, reflecting performance on its strategic priorities. The Municipal Manager and Executive Directors will use it, after review, as a basis for reporting on performance to the Executive Mayor, Council and the

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public. It is proposed that it be reported to Executive Mayor quarterly, to Council bi-annually and the Public annually for review.

5.5.2 Directorate/Departmental scorecards

The directorate and departmental scorecards (detail SDBIP) will capture the performance of each defined directorate or department. Unlike the corporate scorecard, which reflects on the strategic priorities of the municipality, a directorate or departmental scorecard will provide a comprehensive picture of the performance of that directorate/department. It 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. It will be crucial that directorate/departmental scorecards not duplicate current reporting, but be integrated into as a core component and simplify all regular reporting from directorates and departments to the municipal manager and committees.

It is envisaged that the monthly performance reviews in the form of the directorate and departmental scorecards will be reported to the Municipal Manager and the Executive Mayor for review. It is suggested that this happens monthly.

5.5.3 Individual scorecards (s57 employees)

The Local Government Municipal Systems Act 2000 and Regulation 805 of August 2006 (Performance Municipal Manager and the Managers reporting directly to the Municipal Manager) requires the Municipal Manager and the Managers reporting directly to the Municipal Manager to enter into annual Performance Agreements. The employment contract of the Municipal Manager and other Section 57 Managers should be directly linked to their Performance Agreements. These Performance Agreements therefore consist of two distinct parts:

- Performance Agreement: This is an agreement between the Section 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 is normally for a period of 5-years but 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 Departmental Business Plan or scorecard (sorted per Department) transcends into the Performance Plan/s of the respective Section 57 Managers according to their areas of responsibility

5.5.4 Individual scorecards (rest of staff)

The data obtained from departmental scorecards (detailed SDBIP), will provide the user with the respective Individual performance contracts.

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Individual scorecards are agreed with each employee as part of his / her career development plan. Scorecards should include the following:

- Performance agreed for all employees on a specific job level. A matrix to be developed.
- Performance agreed with the individual employee unique to the employees daily tasks
- Growth performance – activities agreed that will allow the employee to grow to higher levels

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

- Performance scorecard – including core competencies;
- Career path for the respective employee, including long term and intermediate goals; and
- Training or other skills development needs of the employee.

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

5.6 Scorecard concepts

The organisational, directorate and departmental scorecards should be presented in a consistent format so that they are easy to use and understand. Proposed formats are attached as appendix II and III. The concepts used in the scorecards are used are defined below:

Objectives: are statements about what a service/action wants to achieve.

Indicators: are measures, which tell us whether we are making progress towards achieving our objectives.

A baseline measure: is the value of the indicator before the start of the programme or prior to the period over which performance is to be reviewed.

A target: is the value of the indicator that we want to achieve by a specified time.

The measurement source and frequency: should indicate where the data emanates from, and how frequently it can be measured and reported. This information will assist the auditing process.

These have been used as the basis of the plans for the strategic and departmental scorecards.

5.7 Criteria for Good Indicators

In setting key performance indicators the following criteria were taken into consideration.

5.7.1 Focused and Specific

Indicators should be clearly focused and stated unambiguously.

5.7.2 Measurable

An indicator should by definition contain a unit of measurement.

5.7.3 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.

5.7.4 Reliable

Reliability is the degree to which repeated measures, under exactly the same conditions will produce the same result.

5.7.5 Simple

Good indicators will be simple, easy to communicate such that their relevance is apparent.

5.7.6 Minimise perverse consequences

Poorly chosen indicators, while nobly intended, can have perverse consequences in the behaviours it incentivises.

5.7.7 Data Availability

Good indicators are reliable on 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.

6. The Process of Managing the PMS

The annual process of managing performance of the Sol Plaatje Municipality will involve the following components:

- Planning (setting goals, objectives, targets, benchmarks)
- Monitoring (regular checking of progress against plans)
- Measurement (indicators of success)
- Review (identifying areas requiring change, improvement etc)
- Reporting (what information, to whom, from whom, how often and for what purpose)
- Improvement (making changes where necessary)
- Performance Auditing

Each of the above components are discussed below with regard to the role and responsibilities of the different stakeholders in the performance management system as well as the processes and procedures linked to component.

6.1 Role and Responsibilities of Stakeholders

The following table sets out 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 	Optimum and equitable service delivery.
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 Committee	<ul style="list-style-type: none"> Manage the implementation of the strategy. Review and monitor the implementation of the IDP and the PMS. 	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. Monitor performance. Oversight role to ensure that performance management processes are monitored 	Provides a mechanism for the implementation and review of PMS and IDP achievement.

STAKEHOLDERS	INVOLVEMENT	BENEFITS
	OFFICIALS	
Municipal Manager	<ul style="list-style-type: none"> Ensure the implementation of the IDP and the PMS. Communicate with the 	Clarifies goals, targets and work expectations of the executive management team, other senior

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STAKEHOLDERS	INVOLVEMENT	BENEFITS
	OFFICIALS	
	Executive Mayor and Executive Management Team.	managers, line managers and individual employees.
Executive Management Team	<ul style="list-style-type: none"> • Manage Departmental performance. • Business / Operational. • Plans and Performance. • Integration role. 	Facilitates the identification of training and development needs at different levels in the municipality.
Line 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.
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.

STAKEHOLDERS	INVOLVEMENT	BENEFITS
	COMMUNITY / PUBLIC	
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.
OTHER PARTNERS		
Auditor-General	Ensure legal compliance.	Provides warning signals of under- performance which can provide pro-active and timely interventions.
Performance Audit Committee	Independent oversight on legal compliance.	Provides warning signals of under- performance.
Oversight Committee	Review Annual Report and	Improved performance

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STAKEHOLDERS	INVOLVEMENT	BENEFITS
	COMMUNITY / PUBLIC	
	suggest corrective action to address shortfalls	

6.2 Performance Planning

Because performance is to be managed in terms of the Integrated Development Plan, the IDP process constitutes the process of planning for performance. For this reason indicators and targets were developed for all the priorities and objectives as set out in the IDP.

