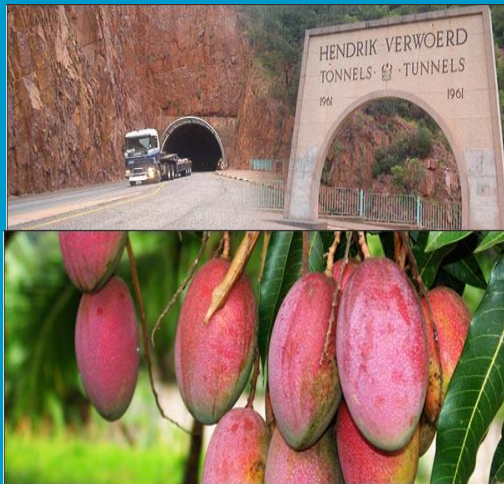# MAKHADO MUNICIPALITY

PERFORMANCE MANAGEMENT POLICY AND FRAMEWORK

(Council Resolution A.140.06.12.13)

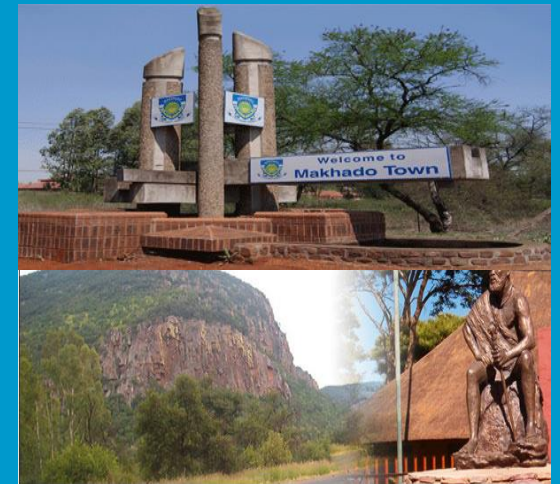# 2013/2017

TABLE OF CONTENTS

ABREVIATIONS AND ACRONYMS

CCRs	–	Core Competency Requirements
COGTA	–	Corporate Governance and Traditional Affairs
EXCO	–	Executive Committee
GKPIs	–	General Key Performance Indicators
HOD	–	Head of Department/Directors
IDP	–	Integrated Development Plan
KFA	–	Key Focus Area
KPA	–	Key Performance Area
KPI	–	Key Performance Indicator
MEC	–	Member of the Executive Council
MFMA	–	Municipal Finance Management Act
MSA	–	Municipal Systems Act
PDP	–	Personal Development Plan
PES	–	Performance Evaluation System
PP	–	Performance Plan
SBU	–	Strategic Business Unit
SDBIP	–	Service Delivery and Budget Implementation Plan

DEFINITION OF TERMS

TERM	DEFINITION
Activity-Based Costing	A business practice in which costs are tagged and accounted in detailed activity categories, so that return on investment and improvement effectiveness can be evaluated. Implementing ABC requires proper data structures, and an adequate data reporting and collection system involving all employees in the activity.
Activity-Based Management	The use of ABC data to ascertain the efficiency or profitability of business units, and the use of strategic initiatives and operational changes in an effort to optimize financial performance.
Architecture	Design; the way components fit together. May be conceived of any complex system such as "software architecture" or "network architecture" [Free On-line Dictionary of Computing]. An IT architecture is a design for the arrangement and interoperation of technical components that together provided and organization its information and communication infrastructure.
Annual IDP and Performance Management Review	A specific process legally required of Municipalities is to review the achievements of the implementation of the IDP [performance management system] and to make any necessary changes to the IDP plan and feed into the budget for the following financial year.
Assessment	The measurement of data by means of a scoring process to assess if targets were reached.
Assessment Reporting	The Municipal Manager as the head of the administration to compile an executive strategic report that captures the assessment scores of the Section 57 Managers to the Executive Committee and Council to determine the bonus to be paid to the Section 57 Managers
Auditing	In order for the performance management system to enjoy credibility and legitimacy from the public and other stakeholders, performance reports will be audited. Audits should ensure that reported performance information is accurate, valid and reliable.
Balanced Scorecard	A measurement-based strategic management system, originated by Robert Kaplan and David Norton, which provides a method of aligning business activities to the strategy, and monitoring performance of strategies goals over time.
Baseline Information	Data on the current process that provides the metrics against which to compare improvements and to use in benchmarking. Estimate current level or measure of the situation
Baseline Indicators	These are indicators that show the status quo or the current situation. They may indicate the level of poverty, service, infrastructure and so forth. They are usually utilised in the planning phase to indicate the challenges the organisation is faced with. They are important, since organisations use them to assess whether programmes are indeed changing the situation. Baseline indicators are typically used for reporting purposes and no targets or scores are attached to them. An example will be the number of indigent households. These baseline indicators are typical used when reporting to COGTA on the status quo of municipalities.
Benchmark	Used as a comparison against actual performance, "Benchmark" typically represents an industry average of performance for a given Metric.
Benchmarking	The process of comparing one set of measurements to another. This may be done for various reasons, such as to determine trends in a process over time, or to compare on organization's efficiency to another's.
Best	Used as a comparison against actual performance, "Best" typically represents the absolute best possible performance imaginable for a given Metric. In some instances, it may be used to represent the target performance.
Business As Usual	Used as a comparison against actual performance, "Business As Usual" typically represents an average of actual performance from the same period, prior year for a given Metric.
Budget / Budget Estimate	Current budget as allocated on the IDP for a specific objective
Capacity Building	Efforts aimed to develop human skills or societal infrastructures within a community or organization needed to reduce the level of risk.

TERM	DEFINITION
Critical Success Factors	Key areas of activity in which favourable results are necessary for a company to reach its goal.
Composite Indicator	Combined sets of different indicators into one index by developing a mathematical relationship between them.
Developmental Approach	The performance management system should encourage growth and learning as opposed to punitive measures.
Effectiveness	(a) Degree to which an activity or initiative is successful in achieving a specified goal; (b) degree to which activities of a unit achieve the unit's mission of goal.
Efficiency	(a) Degree of capability or productivity of a process, such as the number of cases closed per year; (b) tasks accomplished per unit cost.
Evaluation	The comparison of actual project impacts against the agreed strategic plans. It can be formative (taking place during the life of a project or organisation, with the intention of improving the strategy or way of functioning of the project or organisation). It can also be summative (drawing learning's from a completed project or an organisation that is no longer functioning). For Municipalities, Formative Evaluation is through the use of Portfolio Committees and Summative Evaluation is through the Oversight Committee
Financial Perspective	Managers must focus on how to meet service delivery needs in an economic, efficient and effective manner. They must answer the question: Is the service delivered at a good price?
Goal	A specific intended result of a strategy; used interchangeably with objective.
Holistic and Integrated	To be effective and credible, the performance management system should be well integrated into other management systems.
Indicator	A simple metric that is intended to be easy to measure. Its intent is to obtain general information about performance trends by means of surveys, telephone interviews, and the like.
Initiative	A project related to an Objective which, if successfully completed, will assist in achieving the Objective.
Internal Processes Perspective	Managers need to focus on those critical operations that enable them to satisfy the electorate, citizens and community. Managers must answer the question: Can the Municipality improve upon a service by changing the way a service is delivered?
Individual management	Refers to the management of the performance of individuals in the organisation in terms of their individual performance contracts/key result documents and the contribution they are expected to make towards the collective achievement of organisational objectives. The employee performance management system is an important element of the organisational performance management system
Implementation / Project Management	This is the management approach of the Municipality's internal resources and external linkages to ensure that the appropriate delivery happens in the most efficient way. In managing the daily implementation it provides crucial management information for organisational performance management. In turn it is given improved feedback from the organisational management process of the Municipality.
Input Indicator	Resource consumed in business activities and processes, such as money, labor, time, equipment, etc - measures economy and efficiency
Information Management Systems	The organisation information from various sources that is used in immediate management and in longer term assessment planning and changes to the management of implementation.
Individual Assessment	The measurement of data by means of a scoring process to assess if targets were reached. For individuals, 2 formal and 2 informal assessments need to take place annually. The formal individual assessment is by means of a panel scoring the performance of the individual. Informal individual assessment takes place between the employee and the superior.
IDP Strategy	A report will be generated on how well the municipality is doing in terms of the IDP strategy.