The table below provides a clear timeframe for the key milestones for performance management:

PHASE	ORGANISATIONAL ACTIVITY	INDIVIDUAL ACTIVITY	TIME-FRAME
STRATEGY	Approve IDP, Budget and municipal performance plan		June
PLANNING	Development of Service Delivery Budget Implementation Plan (SDBIP) (Corporate Scorecard)		July
	Confirm portfolio's of Council and Departments	Confirm Portfolio's of managers	July
		Performance Agreements of Section 57 Managers	July
		Performance Contracts/Plans with rest of staff	August
	Update Skills Development Plan (SDP)	Finalise Career Development Plans	August
	Agree performance weighting and rewards for year		August
MONITOR, MEASURE & REVIEW	Monthly Monitoring SDBIP and SDP		Monthly

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PHASE	ORGANISATIONAL ACTIVITY	INDIVIDUAL ACTIVITY	TIME-FRAME
	Quarterly Review/s SDBIP and SDP	Bi-annual or quarterly reviews	September December March June
	Q1 & Q3 – informal reviews, Q2 & Q4 – Formal	Annual Performance Appraisal	June
	Reward and Recognition		December June
REPORTING	Quarterly Report/s		September December March
	Mid-year assessment to Council	Mid-year Assessment Report	Jan
	Annual Report	Annual Staff Performance Report	July
PERFORMANCE IMPROVEMENT	Performance Improvement Plans		January July

6.3 Measurement and Analysis

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 the Municipal Manager and then the Executive Mayor on these for reviews.

The corporate performance must be measured monthly at analysed as least quarterly. Corporate performance will be measured during the mid-year review where after the performance scorecard adjusted / actions planned to address poor performance. The information of the annual review will be included in the annual report of the municipality.

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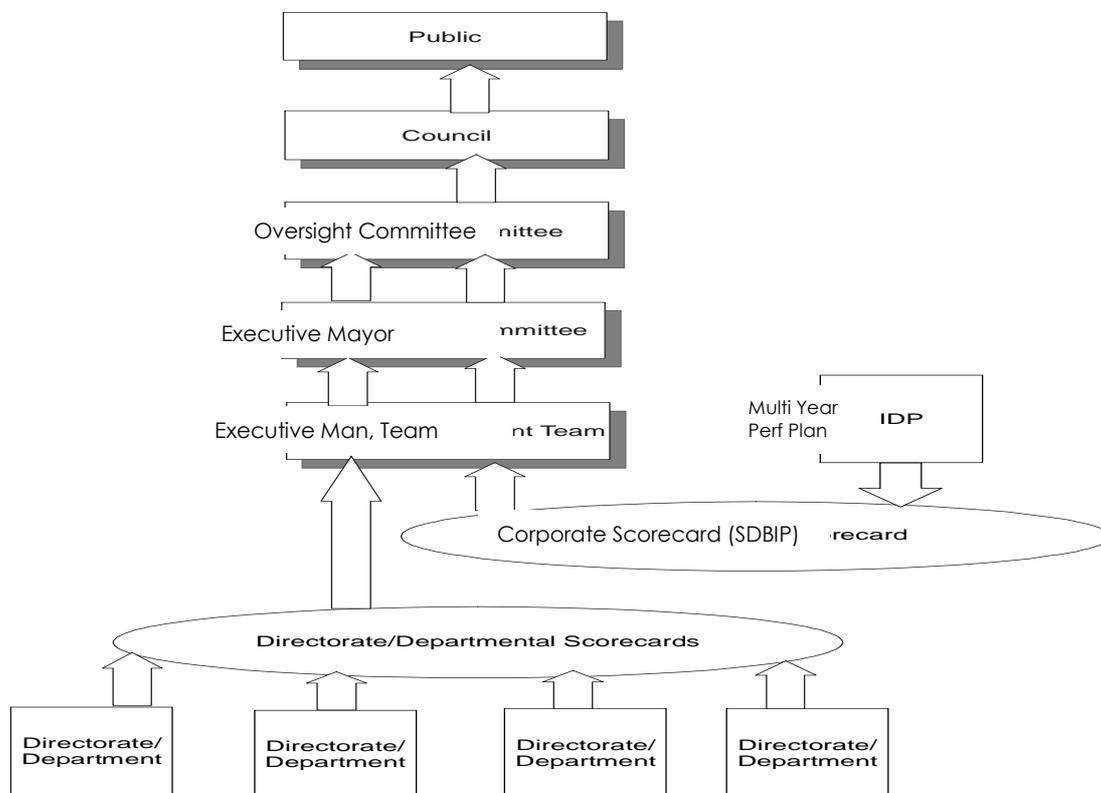
The performance of the s57-appointees will be measured in accordance with the individual performance contracts issued in terms of the Regulations. The individual performance should be reviewed at least quarterly.

A portfolio of evidence should be kept by the executive management team to support evaluations. Further details of the reviews will be included in the performance manual of the municipality.

6.4 Performance Reporting & Reviews

The figure below aims to provide a picture of the annual process of reporting and reviews.

Figure 1: The annual process of reporting and review



6.4.1 Directorate/Departmental Reviews

It is intended that Directorates and Departments will review their performance at least monthly, using the directorate or departmental scorecards. Decision-makers should be immediately warned of any emerging failures to service delivery such that they could intervene if necessary. It is important that Directorates and Departments use these reviews as an opportunity for reflection on their goals and programmes and whether these are being achieved. Minutes of these reviews should be forwarded to the Municipal Manager. 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.

6.4.2 Senior Management Reviews (s57 appointees)

Directorates/Departments will then need to report on their performance in the directorate/departmental scorecard format to the Municipal Manager. Additional indicators that occur in the corporate scorecard will also be reviewed. These indicators will include shared targets and targets identified to ensure full integration. The executive management team will need to reflect on whether targets are being achieved, what are the reasons for targets not being achieved where applicable and corrective action that may be necessary. Where targets need to be changed, the management team can endorse these, for approval by the Executive Mayor.

6.4.3 Review by the Executive Management Team (EMT)

Before the submission of the organisational, directorate or departmental scorecards to the Executive Mayor (see 6.5.4 and 6.5.5 below) it will be submitted to the EMT. It will be their task to consider the corrective action proposed and to endorse or amend such recommendations for consideration by the Executive Mayor.

6.4.4 Monthly Executive Mayor reviews of the corporate and directorate's scorecards

The Executive Mayor will be required to review the performance of the respective directorates against the respective scorecards. The Executive Mayor should appraise the performance of the directorate against committed targets. Where targets are not being met, the Executive Mayor should ensure that the reasons for poor performance are satisfactory and sufficient, and the corrective strategies proposed are sufficient to address the reasons for poor performance. Changes in indicators and targets that do not appear in the corporate scorecard may be proposed to and can only be approved by the Executive Mayor, in consultation with the Municipal Manager. Changes in indicators and targets that fall within the corporate scorecard will need to be approved by the full Council and made public as per the legislative requirements..

6.4.5 Quarterly Executive Mayor reviews of the corporate scorecard

On a quarterly basis, the Executive Mayor should engage in an intensive review of municipal performance against both the directorate's scorecards and the corporate 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. The said section determines that the accounting officer must by 25 January of each year 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 corporate 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.

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The Executive Mayor will need to ensure that targets committed to in the corporate 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 reasons for poor performance.

The review should also focus on reviewing the systematic compliance to the performance management system, by directorates, departments, portfolio committees and the Municipal Manager.

It will be 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. It is also proposed that an Annual Mayoral Award for Excellent Performance be introduced, that rewards directorates or departments who have excelled in terms of the scorecards. Such an award and the subsequent recognition can often be sufficient to motivate teams in the workplace.

6.4.6 Council Reviews

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

6.4.7 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 in connection with the annual report.

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

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

- Various forms of media including radio, newspapers and billboards can be used to convey the citizens' report. The public should be invited to submit comment via telephone, fax, email and possibly also public hearings to be held in a variety of locations.
- The public reviews should be concluded by a formal review of the annual report by the IDP Representative Forum of Sol Plaatje.

6.5 Auditing and Quality Control

All auditing should comply with section 166 of the Municipal Finance Management Act and Regulation 14 of the Municipal Planning and Performance Management Regulations (2001).

6.5.1 Continuous quality Control and Co-ordination

The Municipal Manager and IDP Manager will be required on an ongoing basis to co-ordinate and ensure good quality of reporting and reviews. It will be their role to ensure conformity to reporting formats and check the reliability of reported information, where possible.

6.5.2 Performance Investigations

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

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

While the internal audit function may be used to conduct these investigations, it is preferable that external service providers, preferably academic institutions, 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 each such investigation.

6.5.3 Internal Audit

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

The municipality's internal audit function will need to be continuously involved in auditing the performance reports based on the organisational and directorate/departmental scorecards. As required by the regulations, they will be required to produce an audit report on a quarterly basis, to be submitted to the Municipal Manager and Audit Committee. If required the capacity of the internal audit unit will need to be improved beyond the auditing of financial information.

The role of the audit committee will be to assess

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

6.5.4 Performance Audit Committee

The MFMA and the Municipal Planning and Performance Management Regulations require that the municipal council establish a performance 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 gives municipalities the option to establish a separate performance audit committee whereas the MFMA provides only for a single audit committee. The operation of this audit committee is governed by section 14 (2-3) of the regulations.

According to the regulations, the performance audit committee must

- review the quarterly reports submitted to it by the internal audit unit
- review the municipality's performance management system and make recommendations in this regard to the council of that municipality
- assess whether the performance indicators are sufficient
- at least twice during a financial year submit an audit report to the municipal council

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

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

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

The Sol Plaatje Municipality has already established an Audit Committee and this committee will fulfil the function as described above.

7. Reward and recognition

The Council needs to finalise its reward and recognition structure before the approval of the budget.

Remuneration Committee – Section 57 of the Systems Act (2002)

The Act requires that every municipality must have a remuneration policy that sets out the link between performance and reward for the Municipal Manager and Managers reporting directly to the Municipal Manager. The employment of the first two levels of Management is regulated by the Local Government:

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Municipal System Act (2002) and guidelines for the remuneration of Municipal Managers to be issued by the Department of Local Government as contemplated by the legislation. It is essential that the remuneration policy i.e. there must be no confusion in the minds of the Municipal Manager and the Managers reporting to the Municipal Manager what the remuneration policy is in relation to linking the results of their performance to reward. The remuneration policy must clearly indicate the rewards in relation to the performance outcomes of the Municipal Manager and the managers reporting to the Municipal Manager.

Recognition and reward should be linked to achieving the overall performance of the municipality (10%), the performance of the department or team (20%) and individual performance (70%).

Recognition programme for employees

The municipal manager and the Remuneration Committee must annually prepare a Recognition programme to reward good performance for Council approval. The recognition programme should address:

- Bonus schemes
- Award determination
- Types of rewards
- Merit increase
- Informal awards – for teambuilding purposes
- Administration of bonuses, merit increases and awards

These rewards need to be communicated to all staff appropriately.