TERM	DEFINITION
Key Performance Indicators (KPI)	A sort list of metrics that a company's managers have identified as the most important variables reflecting vision / mission success or organizational performance.
Key Success Factors (KSF)	The three to five broad areas on which an organization must focus in order to achieve its vision. They may be major weaknesses that must be fixed before other goals can be achieved. They are not as specific as strategies. Sometimes called critical success factors (Mark Graham Brown, Winning Score)
Key Performance Areas	A grouping of metrics of performance success of a process or management system.
Learning and Growth (Employee Development) Perspective	An organisation's ability to improve and meet community demands ties directly to the employees' ability to meet those demands. Managers must answer the question: Is the municipality maintaining technology and employee training for continuous improvement?
Logic Model	A generic model of any business process, which breaks it down into inputs, activities (or processes), outputs, and outcomes (or results)
Metric	A performance indicator used to determine success or failure. Each Objective must have a Metric(s) which will indicate progress towards achieving the desired goal.
Measurable	Ensuring that the tracking of the progress of a measure or activity is through data that is accessible and available with the least possible effort.
Monitoring	The process of data gathering and data management.
Measurement source and frequency	Source and frequency of where data will be gathered for monitoring performance at the organisational level
Objective	An aim or intended result of a strategy.
Outcome	A description of the intended result, effect, or consequence that will occur from carrying out a program or activity. A long-term, ultimate measure of success or strategic effectiveness. Results that are desired by producing outputs; accomplishments - measures quality as well as impact (according to SA legislation)
Output	A description of the level of activity or effort that will be produced or provided over a period of time or by a specific date, including a description of the characteristics and attributes (e.g., timelines) established as standards in the course of conducting the activity or effort. A tactical or short-term quality of efficiency indicator for a business process.
Output Indicators	These are the indicators that measure whether a set of activities or processes yield the desired products. They are essentially effectiveness indicators. They are usually expressed in quantitative terms (i.e. number of or % of). An example would be the number of households connected to electricity as a result of the municipality's electrification programme. The output 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 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. Examples of quality indicators include an assessment of whether the service provided to households complies with the applicable standards or percentage of complaints by the community. In terms of impact, they measure the net effect of the products/services on the overall objective. An example would be percentage reduction in the number of houses destroyed by fire due to the switch from other sources of energy, as a result of the electrification programme. Outcome indicators relate to programme objectives
Owner	A user who is responsible (i.e., accountable) for a particular scorecard component, such as a metric, objective, initiative, or task.
Performance management	Performance Management is a management approach that provides strategic direction for managers and politicians to manage performance within the organisation. During this process, municipalities continuously seek to improve

TERM	DEFINITION
	their functioning and accountability.
Performance against target	Quantifiable level that indicates how the current quantifiable measure compares with the set quantifiable targets for the period
Politically driven	The Municipal Systems Act assigns the responsibility for the adoption of the performance management system with the Council and the accountability for the implementation and management thereof, with the Executive Committee.
Planned	Used as a comparison against actual performance, "Planned" typically represents the desired performance target for a given Metric. In some cases, the Planned performance may actually be set to equal the Best performance.
Precise and adequate	Information contained in the performance management system should cover all performance aspects and include any ambiguous information. It should, furthermore, be aimed at efforts to improve quality. Quantity, efficiency, effectiveness as well as cost effectiveness and the impact the system intends to measure.
Programmes	Programmes are groups of related key performance indicators or projects.
Perspective	According to the Norton/Kaplan balanced scorecard model, one of four views of the business - Financial, Customer, Internal or Learning & Growth.
Public Feedback and Hearings	Public feedback on reported performance will be obtained through on-going awareness performance reporting programmes, where feedback will be gathered in the most suitable form. The public will also be encouraged to provide feedback by calling in to the municipality and using feedback boxes. Public hearings will be held every mid-term and during the annual IDP review to report to communities on municipal performance.
Projects	A project is a finite endeavour—a unique class or service which brings about beneficial change or added value
Performance Measures	Quantifiable and qualitative measures showing where performance currently is in relation to the baseline and target
Review	Review is the first step in the Implementation of the performance management system. The review of the implementation phase essentially consists of two actions that take place at different times of the municipal financial year. The first is the review of the IDP at the beginning of the municipal financial year and the second is the mid-year and annual review of indicators to determine the relevancy.
Reporting	Collates information into intelligence and represents consolidation into reports.
SDBIP	Service delivery and budget implementation plan
Simple	An attempt should be made to keep the information clear and simple in order to facilitate decision making, planning and communication thereof
Stakeholders	Those groups and organizations having an interest or stake in an organization
Strategic Objective	The aim of the municipality within the defined priority issue and KPA as related to the specific service to be delivered
Strategic Plan	A document used by an organisation to align its organisation and budget structure with organizational priorities, missions and objectives. According to requirements of Government Performance and Results Act (1993), a strategic plan should include a mission statement, a description of the agency's long-term goals and objectives, and strategies or means the agency plans to use to achieve these general goals and objectives. The strategic plan may also identify external factors that could affect the achievement of long-term goals.
Strategic Themes	The general strategy broken down into categories that focuses on different perspectives of the company that can lead to overall success, such ads customer satisfaction, reduced cost, employee growth, etc. Usually general and not quantified.
Strategy	(1) Hypotheses that propose the directions a company or agency should go to fulfill its vision and maximize the possibility of its future success. (2) Unique and sustainable ways by which organizations create value. (From Kaplan & Norton). Answers the question, "Are we doing the right things?"
Strategy Map	A 2-dimensional visual tool for designing strategies and identifying strategic goals. It usually shows the four

TERM	DEFINITION
	perspectives of the balanced scorecard in four layers, with learning & growth at the bottom, followed by business processes, customer satisfaction, and financial results (or mission value in the case of nonprofits). Activities to achieve strategic goals are mapped as "bubbles" linked by cause-effect arrows that are assumed to occur. Sometimes called "strategic map".
Target	A quantitative measurement of a performance metric that is to be achieved by a given time. Both metric and the schedule need to be specified for targets. A stretch target is the same thing, but its quantitative value is much higher, demanding breakthrough performance to achieve.
Target date or period	Period in which service will be delivered
Task	An activity which is a component of an Initiative. One or several Tasks comprise an Initiative.
Theme	A grouping of strategic objectives, regardless of perspective.
Transparent	The performance management system needs to be open and transparent in ensuring accountability and credibility at all levels, including the public.
The five Key Performance Areas	These will be according to the broad mandate of local government in terms of specific programmes, programme objectives, KPIs, institutional projects and activities
Vote	a) One of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and b) which specifies the total amount that is appropriated for the purposes of the departments or functional areas concerned.
Weighting	An indicator of the relative importance of a Metric with respect to the other Metrics within the same Objective.
Worst	The opposite of the "Best" target for a given Metric. It is a realistic minimum level of performance for a given Metric.

1   PERFORMANCE MANAGEMENT FRAMEWORK

1.1   PURPOSE

This document represents the framework for Makhado Municipality which will be adopted by Council to serve as its guiding policy and framework for performance management system. It outlines the processes of how the municipality will undertake its planning, development and implementation of a performance management system together with the detailed key performance indicators, the corresponding targets and timelines. The framework outlines important aspects of the municipality's performance review, monitoring and assessment, reporting and evaluation including the determination of the roles of different role-players. Performance management is a dynamic process and the aim of this document is to provide a framework within which the dynamics can be managed. The framework outlines the municipality's performance management operations regarding –

- the legal requirements that the performance management system will fulfil;
- the guiding principles that should inform the reviewing, monitoring, reporting and evaluation of performance of municipal officials; departments (services) and that of the whole municipal organisation;
- the institutional arrangements to be followed in order to make the system work, and to facilitate effective delegation of responsibilities to the different role-players in the municipality's performance management system process;
- an approach or a model that describes what areas of performance will be managed, what mechanisms will be used to report and review performance; and
- A programme of action for the development and implementation of the performance management system.

This performance management framework is based on the document: "Performance management: A guide for Municipalities" by the Department of Provincial and Local Government, 2001, that gives direction and includes steps to be followed in the development and implementation of the performance management system.

1.2   BACKGROUND

Management in business and human organisation activity, in simple terms means the act of getting people together to accomplish desired goals. Management comprises planning, organising, resourcing, leading or directing, and controlling an organisation (a group of one or more people or entities) or effort for the purpose of accomplishing a goal. Resourcing encompasses the deployment and manipulation of human resources, financial resources, technological resources, and natural resources.

There are three core issues in the management of performance management.

- Strategic planning;

- Budgeting
- Performance management

Integration of these three functions ensures that the management function is effective and that service delivery within the municipality takes place according to stakeholder expectations. If any of the three functions are not planned for and executed well, the system as a whole will be jeopardised.

FIGURE 1: INTEGRATED MANAGEMENT SYSTEM

In the municipal context performance management is the logical extension and completion of the Integrated Development Planning and performance budgeting/financial management processes.   The performance management system is designed to monitor and evaluate the progress made in the implementation of a municipality's development objectives, taking into account the timeframe of projects and budget. Two levels of performance management are to be implemented within the municipality:

- Organisational level: i.e. how the municipality as a whole is achieving its development objectives. This is the level of Council, Municipal Manager, and the Directors/Managers reporting directly to the Municipal Manager.
- Individual level: i.e. how well an individual is performing his or her own duties in line with the requirements of the organisation.