8. Appeals process

S57-Employees:

The Appeals process as prescribed in R805 of August 2006 and as agreed in the employment and performance contracts of the s57-employees will be applicable in instances where they are not in agreement with their final performance evaluations.

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.

Management of Unacceptable performance:

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

9. 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 captured in section 3 of this document.
- The adherence of the performance management system to the objectives and principles captured in section 4 of this document.
- Opportunities for improvement and a proposed action plan.

It must once again 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 we are continuously improving the way the system works to fulfil the objectives of the system and address the emerging challenges from a constantly changing environment.

Appendices

Appendix I

Section 3.2. Of the White Paper on Local Government

3.2. Performance management

Performance management is critical to ensure that plans are being implemented, that they are having the desired development impact, and that resources are being used efficiently. Municipalities currently set their own measures of performance, or key performance indicators. Key performance indicators vary greatly from municipality to municipality, and cover both efficiency measures and *human development indices**.

Key performance indicators can provide valuable information for two purposes:

- _ Firstly, development indices (such as the Household Development Index) can help municipalities to know their areas better and plan more effectively. Development indices also assist municipalities to assess the impact and effectiveness of the development strategies which they adopt, and make adjustments to their plans as required. The Central Statistical Service already provides useful indicators to assist municipalities in planning for their areas. Following the demarcation of new municipal boundaries, it will be possible to disaggregate (lift out) information according to municipal jurisdictions, which will be of particular value in the planning process. Development indicators should also be disaggregated according to gender to allow municipalities to assess the impact of their strategies on women, and ensure that the needs and interests of women are incorporated into municipal planning processes.
- _ Secondly, indicators which measure value-for-money in service provision can provide valuable guidance for municipal organisational transformation. Efficiency and quality indicators enable municipalities to set targets for continued improvement in their operations, to prioritise areas where organisational change is required, and assess the success of their transformation programmes.

Involving communities in developing some municipal key performance indicators increases the accountability of the municipality. Some communities may prioritise the amount of time it takes a municipality to answer a query, others will prioritise the cleanliness of an area or the provision of water to a certain number of households. Whatever the priorities, by involving communities in setting key performance indicators and reporting back to communities on performance, accountability is increased, and public trust in the local government system enhanced.

Municipal Councils will also find that developing some key performance indicators in consultation with internal municipal stakeholders (i.e., management and organised labour) can assist in developing a shared organisational vision and common goals for improved performance and delivery.

Performance monitoring indicators need to be carefully designed in order to accurately reflect the efficiency, quality and value-for-money of municipal services. International experience shows that poorly designed performance indicators can have a negative effect on delivery, and that it is critical that indicators focus on

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outcomes and not only inputs and outputs. For example, a municipality has a programme for cutting the grass verges. The aim is to maintain an orderly appearance in the streets and to discourage the dumping of rubbish in public spaces. However, if the municipality fails to collect the cut grass, it will build up and lead to the dumping of garden refuse by residents. This defeats the municipality's original objective. A performance management system which only measures the frequency of cutting the grass (the output) - and not the effect that this has on the maintenance of the public spaces (the outcome) - will give a misleading report on the effectiveness of the municipality's actions.

In the medium-term, a national performance management system is required to assess the overall state of local government, monitor the effectiveness of development and delivery strategies adopted by different municipalities and ensure that scarce resources are utilised efficiently. It would provide 'early warning' where municipalities are experiencing difficulties, and enable other spheres of government to provide appropriate support before a crisis develops. It would also enable municipalities to compare their own performance with that of similar municipalities across the country, identify successful approaches or 'best practice', and learn from one another.

National government will work closely with municipalities, provincial governments and other agencies that can contribute to the development of a national performance management system (such as the Central Statistical Service and the Auditor-General's Office) to develop a set of indicators which can be piloted by different municipalities and ultimately lead to the establishment of a national system.

While it is envisaged that the national system will apply in all municipalities, it will not replace the need for municipalities to set their own key performance indicators as part of the integrated development plan process. A national system can only incorporate indicators which are relevant to all municipalities. Municipalities will need to continue to develop key performance indicators which are specific to their local circumstances and goals, and to the priorities of local communities.

In summary

Integrated development planning, budgeting and performance management are powerful tools which can assist municipalities to develop an integrated perspective on development in their area. It will enable them to focus on priorities within an increasingly complex and diverse set of demands. It will enable them to direct resource allocations and institutional systems to a new set of development objectives.

Appendix II

Chapter 6 of the Municipal Systems Act (2000)

CHAPTER 6 PERFORMANCE MANAGEMENT

Establishment of performance management system

38. 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;

(b) promote a culture of performance management among its political structures, political office bearers and councillors and in its administration; and

(c) administer its affairs in an economical, effective, efficient and accountable manner.

Development of performance management system

39. The executive committee or Executive Committee of a municipality or, if the municipality does not have an executive committee or Executive Committee, a committee of councillors appointed by the municipal council must—

(a) manage the development of the municipality's performance management system;

(b) assign responsibilities in this regard to the municipal manager, and

(c) submit the proposed system to the municipal council for adoption.

Monitoring and review of performance management system

40. A municipality must establish mechanisms to monitor and review its performance management system.

Core components

41. (1) A municipality must in terms of its performance management system and in accordance with any regulations and guidelines that may be prescribed—

- (a) set appropriate key performance indicators as a yardstick for measuring performance, including outcomes and impact, with regard to the municipality's development priorities and objectives set out in its integrated development plan;

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(b) set measurable performance targets with regard to each of those development priorities and objectives;

(c) with regard to each of those development priorities and objectives and against the key performance indicators and targets set in terms of paragraphs (a) and (b)—

(i) monitor performance; and

(ii) measure and review performance at least once per year;

(d) take steps to improve performance with regard to those development priorities and objectives where performance targets are not met; and

(e) establish a process of regular reporting to—

(i) the council, other political structures, political office bearers and staff of the municipality; and

(ii) the public and appropriate organs of state.

(2) The system applied by a municipality in compliance with subsection (1)(c) must be devised in such a way that it may serve as an early warning indicator of under-performance.

Community involvement

42. A municipality, through appropriate mechanisms, processes and procedures established in terms of Chapter 4, must involve the local community in the development, implementation and review of the municipality's performance management system, and, in particular, allow the community to participate in the setting of appropriate key performance indicators and performance targets for the municipality.

General key performance indicators

43. (1) The Minister, after consultation with the MECs for local government and organised local government representing local government nationally, may—

(a) by regulation prescribe general key performance indicators that are appropriate and that can be applied to local government generally; and

(b) when necessary, review and adjust those general key performance indicators.

(2) Key performance indicators set by a municipality must include any general key performance indicators prescribed in terms of subsection (1), to the extent that these indicators are applicable to the municipality concerned.

Notification of key performance indicators and performance targets

44. A municipality, in a manner determined by its council, must make known, both internally and to the general public, the key performance indicators and performance targets set by it for purposes of its performance management system.

Audit of performance measurements

45. The results of performance measurements in terms of section 41(1)(c) must be audited—

(a) as part of the municipality's internal auditing processes; and

(b) annually by the Auditor-General.

Annual reports

46. (1) A municipality must prepare for each financial year an annual report consisting of—

(a) a performance report reflecting—

(i) the municipality's, and any service provider's, performance during that financial year, also in comparison with targets of and with performance in the previous financial year;

(ii) the development and service delivery priorities and the performance targets set by the municipality for the following financial year; and

(iii) measures that were or are to be taken to improve performance;

(b) the financial statements for that financial year prepared in accordance with the standards of generally recognised accounting practice referred to in section 89 of the Public Finance Management Act, 1999 (Act No. 1 of 1999);

(c) an audit report on the financial statements and the report on the audit performed in terms of section 45(b); and

(d) any other reporting requirements in terms of other applicable legislation.

(2) A municipality must table its annual report within one month of receiving the audit report referred to in subsection (1)(c).

(3) (a) The municipal manager must—

(i) by prior notice in the media, inform the local community of the meeting or meetings of the council at which the municipality's annual report is tabled or discussed, which meetings must be open to the public;

(ii) give written notice of such meetings to the Auditor-General and the MEC for local government in the province;

(iii) submit copies of the minutes of those meetings to the Auditor-General and the MEC for local government in the province;

(b) Representatives of the Auditor-General and the MEC for local government in the province are entitled to attend and to speak at such meetings, and the municipal manager must be available to respond to questions related to the annual report.

(4) The municipality must adopt its annual report, and within 14 days—

(a) make copies of the report accessible to the public, interested organisations and the media, free of charge or at a reasonable price; and

(b) submit a copy of the report to—

(i) the MEC for local government in the province;

- (ii) the Auditor-General; and
- (iii) such other institutions as may be prescribed by regulation.

Reports by MEC

47. (1) The MEC for local government must annually compile and submit to the provincial legislatures and the Minister a consolidated report on the performance of municipalities in the province.
- (2) The report must—
- (a) identify municipalities that under-performed during the year;
 - (b) propose remedial action to be taken; and
 - (c) be published in the *Provincial Gazette*.
- (3) The MEC for local government must submit a copy of the report to the National Council of Provinces.

Reports by Minister

48. (1) The Minister must annually compile and submit to Parliament and the MECs for local government a consolidated report of local government performance in terms of general key performance indicators.
- (2) The report must be published in the *Gazette*.

Regulations and guidelines

49. (1) The Minister may for the purposes of this Chapter make regulations or issue guidelines in terms of section 120 to provide for or regulate—
- (a) incentives to ensure that municipalities establish their performance management systems within the applicable prescribed period, and comply with the provisions of this Act concerning performance management systems;
 - (b) the setting of key performance indicators by a municipality with regard to its development objectives;
 - (c) the identification of appropriate general key performance indicators that can be applied to municipalities generally and that reflect the object and intent of section 23;
 - (d) the regular review by a municipality of its key performance indicators;
 - (e) the setting of a framework for performance targets by municipalities consistent with their development priorities, objectives and strategies set out in their integrated development plans;
 - (f) mechanisms, systems and processes for the monitoring and measurement of performance by a municipality with regard to its development objectives;
 - (g) the internal auditing of performance measurements;
 - (h) the assessment of those performance measurements by a municipality;
 - (i) the assessment of progress by a municipality with the implementation of its integrated development plan;
 - (j) the improvement of performance;

- (k) any other matter that may facilitate—
 - (i) the implementation by municipalities of an efficient and effective system of performance management; or
 - (ii) the application of this Chapter.
- (2) When making regulations or issuing guidelines in terms of section 120 to provide for or to regulate the matters mentioned in subsection (1) of this section, the Minister must—
 - (a) take into account the capacity of municipalities to comply with those matters; and
 - (b) differentiate between different kinds of municipalities according to their respective capacities.
- (3) The Minister, by notice in the *Gazette*, may phase in the application of the provisions of this Chapter which place a financial or administrative burden on municipalities.
- (4) A notice in terms of subsection (3) may—
 - (a) determine different dates on which different provisions of this Chapter becomes applicable to municipalities;
 - (b) apply to all municipalities generally;
 - (c) differentiate between different kinds of municipalities which may, for the purpose of the phasing in of the relevant provisions, be defined in the notice in relation to categories or types of municipalities or in any other way; or
 - (d) apply to a specific kind of municipality only, as defined in the notice.