The responsibility for performance in the Municipality takes on a hierarchical structure. Each level is responsible to the level above for their performance. The Municipal Manager and his or her senior management team (i.e. S57 Managers) are responsible to Council for the overall performance of the Municipality. This framework integrates the annual implementation cycle of the performance management system, the integrated development planning processes, the budgetary process, and business planning processes as well as the performance management model to be used by the Makhado Municipality.

1.3 STRUCTURE OF THE PERFORMANCE MANAGEMENT FRAMEWORK

This performance management framework is divided into five (5) sections, namely the legislative and regulations context; the starting of the performance management system; the developing of the performance management system, the implementation of the performance management system that includes the reviewing; the monitoring and reporting and evaluation of the performance management system; the individual performance management system and capacity building.

1.3.1   LEGISLATIVE AND REGULATIONS CONTEXT

This section highlights the key legislation and policy directives in which the performance management framework for Makhado Municipality is developed. These are the White Paper on Local Government (1998), Municipal Systems Act (Act no. 32 of 2000), Municipal Finance Management Act (2003), Municipal Planning and Performance Management Regulations (2001) and Municipal Performance Regulations for Municipal Managers (2006).

1.3.2   STARTING THE PERFORMANCE MANAGEMENT SYSTEM (PHASE 1)

This section outlines the necessary institutional structures and arrangements required to start the development and implementation of performance management in Makhado Municipality. This includes delegation of responsibilities, roles and responsibilities of role players and stakeholders, the municipality's internal structure and the need to institute a change management process during implementation of performance management.

1.3.3   DEVELOPING THE PERFORMANCE MANAGEMENT SYSTEM (PHASE 2)

This section outlines how the performance management system will be developed with its key components. The municipality identifies internal and external stakeholders for the system, the structures that will support stakeholder participation, the performance management model the municipality will use, how the system will be published and adopted by the Executive Committee and Council.

1.3.4   IMPLEMENTING THE PERFORMANCE MANAGEMENT SYSTEM (PHASE 3)

This section outlines the approach Makhado Municipality will adopt in the identification of priority issues, developing strategic objectives, development of performance measures, setting performance targets, review of performance measures and targets, developing a monitoring framework (measuring performance) and how the performance management model will be used as a monitoring framework.

This section seeks to highlight key processes for performance management system reviewing, monitoring and reporting. It covers the following: planning cycle of the performance management system, implementation and review of the system and an institutional review mechanism such as public participation or ward committee input, the approach to performance management review and how performance can be improved, how monitoring is to take place and what mechanisms such as audit mechanism will be used as part of the monitoring and evaluation process. The detail of reporting will be dealt with in terms of reporting on performance and the publication of performance reports.

1.3.5   INDIVIDUAL OR EMPLOYEE PERFORMANCE MANAGEMENT

This section will guide how the municipality and the human resource performance management will be aligned. It outlines key aspects such as the relationship between organisational and employee performance management as well as performance agreements, performance plans, personal development plans, core competency requirements, performance bonus, performance reviews, performance evaluation system, and management of evaluation outcomes as promulgated in the Performance Regulations 2006 for Section 57 employees.

1.3.6   CAPACITY BUILDING

This section highlights the training and support aspects that are needed for the buy-in and change management that needs to take place. Capacity building is needed at all levels and at all fronts to ensure buy-in for ultimate performance improvement.

1.4 PRINCIPLES

The following principles have guided the selection of the development of the Performance management system:

- Simplicity
- Legislative Acceptance
- Implementability
- Transparency and accountability
- Efficiency and sustainability
- Community participation
- Integration
- Objectivity

1.4.1   CRITICAL SUCCESS FACTORS

In the development of any system, the critical success factors must be highlighted for the performance management system to be successful. The following critical success factors apply to Performance management:

- Measurable – Data and analysis play a key part in performance management. The data required by a performance management system should be easily accessible and available with the least possible effort.
- Simple – An attempt should be made to keep the information clear and simple in order to facilitate decision making, planning and communication thereof.
- Precise and adequate – Information contained in the performance management system should cover all performance aspects and include any ambiguous information. It should, furthermore, be aimed at efforts to improve quality, quantity, efficiency, effectiveness as well as cost effectiveness and the impact the system intends to measure.
- Objective - The performance management system must state clearly what is to be measured without ambiguity.
- Politically driven - The Municipal Systems Act assigns the responsibility for the adoption of the performance management system with the Council and the accountability for the implementation and management thereof, with the Executive Committee.
- Transparent - The performance management system needs to be open and transparent in ensuring accountability and credibility at all levels, including the public.

- Holistic and Integrated - To be effective and credible, the performance management system should be well integrated into other management systems.
- Developmental Approach - The performance management system should encourage growth and learning as opposed to punitive measures.

The above critical success factors are necessary for an organisation or project to achieve its vision and mission. Critical success factors are not Key Performance Indicators (KPI) but are elements that are vital for a strategy to be successful.

2   LEGISLATIVE REQUIREMENTS

The Local Government Municipal Systems Act 32 (2000) and the Municipal Finance Management Act (MFMA) 2003, the principal acts governing management of local government, are all about performance management, IDP and the SDBIP which together and inseparably, form the base for good corporate governance. The municipality under the guidance of legislation must create a management system for the municipality where data can be collected, monitored, evaluated, assessed, audited and reported on, for informed decision-making and better service delivery (for better corporate governance). This is all effected through the different pieces of legislation that contribute to the effective development and implementation of a performance management system.

2.1 WHITE PAPER ON LOCAL GOVERNMENT

The White Paper on Local Government (1998) – (White Paper), introduced performance management systems nationally to local government, as a tool to ensure developmental local governance. It concludes that: "Integrated developmental 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 developmental objectives."

The White Paper adds that: "Involving communities 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 the 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."

2.2 WHITE PAPER ON TRANSFORMING PUBLIC SERVICE DELIVERY (BATHO PELE)

The White Paper on Transforming Public Service Delivery (Batho Pele) states eight principles for good public service:

- Consultation - Citizens should be consulted about the level and quality of public service they receive, and, where possible, should be given an opportunity to influence municipal spending.
- Service Standards - Citizens should be informed about service delivery and the levels thereof they can expect from the Municipality.
- Access - All citizens should have equal access to the services.
- Courtesy - Citizens should be treated with courtesy and consideration.
- Information - Citizens should be given full and accurate information about public services.
- Openness and transparency - Citizens should know how municipal departments are run, how resources are spent, and who is in charge of different services.
- Redress - If the promised standard of services 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.
- Value-for-money - Public services should be provided economically and efficiently in order to give citizens the best possible value-for-money.

The Batho Pele White Paper notes that the development of a service-orientated culture requires the active participation of the wider community. Makhado Municipality adopts the Batho Pele principles as the drivers and value system for the performance management system to be implemented. Makhado Municipality also embraces the fundamental concept of developmental local government, which will be incorporated into the development of the performance management system and integrated development planning processes.

2.3 LOCAL GOVERNMENT MUNICIPAL SYSTEMS ACT (ACT 32 OF 2000)

Chapters 5 and 6 of The Local Government Municipal Systems Act, 2000 (Act No. 32 of 2000), requires local government to develop a framework which should inter alia include the following:

- Develop a performance management system;
- Set targets, monitor and review performance, based on indicators linked to the Integrated Development Plan (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 the annual performance report audited by the Auditor-General; and
- 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, 2001 (Regulations) Chapter 3 sets out the format for municipal performance management systems framework:

Par 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."

A summary of the criteria as set out by these regulations follows:

Par 7 (2) "In developing its performance management system, a municipality must ensure that the system:

- Complies with all the requirements set out in the Act;
- Demonstrates how it is to operate and be managed from the planning stage up to stages of performance review and reporting;
- Clarifies the roles and responsibilities of each role-player, including the local community, in the functioning of the system;
- Determines the frequency of reporting and the lines of accountability for performance;
- Relates to the municipality's employee performance management processes;
- Provides for the procedure by which the system is linked to the municipality's integrated development planning processes."

2.5 PERFORMANCE MANAGEMENT: A GUIDE FOR MUNICIPALITIES (2001)

This document was issued by the Department of Provincial and Local Government. It provides clear direction and includes steps for the development and implementation of the performance management system.

2.6 MUNICIPAL FINANCE MANAGEMENT ACT (2003)

The Municipal Finance Management Act 56 of 2003 ensures sound and sustainable management of the fiscal and financial affairs of municipalities and municipal entities by establishing norms and standards and other requirements.

S17 (3) requires that: when an annual budget is tabled in terms of section 16 (2), it must be accompanied by the following documents:

> (b)   Measurable performance objectives for revenue from each source and for each vote in the budget, taking into account the municipality's integrated development plan;

> (d)   Any proposed amendments to the municipality's integrated development plan following the annual review of the integrated development plan in terms of section 34 of the Municipal Systems Act;

S53 (1) provides that the Mayor of a Municipality must:

(c) take all reasonable steps to ensure- (iii) that the annual performance agreements as required in terms of Section 57 (1) (b) of the Municipal Systems Act for the Municipal Manager and all Senior Managers.