Appendix III

Municipal Planning and Performance Management Regulations

GOVERNMENT NOTICE

DEPARTMENT OF PROVINCIAL AND LOCAL GOVERNMENT

No. R. 796 - 24 August 2001

LOCAL GOVERNMENT: MUNICIPAL PLANNING AND PERFORMANCE MANAGEMENT REGULATIONS, 2001

Under section 120, read with sections 37, 43 and 49 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000), I, Fholisani Sydney Mufamadi, after consultation with the MEC's for local government and organised local government representing local government nationally, hereby make the regulations in the Schedule.

F. S. MUFAMADI

Minister for Provincial and Local Government

SCHEDULE

CHAPTER 1

INTERPRETATION

Definitions

1. In these regulations a word or phrase to which a meaning has been assigned in the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000), has that meaning and, unless the context otherwise indicates "ad hoc committee" means a committee appointed in terms of section 33(1) of the Act;

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

"**input indicator**" means an indicator that measures the costs, resources and time used to produce an output;

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

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

"**the Act**" means the Local Government: Municipal Systems Act, 2000.

CHAPTER 2

INTEGRATED DEVELOPMENT PLANNING

Detail of integrated development plan

2. (1) A municipality's integrated development plan must at least identify-
 - (a) the institutional framework, which must include an organogram, required for-
 - (i) the implementation of the integrated development plan; and
 - (ii) addressing the municipality's internal transformation needs, as informed by the strategies and programmes set out in the integrated development plan;
 - (b) any investment initiatives in the municipality;
 - (c) any development initiatives in the municipality, including infrastructure, physical, social, economic and institutional development;
 - (d) all known projects, plans and programs to be implemented ' within the municipality by any organ of state; and
 - (e) the key performance indicators set by the municipality.
- (2) An integrated development plan may
 - (a) have attached to it maps, statistics and other appropriate documents; or
 - (b) refer to maps, statistics and other appropriate documents that are not attached, provided they are open for public inspection at the offices of the municipality in question.
- (3) A financial plan reflected in a municipality's integrated development plan must at least
 - (a) include the budget projection required by section 26(h) of the Act;
 - (b) indicate the financial resources that are available for capital project developments and operational expenditure; and
 - (c) include a financial strategy that defines sound financial management and expenditure control, as well as ways and means of increasing revenues and external funding for the municipality and its development priorities and objectives, which strategy may address the following:
 - (i) Revenue raising strategies;
 - (ii) asset management strategies;
 - (iii) financial management strategies;
 - (iv) capital financing strategies;
 - (v) operational financing strategies; and
 - (vi) strategies that would enhance cost-effectiveness.
- (4) A spatial development framework reflected in a municipality's integrated development plan must-
 - (a) give effect to the principles contained in Chapter 1 of the Development Facilitation Act' 1995 (Act No. 67 of 1995);

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- (b) set out objectives that reflect the desired- spatial form of the municipality;
- (c) contain strategies and policies regarding the manner in which to achieve the objectives referred to in paragraph (b), which strategies and policies must-
 - (i) indicate desired patterns of land use within the municipality;
 - (ii) address the spatial reconstruction of the municipality; and
 - (iii) provide strategic guidance in respect of the location and nature of development within the municipality;
- (d) set out basic guidelines for a land use management system in the municipality;
- (e) set out a capital investment framework for the municipality's development programs;
- (f) contain a strategic assessment of the environmental impact of the spatial development framework;
- (g) identify programs and projects for the development of land within the municipality;
- (h) be aligned with the spatial development frameworks reflected in the integrated development plans of neighbouring municipalities; and
- (i) provide a visual representation of the desired spatial form of the municipality, which representation:
 - (i) must indicate where public and private land development and infrastructure investment should take place;
 - (ii) must indicate desired or undesired utilisation of space in a particular area;
 - (iii) may delineate the urban edge;
 - (iv) must identify areas where strategic intervention is required; and
 - (v) must indicate areas where priority spending is required.

Process for amending integrated development plans

3. (1) Only a member or committee of a municipal council) may introduce a proposal for amending the municipality's integrated development plan in the council.
- (2) Any proposal for amending a municipality's integrated development plan must be-
 - (a) accompanied by a memorandum setting out the reasons for the proposal; and
 - (b) aligned with the framework adopted in terms of section 27 of the Act.
- (3) An amendment to a municipality's integrated development plan is adopted by a decision taken by a municipal council in accordance with the rules and orders of the council.
- (4) No amendment to a municipality's integrated development plan may be adopted by the municipal council unless-
 - (a) all the members of the council have been given reasonable notice;

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- (b) the proposed amendment has been published for public comment for a period of at least 21 days in a manner that allows the public an opportunity to make representations with regard to the proposed amendment;
 - (c) the municipality, if it is a district municipality, has complied with subregulation (5); and
 - (d) the municipality, if it is a local municipality, has complied with subregulation (6).
- (5) A district municipality that considers an amendment to its integrated development plan must-
- (a) consult all the local municipalities in the area of the district municipality on the proposed amendment; and
 - (b) take all comments submitted to it by the local municipalities in that area into account before it takes a final decision on the proposed amendment.
- (6) A local municipality that considers an amendment to its integrated development plan must-
- (a) consult the district municipality in whose area- it falls on the proposed amendment; and
 - (b) take all comments submitted to it by the district municipality into account before it takes a final decision on the proposed amendment.

Procedure and manner of referring an objection to ad hoc committee

4. (1) Whenever a MEC for local government decides to refer an objection to an ad hoc committee in terms of section 33(4) of the Act, the MEC must-
- (a) within seven days of such decision, notify the relevant municipal council that the municipal council's objection is being referred to an ad hoc committee;
 - (b) submit the following to the ad hoc committee as soon as it is appointed:
 - (i) A copy of the MEC's request in terms of section 32(2) of the Act;
 - (ii) written reasons for the MEC's proposals referred to in section 32(2)(a) of the Act;
 - (iii) a copy of the municipal council's objection and the reasons for disagreeing with the MEC's proposals.
- (2) An ad hoc committee must-
- (a) inform the relevant municipal council in writing of the date or dates on which the ad hoc committee would consider the municipal council's objection; and
 - (b) afford the relevant municipal council at least seven days before such date or dates to make written representations to the ad hoc committee regarding the reasons for the MEC's proposals referred to in subregulation (1)(b)(ii).
- (3) An ad hoc committee must, within, 21 days of the date on which it was appointed, notify the relevant municipal council and the MEC concerned in writing of the committee's decision regarding the municipal council's objection.

Proceedings of ad hoc committee

5. (1) (a) A MEC for local government who appoints an ad hoc committee must convene the first meeting of the ad hoc committee.

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- (b) The chairperson of the ad hoc committee convenes the subsequent meetings of the ad hoc committee.
- (2) (a) At the first meeting of the ad hoc committee, the members of the ad hoc-committee must elect a member of the committee as chairperson after nominations have been called for.
- (b) If the chairperson of the ad hoc committee is absent from a specific meeting of the committee, the members present must elect a chairperson from the members present to act as chairperson for that meeting
- (3) An objection referred to an ad hoc committee must be decided on the written documentation submitted to it.
- (4) (a) An ad hoc committee may determine its own voting procedure for deciding a matter before it, taking into account the requirement of section 33(4) of the Act that at least two spheres of government must agree on the matter.
- (b) No sphere of government represented in an ad hoc committee may abstain from voting.

Giving effect to integrated development plan

6. A municipality's integrated- development plan must -

- (a) inform the municipality's annual budget that must be based on the development priorities and objectives referred to in section 26(c) of the Act and the performance targets set by the municipality in terms of regulation 12; and
- (b) be used to prepare action plans for the implementation of strategies identified by the municipality.

CHAPTER 3

PERFORMANCE MANAGEMENT

Nature of performance management system

- 7. (1) A municipality's performance management-system entails a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role-players.
- (2) In developing its performance management system, a municipality must ensure that the system-
 - (a) complies with all the requirements set out in the Act;
 - (b) demonstrates how it is to operate and be managed from the planning stage up to the stages of performance and reporting;
 - (c) clarifies the roles and responsibilities of each role-player, including the local community, in the functioning of the system;
 - (d) clarifies the processes of implementing the system within the framework of the integrated development planning process;

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- (e) determines the frequency of reporting and the lines of accountability for performance;
- (f) relates to the municipality's employee performance management processes;
- (g) provides for the procedure by which the system is linked to the municipality's integrated development planning processes; and

Adoption of performance management system

8. A performance management system must be 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.

Setting of key performance indicators

- 9
- (1)(a) A municipality must set key performance indicators, including input indicators, output indicators and outcome indicators, in respect of each of the development priorities and objectives referred to in section 26(c) of the Act.
 - (b) A key performance indicator must be measurable, relevant, objective and precise.
 - (2) In setting key performance indicators, a municipality must ensure that-
 - (a) communities are involved; and
 - (b) the key performance indicators inform the indicators set for
 - (i) all its administrative units and employees; and
 - (ii) every municipal entity and service provider with whom the municipality has entered into a service delivery agreement.

General key performance indicators

10. The following general key performance indicators are prescribed in terms of section 43 of the Act:
- (a) The percentage of households with access to basic level of water, sanitation, electricity and solid waste removal;
 - (b) the percentage of households earning less than R1100 per month with access to free basic services;
 - (c) 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;
 - (d) the number of jobs created through municipality's local economic development initiatives including capital projects
 - (e) 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;
 - (f) the percentage of a municipality's budget actually spent on implementing its workplace skills plan; and
 - (g) financial viability as expressed by the following ratios:

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

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;

$$(ii) \quad A = \frac{B}{C}$$

Where -

"A" represents outstanding service debtors to revenue

"B" represents total outstanding service debtors

"C" represents annual revenue actually received for services;

$$(iii) \quad A = \frac{B + C}{D}$$

Where -

"A" represents cost coverage

"B" represents all available cash at a particular time

"C" represents investments "D" represents monthly fixed operating expenditure.

Review of key performance indicators

11. (1) A municipality must review its key performance indicators annually as part of the performance review process referred to in regulation 13.
- (2) Whenever a municipality amends its integrated development plan in terms of section 34 of the Act, the municipality must, as part of the process referred to in regulation 3, review those key performance indicators that will be affected by such amendment.

Setting of performance targets

12. (1) A municipality must, for each financial year, set performance targets for each of the key performance indicators set by it.
- (2) A performance target: set in terms of subregulation (1) must -
- (a) be practical and realistic;
 - (b) measure the efficiency, effectiveness, quality and impact of the performance of the municipality, administrative component, structure, body or person for whom a target has been set;
 - (c) be commensurate with available resources;
 - (d) be commensurate with the municipality's capacity; and

(e) be consistent with the municipality's development priorities and objectives set out in its integrated development plan.