S57 (3)(b) provides that: The Mayor must ensure that the performance agreements of the Municipal Manager, Senior Managers and any other categories of officials as may be prescribed, are made public no later than 14 days after the approval of the municipality's service delivery and budget implementation plan. Copies of such performance agreements must be submitted to the Council and the MEC for local government in the Province.

The above legislative requirement determines the methodology to be used in the development and implementation of the performance management system and model.

2.7 LOCAL GOVERNMENT: MUNICIPAL PERFORMANCE REGULATIONS FOR MUNICIPAL MANAGERS AND MANAGERS DIRECTLY ACCOUNTABLE TO MUNICIPAL MANAGERS, 2006

These regulations are in terms of the MFMA and gives uniformity on how the performance of municipal managers will be directed, monitored and improved.

The regulations deal with both the Employment Contract of a municipal manager and managers directly accountable to municipal managers, as well as the Performance Agreement that is entered into between municipality, municipal

manager and managers directly accountable to municipal manager. It aims to ensure a basis for performance and continuous improvement in local government.

S23 indicates that the purpose of the performance agreements is to:

(1)   comply with the provisions of Section 57(1)(b),(4A),(4B) and (5) of the Act as well as the employment contract entered into between the parties;

(2)   specify objectives and targets defined and agreed with the employee and to communicate to the employee the employer's expectations of the employee's performance and accountabilities in alignment with the Integrated Development Plan, Service Delivery and Budget Implementation Plan (SDBIP) and the Budget of the municipality;

(3)   specify accountabilities as set out in a performance plan, which forms an annexure to the performance agreement;

(4)   monitor and measure performance against set targeted outputs;

(5)   use the performance agreement as the basis for assessing whether the employee has met the performance expectations applicable to his or her job;

(6)   in the event of outstanding performance, to appropriately reward the employee; and

(7)   Give effect to the employer's commitment to a performance-orientated relationship with its employee in attaining equitable and improved service delivery.

3   PROCESS

The following phases as suggested in the Performance Management Guidelines (2001) will be used as a departure point in the development of the Makhado Municipality performance management framework and system:

- Phase 1: Starting the Performance management (roles and responsibilities, institutional arrangements, managing the change process, preparation for implementation and timelines)

- Phase 2: Developing the Performance management system (assessment of current situation, identifying stakeholders, structures for participation, development, publication and adoption of the system)

- Phase 3:   Implementing the Performance management system (both Institutional and Employee performance management systems) that includes the different components of reviewing, monitoring and reporting

Finally, the framework will deal with Building Capacity and Establishing the Institutional Arrangements (linking back to Phase 1). This framework has been designed to ensure integration with other processes. Performance management has to be integrated with other local government key processes in order to ensure the success thereof.

The performance management framework builds all processes into the annual municipal cycle. The purpose of the framework is not to go into the detail of the performance management system, but rather to act as a guideline and provide linkages with other municipal programmes and functions i.e. the IDP and the Service Delivery and Budget Implementation Plan (SDBIP).

4   PHASES OF PERFORMANCE MANAGEMENT

4.1 PHASE 1: STARTING THE PERFORMANCE MANAGEMENT PROCESS

The following three steps are covered under this phase: to clarify and delegate different roles and responsibilities; setting up of internal institutional arrangements and setting up a framework to manage the change process.

4.1.1   DELEGATION OF RESPONSIBILITIES AND IDENTIFICATION OF ROLE PLAYERS

The Guidelines (par. 3.1) mentions: "The Municipal Systems Act places the responsibility on the Municipality to adopt a performance management system, while holding the Executive Committee or the Mayor responsible for the development of the system. The Executive Committee or the Mayor may assign responsibilities to the Municipal Manager in this regard, but remains accountable for the development of the performance management system. The Municipal Manager may further delegate the responsibility to another senior manager."

The Makhado Municipality, within its policy framework on delegation, assigns responsibilities and stipulates clearly what needs to be done by whom, how it should be done and when it is to be completed.

Table 1 set out the structures for consultation (role-players) and the responsibilities of each of the internal role-players.

PROCESS	STRUCTURES FOR CONSULTATION	RESPONSIBLE PERSONS	TARGET DATE
Performance Reviewing (planning and measuring)	IDP Structures (Technical Committee, Representative Forum, Steering Committee) Project Task Team Executive Committee Management Organised Labour[1]	Mayor Municipal Manager PM System Manager	During the development or review of the IDP
Performance Monitoring	IDP Structures Project Task Team	Ward Councillors (indirectly) Municipal Manager	Continuously

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[1] When and if required through Labour Force

PROCESS	STRUCTURES FOR CONSULTATION	RESPONSIBLE PERSONS	TARGET DATE
	Executive Committee Management Organised Labour Portfolio Committees Oversight Committee Performance Audit Committee	Performance management / IDP Manager Mayor COGTA Auditor General Internal Audit	
Performance Reporting	Council Performance Audit Committee Internal Audit Unit Project Task Team	Municipal Manager Performance Management System Manager COGTA Auditor General Treasury	Quarterly and annually

TABLE 1: ROLES AND RESPONSIBILITIES

4.1.2   CREATING STRUCTURES FOR STAKEHOLDER PARTICIPATION

The municipality to use the structures created for the IDP process also for the development of the performance management system. The Performance Management Guide for Municipalities (2001:Par. 4.4) states as follows: "It is important to establish structures that will facilitate the meaningful participation of all stakeholders in the development of the system, consistent with the legislation. The municipality, in terms of their own circumstances, should determine the nature of the structure. The municipality shall thus make use of the IDP representative forum, the IDP steering committee, the IDP business forum and the IDP traditional leaders forum as part of the broader participation as is required by legislation." In order for the Municipality to ensure meaningful participation of all stakeholders in the development of a performance management system consistent with the legislation, the Municipality will be utilising the following performance management structures:

- IDP Representative Forum
- IDP Steering Committee
- Ward Committees (if applicable)
- Media
- Internet

In terms of the different powers and functions between the District and its local municipalities, opinion from the public must be gauged accordingly.

Table 2 proposes steps in the development of stakeholder structures and appropriate participation:

What	How	Who	When	Output	Comment
Creating structures for stakeholders participation	The IDP Forum will be expanded to allow for other groupings and participation	Project Task Team IDP Steering Committee	During the development of the Performance Management System	Representative stakeholder participation Forum Informed community	As far as possible the IDP Structures will be followed The Project Task Team and IDP Steering Committee and Councillors will attend the IDP forum meetings dependent on need and purpose

TABLE 2: STEPS IN CREATING STAKEHOLDER PARTICIAPTION STRUCTURES

4.1.3   IDENTIFICATION OF STAKEHOLDERS

External stakeholder groupings need to be invited to be part of the performance management system as they have been part of the integrated development planning processes. The Guidelines (par. 4.3) states that: "The clear identification of stakeholders is crucial, including groups within citizens and communities, Councillors, officials and partners. Each of these categories of stakeholders will play a different role in using the performance management system - each role must be acknowledged and planned for."

In light of the above, identification needs to be done on whom and how stakeholder groupings are going to participate.

Table 3 describes the process to be followed in the identification of stakeholders.

What	How	Who	When	Output	Comment
Identification of Stakeholders	After the Performance management system is adopted by the Executive Committee a notice will be published in the local press and other communication methods for notification that the process is to commence	Project Task Team	End October annually	Performance management system noted and adopted by Executive Committee and later by Council Advertisement in local media Advertisement displayed at strategic points and other communication methods	All stakeholders to play a part in the review and monitoring of the implementation of the Performance Management System Identified Stakeholders must be identified and encouraged to participate The following list of categories for stakeholders does not intend to be exhaustive, but to be a starting point from which to work (per guidelines Table 1) "Citizens and Communities, including: ▪ Civics ▪ Community Based Organisations ▪ Ward Committees ▪ Non-Governmental ▪ Organisations ▪ Businesses and ▪ Organised Business Councillors, including: ▪ Mayor ▪ Executive Committee ▪ Standing / Portfolio ▪ Committees Council Officials, including: ▪ Municipal Manager ▪ Management Team Line Management ▪ Employees ▪ Organised Labour Partners, including Public Partners ▪ Private Partners
	All stakeholders interested to participate in the process will be invited to register with the Council as stakeholder / community groupings interested to participate in the IDP structures	Project Task Team	May annually	Registered stakeholder groupings to participate in the process	
	Criteria will be developed on qualification for stakeholder / community groupings accreditation (bearing in mind the established ward committee system as well to make the process as inclusive as possible to address IDP participation process shortcomings)	Project Task Team Steering Committee	April annually	Stakeholder accreditation process	

What	How	Who	When	Output	Comment
	Groupings will be accredited and a letter will be forwarded to explain what is expected in terms of the performance management system and whether they accept such role and responsibility as part of the IDP structures	Project Task Team Steering Committee	End May annually	Accredited stakeholder / community groupings	▪ Service Providers Each of these categories of stakeholders will play a different role in the review and monitoring phase. Some stakeholders will play minor roles when compared to others, their role must be acknowledged and planned for."
	Stakeholder Groupings will participate in the process and a "code of conduct" for participation will be developed or in the case where one is in existence, will be amended if necessary	Project Task Team Steering Committee	Middle May annually	Code of Conduct	

TABLE 3: PROCESS IN THE IDENTIFICATION OF STAKEHOLDERS

Table 4 sets out the expectations of stakeholders to the Makhado Municipality.