Monitoring, measurement and review of performance

13. (1) 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.
- (2) The mechanisms, systems and processes for monitoring in terms of subregulation (1) must-
- (a) provide for reporting to the municipal council at least twice a year;
 - (b) be designed in a manner that enables the municipality to detect early indications of under-performance; and
 - (c) provide for corrective measures where under-performance has been identified.
- (3) Performance measurement in terms of subregulation (1) must include the measurement of -
- (a) costs, resources and time used to produce outputs in accordance with the input indicators referred to in regulation 9;
 - (b) the extent to which the municipality's activities or processes produced outputs in accordance with the output indicators referred to in regulation 9; and
 - (c) the total improvement brought by outputs in accordance with the outcome indicators referred to in regulation 9.
- (4) The mechanisms, systems and processes for review in terms of subregulation (1) must at least-
- (a) identify the strengths, weaknesses, opportunities and threats of the municipality in meeting the key performance indicators and performance targets set by it, as well as the general key performance indicators prescribed by regulation 10;
 - (b) review the key performance indicators set by the municipality in terms of regulation 9; and
 - (c) allow the local community to participate in the review process.

Internal auditing of performance measurements

14. (1) (a) A municipality must develop and implement mechanisms, systems and processes for auditing the results of performance measurements as part of its internal auditing processes.
- (b) Any auditing in terms of paragraph (a) must include assessments 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; and
 - (iii) the extent to which the municipality's performance measurements are reliable in measuring performance of municipalities on indicators referred to in regulation 9 and 10
- (c) A municipality's internal auditors must -

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(i) on a continuous basis audit the performance measurements of the municipality;
and

(ii) submit quarterly reports on their audits to the municipal manager and the performance audit committee referred to in subregulation (2).

(2) (a) A municipality must annually appoint and budget for a performance audit committee consisting of at least three members, the majority of which may not be involved in the municipality as a councillor or an employee.

(b) A performance audit committee appointed in terms of paragraph (a) must include at least one person who has expertise in performance management.

(c) A municipality may utilise any audit committee established in terms of other applicable legislation as the performance audit committee envisaged in paragraph (a), in which case the provisions of this subregulation, read with the necessary changes, apply to such an audit committee.

(d) The council of a municipality must designate a member of the performance audit committee who is not a councillor or an employee of the municipality as chairperson of the committee.

(e) If the chairperson of the performance audit committee is absent from a specific meeting of the committee, the members present must elect a chairperson from the members present to act as chairperson for that meeting.

(f) In the event of a vacancy occurring amongst the members of the performance audit committee, the municipality concerned must fill that vacancy for the unexpired portion of the vacating member's term of appointment.

(g) A municipality must provide secretariat services for its performance audit committee.

(h) (i) A local municipality may in stead of appointing a performance audit committee elect to make use of the performance audit committee of the district municipality in whose area it falls, and that performance audit committee is to be regarded as the performance audit committee of the local municipality in question.

(ii) A local municipality that elects to make use of the performance audit committee of the district municipality in whose area it falls, must notify that district municipality of its decision and make suitable arrangements with the district municipality regarding the availability of that performance audit committee.

(i) A member of the performance audit committee who is not a councillor or an employee of the municipality concerned, may be remunerated taking into account the tariffs determined by the South African Institute of Chartered Accountants in consultation with the Auditor-General.

(3) (a) A performance audit committee must meet at least twice during the financial year of the municipality concerned.

(b) A special meeting of the performance audit committee may be called by any member of the committee.

(c) A performance audit committee may determine its own procedures after consultation with the Executive Committee or the executive committee of the municipality concerned, as the case may be.

(4) (a) A performance audit committee must-

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- (i) review the quarterly reports submitted to it in terms of subregulation (1)(c)(ii);
 - (ii) review the municipality's performance management system and make recommendations in this regard to the council of that municipality; and
 - (iii) at least twice during a financial year submit an audit report to the municipal council concerned.
- (b) In reviewing the municipality's performance management system in terms of paragraph (a)(ii), the performance audit committee must focus on economy, efficiency, effectiveness and impact in so far as the key performance indicators and performance targets set by the municipality are concerned.
- (c) A performance audit committee may -
- (i) communicate directly with the council, municipal manager or the internal; and external auditors of the municipality concerned;
 - (ii) access any municipal records containing information that is needed to perform its duties or exercise its powers;
 - (iii) request any relevant person to attend any of its meetings, and, if necessary, to provide information requested by the committee; and
 - (iv) investigate any matter it deems necessary for the performance of its duties and the exercise of its powers.

CHAPTER 4

MISCELLANEOUS

Community participation in respect of integrated development planning and performance management

15. (1) (a) In the absence of an appropriate municipal wide structure for community participation, a municipality must establish a forum that will enhance community participation in -
- (i) the drafting and implementation of the municipality's integrated development plan; and
 - (ii) the monitoring, measurement and review of the municipality's performance in relation to the key performance indicators and performance targets set by the municipality.
- (b) Before establishing a forum in terms of paragraph (a), a municipality must, through appropriate mechanisms, invite the local community to identify persons to serve on the forum, including representatives from ward committees, if any.
- (c) A forum established in terms of paragraph (a) must be representative of the composition. of the local community of the municipality concerned.
- (2) A municipality must-
- (a) convene regular meetings of the forum referred to in subregulation (1) to -
 - (i) discuss the process to be followed in drafting the integrated development plan;
 - (ii) consult on the content of the integrated development plan;
 - (iii) monitor the implementation of the integrated development plan;

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- (iv) discuss the development, implementation and review of the municipality's performance management system; and
 - (v) monitor the municipality's performance in relation to the key performance indicators and performance targets set by the municipality; and
 - (b) allow members of the forum at least 14 days before any meeting of the forum to consult their respective constituencies on the matters that will be discussed at such a meeting.
- (3) A municipality must afford the local community at least 21 days to comment on the final draft of its integrated development plan before the plan is submitted to the council for adoption.

Short title

16. These regulations are called the Local Government: Municipal Planning and Performance Management Regulations, 2001.