STAKEHOLDER	ROLE, RESPONSIBILITIES AND/OR EXPECTATIONS
Minister of Provincial and Local Government	In terms of section 48(1) of the Local Government: Municipal Systems Act, 2000 the Minister must: • Annually compile and submit to Parliament and the MECs for local government a consolidated report of local government performance in respect of the general KPIs. • Publish the report in the Government Gazette
MEC for Local Government	In terms of Section 47 of the Local Government: Municipal Systems Act, 2000: • The MEC for local government must annually compile and submit to the provincial legislature and the Minister of COGTA a consolidated report on the performance of municipalities in the Province. • The MEC for local government must also publish the report in the Provincial Gazette and submit a copy of the report to the National Council of Provinces.
Auditor General	In terms of section 45(b) of the Local Government: Municipal Systems Act, 2000 the Auditor General must annually audit the results of performance measurements in terms of section 41(1) (c) of the Act.
Citizens and Communities includes: Civic Organisations; Non-Governmental Organisations NGOs; Businesses; Community Based Organisations (IDP structures)	In order to fulfil the requirements of section 42 of the Local Government: Municipal Systems Act, 2000 regarding community involvement, the following must take place: • Consultation on the needs and priority issues • Consultation in the development of the long term vision for the municipality • Opportunity to influence the choice of indicators and setting of targets • Monitor and "audit "performance against commitments • Consultation during the review of municipal performance and suggest new indicators and targets
Council: Mayor; Executive Committee	To comply with the prescriptions of Chapter 4 of the Local Government: Municipal Structures Act, 1998, the Mayor and Executive Committee must: • Play the leading role in giving strategic direction and developing strategies and policies for the organisation • Monitor the development of the performance management system • Identify indicators and set targets • Communicate the plan to other stakeholders

STAKEHOLDER	ROLE, RESPONSIBILITIES AND/OR EXPECTATIONS
	• Monitor municipal performance • Commission audits of performance where necessary • Conduct the major reviews of municipal performance, determining where goals have or have not been met, what the causal reasons are and to adopt response strategies
Standing / Portfolio Committees	• Facilitate the development of a long term vision • Develop strategies to achieve vision • Identify priorities • Adopt indicators and set targets • Monitor municipal performance • Review municipal performance for major reviews such as the annual review • Review the performance of the Executive Committee
Management	• Provide strategic direction and develop strategies and policies for the municipality • Manage the development of the IDP • Identify realistic indicators and set targets • Communicate with stakeholders • Manage the implementation of the IDP and Performance Management System • Manage the data • Regularly monitor the implementation of the IDP and Performance Management System • Measure performance against agreed indicators and targets • Propose response strategies to Executive Committee or Council • Conduct reviews of the organisation as well as individual performance against plan
Employees	• Align personal goals and plan with the organisational plan • Implement the t and Performance Management system and achieve the personal plan • Monitor own performance continuously • Participate in review of own performance • Participate in the review of organisational performance
Organised Labour	• Contribute to the strategic direction and developing of long-term vision for the municipality • Contribute to the development of the IDP • Monitor and audit the performance of the organisation, especially from a labour perspective • Participate in the public review of municipal performance
Performance Audit Committee	• Must review quarterly reports • Review and recommend on the municipality's performance management system • Submit an audit report to the Council at least twice a year
Technical Committee (part of IDP structure)	• Gauge input of other organs of state

TABLE 4: STAKEHOLDER RESPONSIBILITIES

4.1.4   SETTING UP INTERNAL INSTITUTIONAL ARRANGEMENTS

The Guidelines (par. 3.2) gives direction to the setting up of institutional arrangements: "A municipality may establish a Project Task Team led by a senior manager delegated by the Municipal Manager. It would be preferable that the Project Task Team consists of the same people involved with or responsible for the integrated development process. The team will report to the Municipal Manager, who will in turn account to the Mayor or the Executive Committee, and finally, Council."

In view of the strategic nature of the performance management system and the fact that the responsibility of developing and implementing a performance management system is delegated to the Municipal Manager, this function will be co-ordinated from the Municipal Manager's office. He will be tasked with the following responsibilities –

- Set up institutional arrangements, processes and systems for the development and implementation of the institutional performance management system;
- Develop a performance measurement framework for the municipality;
- Develop a monitoring framework for the municipality;
- Develop reporting framework for the municipality;
- Develop a performance review framework for the municipality; and
- Develop quarterly and annual reports for the municipality.

FIGURE 2: PERFORMANCE MANAGEMENT MUNICIPAL STRUCTURE
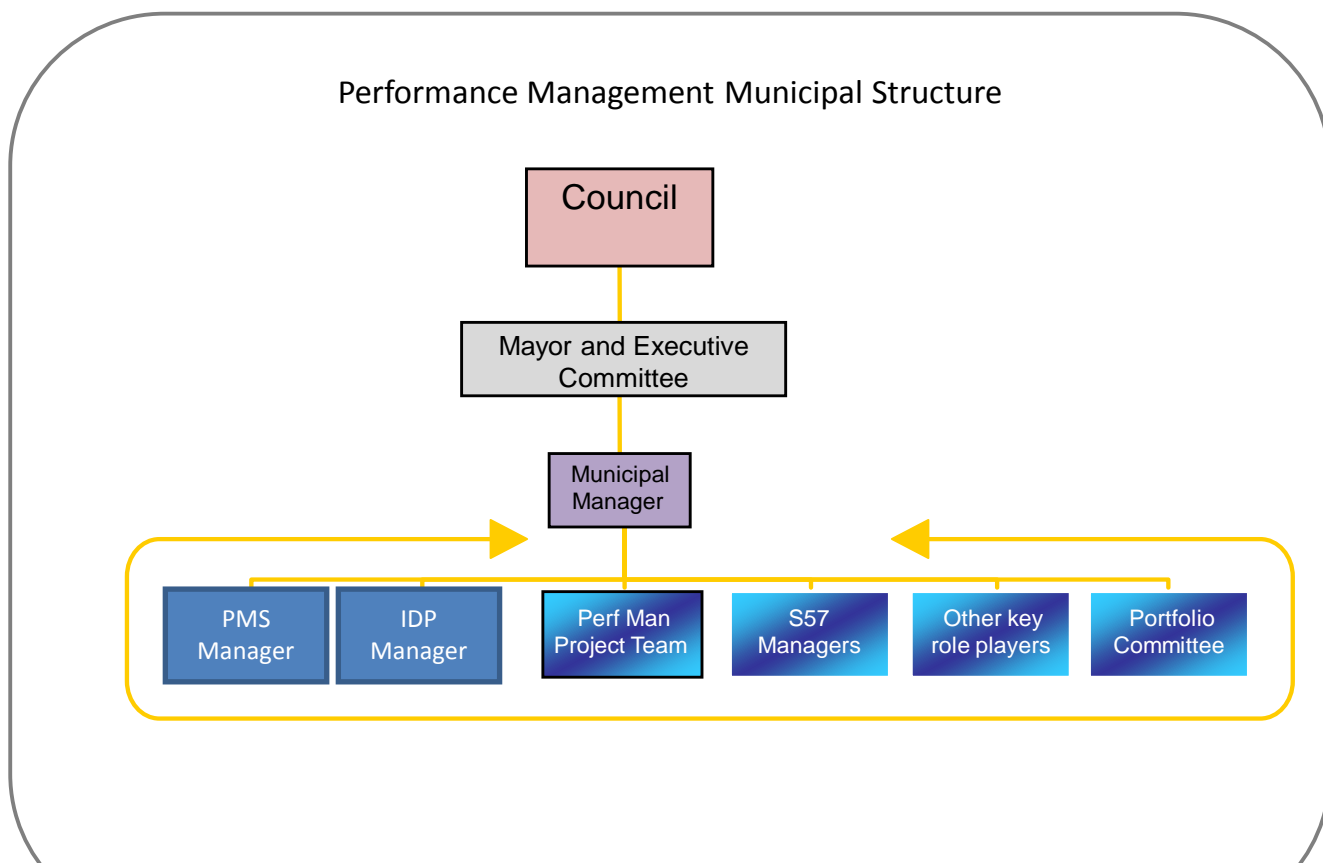
The above reflects the manner in which the performance management system is to be developed from an internal municipal perspective.

4.1.5   MANAGING THE CHANGE PROCESS

The White Paper on Local Government (1998) proposed the introduction of performance management systems to local government, as a tool to ensure Developmental Local Government. Step 3 of Phase 1 of the PM Guidelines for Municipalities: Draft II (2001) states that the Change Process must be managed. The following excerpt from the Guidelines (2001) covers how Change Management applies: "When introducing a performance management system, it is important to prepare your organisation for change. Reaching a common understanding of performance management is crucial. The most serious stumbling block to making performance management work effectively arises out of different understandings of why we need it and what it will do. Stakeholders will thus need to come to a common understanding of performance management. This is an important preparatory component of the change process, requiring that politicians as well as officials are aware of, understand and accept why performance management is needed and what principles will govern its development and use".

Performance management involves change in strategy and is effectively a change management intervention. It, therefore, is clear that the performance management manager, Municipal Manager and Mayor needs to understand change and resistance to change in order to effectively influence the performance management system in municipalities. Resistance to change is described as "an emotional or behavioural response to real or imagined threat to an existing work routine". People naturally resist change in the workplace. An individual's pre-disposition toward change is a deeply ingrained personality trait and this predisposition varies from individual to individual.

The trust relationship between people is affected by change in the workplace. Municipal employees are accustomed to, for example, a particular way of their individual performance being measured. The new system of measurement may create mistrust between manager and employee and manager and the performance management service provider. Mistrust leads to rumours being spread and subsequent resistance. Here follows some reasons for such mistrust or resistance to change:

- Fear of Failure. Performance management prescribes a new way of measuring performance. Many managers may fear that the targets are set too high and that measurement might be too strict, thus resulting in lower performance ratings.
- Loss of status. Loss of status might follow failure and creates a natural fear in employees.
- Peer pressure. People are influenced by one another and a person that may have embraced the change process can turn negative if they are influenced by other people.
- Personality conflicts. Just as a friend can get away with telling us something we would resist hearing from an adversary, the personalities of change agents can breed resistance.
- Lack of tact or poor timing. Insensitivity towards the fears and insecurities created by change might lead to difference between individuals, resulting in resistance to change.
- Reward systems. A person may resist change if he feels that he will be adversely affected by the outcomes of change.

Mary Parker Follett (1868–1933), who wrote on the topic in the early twentieth century, defined management as "the art of getting things done through people". One can also think of management functionally, as the action of measuring a quantity on a regular basis and of adjusting some initial plan; or as the actions taken to reach one's intended goal. This applies even in situations where planning does not take place. The role of management is thus key in change interventions and if management is not totally committed change interventions may fail because of the following:

- Failure to create a guiding coalition by management. Management buy-in and advocacy is important to ensure the success of change interventions.
- Failure to effectively communicate the new vision and strategy. A communication plan should be developed to ensure that uncertainties are alleviated and trust is created.
- Failure to remove obstacles that impede the accomplishment of the new vision. The barriers to change should be identified and levers to overcome these barriers should be explored to ensure that change is successful.
- Failure to plan for short, medium and long-term goals. Short-term accomplishments are often motivators for longer-term goals.
- Failure to anchor the changes in the culture of the organisation. Performance management advocates changes in efficiency, management and leadership, customer centricity etc. If the values of the municipality do not support these principles, change will not become permanent.

Change management is thus a structured approach to transitioning individuals, teams, and organisations from a current state to a desired future state. The current definition of Change management includes both organisational

change management processes and individual change management models, which together are used to manage the people side of change.

4.1.6   CHANGE OBJECTIVES

Management's responsibility (and that of administration in case of political changes) is to detect trends in the macro-environment as well as in the micro-environment so as to be able to identify changes and initiate objectives and programmes. It is also important to estimate what impact a change will likely have on employee behaviour patterns, work processes, technological requirements, and motivation. Management must assess what employee reactions will be and craft a change programme with specific objectives that will provide support as workers go through the process of accepting change. The programme must then be implemented, disseminated throughout the organisation, monitored for effectiveness, and adjusted where necessary. Organisations exist within a dynamic environment that is subject to change due to the impact of various change "triggers", such as evolving technologies. To continue to operate effectively within this environmental turbulence, organisations must be able to change themselves in response to internally and externally initiated change. However, change will also impact upon the individuals within the organisation. Effective change management requires an understanding of the possible effects of change upon people, and how to manage potential sources of resistance to that change. Change can be said to occur where there is an imbalance between the current state and the environment. Management's tasks in setting the objectives are:

- Ensuring that the institution is ready for change. An organisation is ready for change when its management clearly articulates the need for change, the culture encourages risk-taking, rewards are given for change and communication in the institution is clear.
- Creating momentum for change by ensuring that employees understand the necessity for change.
- The creation of a strong guiding team.
- Fostering trust between manager and employee by inviting open, honest and participative discussions when strategy and performance management planning is done.
- Highlighting the benefits of performance management to employees. People, generally, are less likely to resist when they perceive the benefits to change overshadow the personal costs.

4.1.7   CHANGE IMPACTS

Step 3 of Phase 1 of the PM Guidelines for Municipalities: Draft II (2001) states the following impacts of performance management on the institution: "It is important that each municipality workshops these issues internally. It may be important that the leadership informs the organisation that performance management will ensure the accountability of: The municipality to citizens and communities; the administration to Council; line functions to executive management; employees to the organisation. People fail to recognise their purpose as a part of the enterprise.

Instead, they see themselves as an inconsequential part of a system over which they have little influence, leading them to limit themselves to the jobs they must perform at their own positions. This makes it hard to pinpoint the reason an organisation is failing, with so many hidden 'loose screws' around, information sharing becomes vital for organisational change and management must make sure to:

- Make change happen by mobilising the organisation for change
- Clarify strategy and make it accessible
- Ensure strategic alignment of all operations, thus transforming strategy into operations and vision into action
- Clarify and manage roles, responsibilities and expectations between the public and the municipality and the municipality, between politicians and officials and amongst officials
- Communicate these roles, responsibilities and expectations within the organisation and to the public
- Deepen democracy by encouraging public participation through the communication of performance information and the creation of appropriate mechanisms to hold the Council accountable in the periods between elections
- Create a mechanism for efficient decision-making on the allocation of resources
- Introduce a diagnostic tool that not only tells us whether we are *doing things right* but also whether we are *doing the right things*
- Redefine the incentive structure by rewarding successes and alternatively identifying opportunities for growth, learning and development
- Ensure that the process of developing the system will be:
  o Inclusive
  o Participatory, and
  o Transparent

- The system will be:
  o Simple
  o Realistic
  o Fair and objective
  o Developmental
  o Non-punitive

The full benefit of the change intervention of performance management in the organisation can only be realised if employees of the municipality understand these benefits of change and the benefit that this change can bring to them.

4.1.8   PROPOSED IMPLEMENTATION ACTIONS AND TIMELINES

Phase 1 of the PM Guidelines for Municipalities: Draft II (2001) states the following impacts of performance management on the institution: "These issues could be discussed in focus workshops organised by the municipality. A municipality should however be careful not to prolong the process. In fact, this needs to happen in parallel with other processes for developing the system." So far we have looked at some of the preparatory steps in ensuring the smooth introduction of a performance management system that could help reduce problems in implementation. These preparatory measures are not exhaustive and are informed by experience locally and internationally.

Change Intervention	Timing
Change questionnaire	July annually
Leadership intervention	August annually
Video of Municipal Manager with performance management message	Workshops / September annually
A series of experiential sessions, covering the themes of change	Workshops / Management meetings
Industrial Theatre (method may be decided on at a later stage)	October annually
Strategy Review Workshop	September annually
Culture Workshop	January annually
Create tokens of change	Continuously
Ensure alignment between performance and rewards	January annually
Encourage stories of success	Newsletters
Gather evidence that performance management is working	May/June annually
Publicise the successes	Annual Performance management Report / Press

TABLE 5 SUGGESTED CHANGE INTERVENTION ACTIONS[2]

The above are only examples that may be followed by the municipality to ensure change is inculcated and accompanied by different methods of communication where the performance management message can be enforced.

4.2 PHASE 2: DEVELOPING THE PERFORMANCE MANAGEMENT SYSTEM

According to the Performance Management Guide for Municipalities (par. 4), the following questions should be answered in the development of the performance management system:

- When does performance management start?
- What are the components of a performance management system?
- Who will manage whose performance?
- When will performance be monitored, measured and reviewed?

- What aspects of performance will be managed?
- How do we respond to good and poor performance?
- What institutional arrangements have to be established to make this work?"

The steps for this phase include: to assess the reality and adopt a clear methodology to be used by the municipality; to discuss how the system is to be developed and how the system is to be adopted.

4.2.1   ASSESS THE CURRENT REALITY

The Municipality according to the Guidelines (par. 4.2) needs to: assess how planning, implementation and monitoring will take place within the Makhado Municipality; and identify the gaps between new integrated planning and performance management requirements.

What	How	Who	When	Output	Comment
Current Reality	Assessment needs to be done on how the existing performance management system and IDP is operating in terms of the different IDP phases As soon as assessment is done it needs to be incorporated in the development of the new system	Project Task Team / Performance management service providers	Sept / Oct annually	Assessment Report / Check list	The assessment needs to be done in view of the legislation, Regulations and Guidelines

TABLE 6: ASSESSING THE CURRENT REALITY

4.2.2   DEVELOP THE SYSTEM – PERFORMANCE MANAGEMENT MODEL

The Municipal Systems Act requires municipalities to develop a performance management system suitable for their own circumstances. Therefore, working with the Municipal Manager and the Project Task Team to develop and propose a performance management system (Performance management Guide for Municipalities, 2001: Chapter 4). The following methodologies will be used in the development of the system: the Balanced Scorecard, logic system and performance based budgeting models.

4.2.2.1 Balanced Scorecard

The Municipality decided to adopt the Balanced Scorecard as its performance management model. The Balanced Scorecard has proved to the most popular performance and strategic management tool used by both public and private organisations. The benefits of implementing the Balanced Scorecard are that it brings strategic focus and

direction to the organisation, improves governance and accountability, promotes alignment and transparency, and improves management effectiveness.

A strategic and an institutional Balanced Scorecard take into account service delivery indicators and perspectives of the IDP and SDBIP. The strategic and institutional Balanced Scorecard will be cascaded to all levels of the municipality (top, functional and operational management). The objectives of cascading the Balanced Scorecard are to achieve synergy across the municipality, maximise internal business process efficiencies (e.g. supply chain, information technology, human resources, etc), and maximise efficient allocation of resources (financial and human) across the municipality.

The design approach of the Balanced Scorecard was customised to meet the needs of the Municipality. With an emphasis on the word "balanced", the municipal Scorecard is intended to follow the traditional design approach promulgated by Kaplan and Norton, Financial, Customer, Internal Processes and Learning and Growth. The measurement of developmental outcomes will be useful in informing the municipality whether policies and strategies are having the desired development impact, as per the following perspectives:

1. Customer (electorate, citizens, communities) Perspective – Managers must know if the Municipality is meeting the electorate's needs. This relates to services and products (outcomes and outputs) the Municipality should achieve. They must determine the answer to the question: Is the Municipality delivering the services the electorate wants?

2. Financial Perspective – Managers must focus on how to meet service delivery needs in an economic, efficient and effective manner. They must answer the question: Is the service delivered at a good price?

3. Internal Processes Perspective – Managers need to focus on those critical operations that enable them to satisfy the electorate, citizens and community. Managers must answer the question: Can the Municipality improve upon a service by changing the way a service is delivered?

4. Learning and Growth (Employee Development) Perspective – An organisation's ability to improve and meet community demands ties directly to the employees' ability to meet those demands. Managers must answer the question: Is the municipality maintaining technology and employee training for continuous improvement?

The strategic balanced scorecard will provide an overall picture of performance for the Municipality as a whole, reflecting performance on its strategic (IDP) priorities. The Municipal Manager and Section 57 Managers will use it after review, as a basis for reporting to the Executive Committee, Council, and the public. The institutional scorecard is the interface between the strategic and departmental scorecards, between the IDP and SDBIP where the IDP is cascaded to the SDBIP and an interface approach is adopted and integration is developed between the different

departments on the outputs and outcomes. Departmental balanced scorecards will capture the performance of each department and will provide a comprehensive picture of the performance at that level. Departmental balanced scorecards will be comprised of the key components highlighted in the customised municipal balanced scorecard system.

4.2.2.2 Logic Model

It was decided also to use the logic model as a useful model to establish outputs and map the processes to get to the desired outcomes. This model provides a roadmap of a programme, highlighting how it is expected to work, what activities need to come before others, and how desired outcomes are achieved. A logic model is therefore a simplified picture of a programme, initiative, or intervention that has been developed as a response to a given situation.

The logic model shows the logical relationships among the resources that are invested, the activities that take place and the benefits or changes that result. (Program Development and Evaluation, 2002).
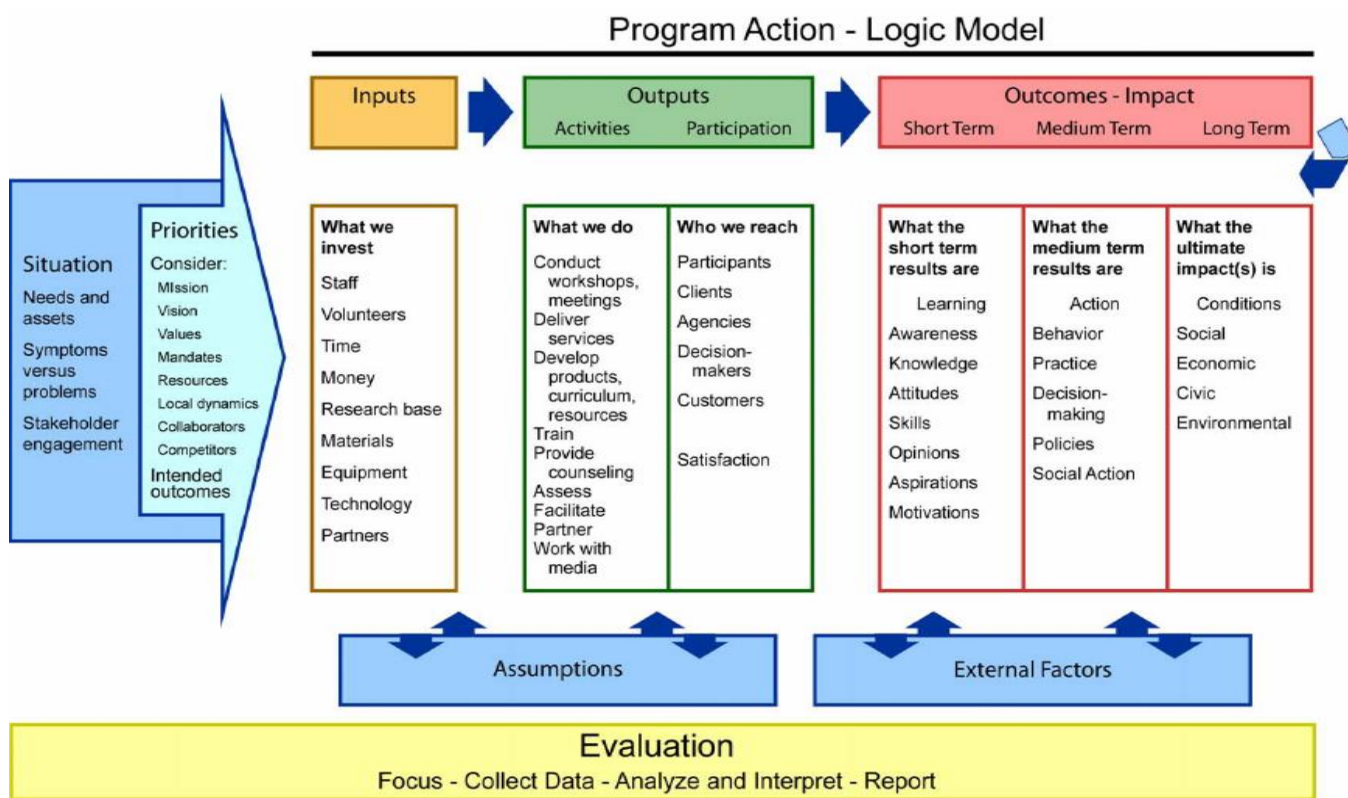
FIGURE 3: GRAPHICAL REPRESENTATION OF THE LOGIC MODEL OF PERFORMANCE MANAGEMENT

The logic model provides a useful tool in mapping processes and evaluating important information related to the process. This model is also customised to suit the needs of the municipality. The logic model is very helpful in supporting legislation in the development of income, output and outcome indicators as per the requirements.

What	How	Who	When	Output	Comment
Developing the System	The Municipality has resolved that the Balanced Scorecard Model combined with the logic model and Performance Based Budgeting system be used in the methodology of the performance management system.	MM and Mayor, Council, Section 57 Managers, Performance management service providers, Project Task Team	Annually	Integrated Performance management system	The system needs to be flexible enough that definite linkages with the IDP, SDBIP and individual PP can be developed
	Each step of the proposed model will be developed with identified participants	Project Task Team	July - June Annually	- Strategic Scorecard - Institutional Scorecard - Departmental Scorecards - Individual Scorecards - KPI Scorecards - Programme / Project / Process Scorecards - Ward Scorecards - Service Provider Scorecards - Reports	
	The draft performance management model will be presented to the Section 57, Executive Committee and IDP Steering Committee	Project Task Team / Steering Committee / Performance management service providers	August	Ensure political input	
	The draft model and system will be presented to all Managers through communication	Project Task Team /	October	Change Management	
	A copy will be filed with the library where all role players can give input into a suggestion box or make direct contact with the Project Leader for this programme	Project Task Team /	October	Internal Stakeholder Participation	
	The comments will be incorporated into the model and system	Project Task Team	October	Final Draft	
	The report will be submitted to Executive Committee	Municipal Manager to Executive Committee to Council	October	Executive Committee provides input	

What	How	Who	When	Output	Comment
	Progress on the performance management framework and model will be adopted by Council	Council	November	Council Resolution	
	The performance management system framework and model will be launched through a communication article	Project Task Team	November	Commitment and Awareness	

TABLE 7: ACTION FOR THE DEVELOPMENT AND IMPLEMENTATION OF A PERFORMANCE

MANAGEMENT SYSTEM

The following is an illustration on the development of the performance management system methodology and model to be used.
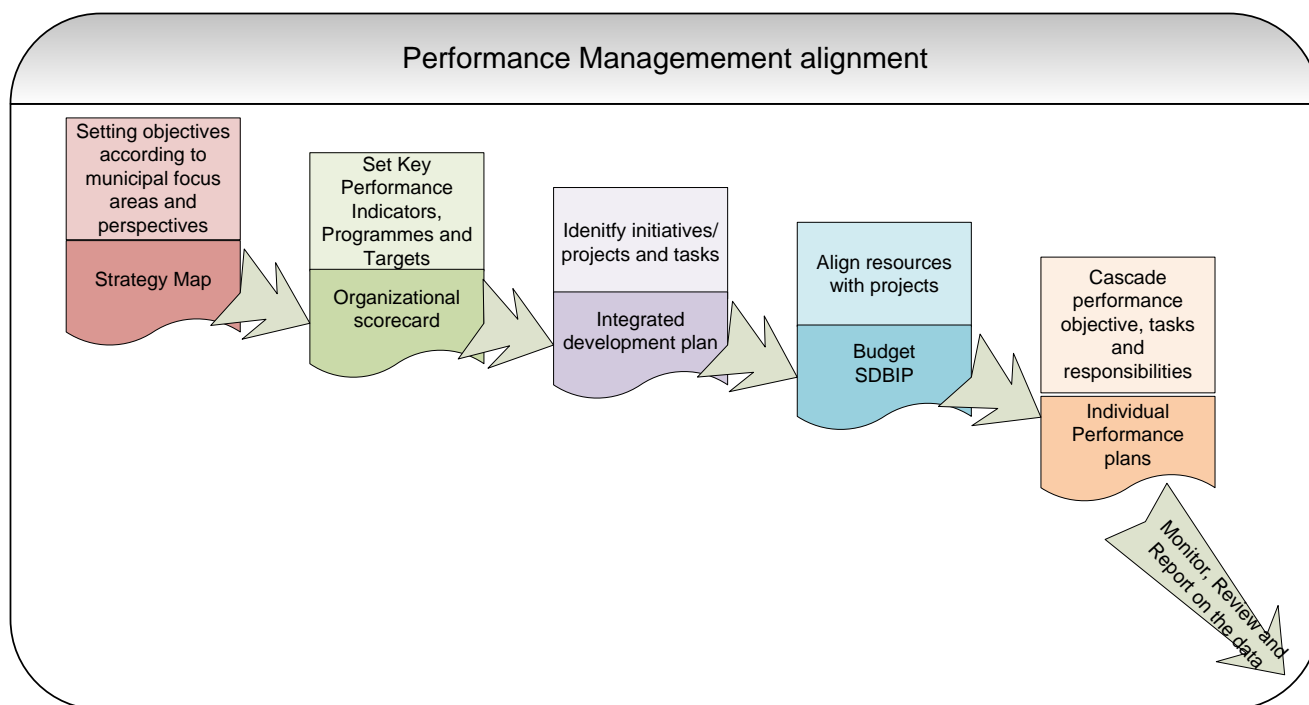
FIGURE 5: PERFORMANCE MANAGEMENT ALIGNMENT

The above system will be developed with full participation and input during the development phase of the system.

4.2.3   PUBLICATION OF THE SYSTEM

Following the development of the performance management system through the IDP phases the Municipality will publish an advertisement for public view in the local media for public comment for a period of 30 days. The Municipality will develop a mechanism or system of ensuring that public comments are incorporated into the draft system (IDP document).

Table 8 below indicates the tasks associated with the publication of a performance management system.

What	How	Who	When	Output	Comment
Publication	A notice on the framework will be published in the local media and other methods applicable will be used for awareness	Project Task Team	May 2012	Informed wider community	Put copy in library and make it accessible for public
	The comments will be incorporated into the development of the system	Project Task Team Council	May 2012		Ensure Mayor's office is equipped to handle queries

TABLE 8: PUBLICATION OF THE SYSTEM

4.2.4   ADOPTION OF THE SYSTEM

Performance Management Regulations (Chapter 3, Regulation 8) requires that – 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.

Following incorporation of the public comments into the draft system, the performance management system Project Task Team will prepare the final draft for submission to Council. Council will adopt the system when it is satisfied that the process is handled in accordance with the legislation, especially the regulations governing the nature of the system, they will also adopt the system at the same time when the IDP and SDBIP are adopted.

This framework proposes that the system is noted by Council in time for the IDP Forum to participate in the setting of the KPIs as is required by legislation.

What	How	Who	When	Output	Comment
Adoption of the performance management system	The final performance management system needs to be submitted to the Executive Committee for Council as per the IDP process	Project Task Team Municipal Manager IDP structures Executive Committee Mayor, Council	As per the IDP process plan	Approved performance management system	The adoption of the system will correlate with the beginning of the planning phase of the IDP process and PM system to commence in July and to be finished end of June and the submission of the Service Delivery Budget Implementation Plan to the Mayor

TABLE 9: ACTION PLAN FOR THE ADOPTION OF THE PERFORMANCE MANAGEMENT PLAN

4.3 PHASE 3: IMPLEMENT PERFORMANCE MANAGEMENT (ORGANISATIONAL PERFORMANCE MANAGEMENT)

This phase reflects the annual implementation cycle of a performance management system through monitoring, evaluation, reporting and review. This phase is guided by the following extract from the Performance Management Guidelines for Municipalities (2001: Ch 5): "Having adopted the system, the municipality can mandate the project team to facilitate the implementation thereof. The team, which may be the same as the IDP team, should develop an implementation strategy. The strategy should be linked to the IDP implementation framework and should entail planning, implementation, monitoring and review." Measurement and reporting should be included in this phase, according to the Performance Management Regulations. The COGTA IDP Guide 6 gives definition to what performance management, monitoring, evaluation and review means:

Performance management	The Performance management is a process whereby Municipalities continuously seek to improve their functioning and accountability. It is also a management approach that provides strategic direction for managers and politicians to manage performance within the organisation.
Individual management	Refers to the management of the performance of individuals in the organisation in terms of their individual performance contracts/key result documents and the contribution they are expected to make towards the collective achievement of organisational objectives. The employee performance management system is an important element of the performance management system
Annual IDP and Performance Management Review	A specific process legally required of Municipalities is to review the achievements of the implementation of the IDP [performance management system] and to make any necessary changes to the IDP plan and feed into the budget for the following financial year.
Monitoring and Evaluation	The System for monitoring the implementation programme with the specific intention of evaluating the delivery is to ensure that the planned delivery happens and that the Municipality can make relevant adjustments to its planning and resource use in implementation. Monitoring and evaluation are also used as two (2) separate but interrelated concepts in performance management and it its useful to understand their meaning in such usage:

	• Monitoring: (Collecting the relevant information). The gathering of the information used to track the progress of delivery against the key objectives, indicators and targets of the implementation plan. • Evaluation: (Making sense of what is happening). • Analysing and evaluating the meaning of the information and applying the understanding to improve delivery and its impact on the people in the Municipality.
Implementation / Project Management	This is the management approach of the Municipality's internal resources and external linkages to ensure that the appropriate delivery happens in the most efficient way. In managing the daily implementation it provides crucial management information for organisational performance management. In turn it is given improved feedback from the organisational management process of the Municipality.
Information Management Systems	The organisation information from various sources that is used in immediate management and in longer term assessment planning and changes to the management of implementation.

Makhado Municipality has identified four components for implementing the performance management system in a yearly cycle, namely review; monitoring and assessment; reporting and evaluation, and auditing

4.3.1 COMPONENT 1: REVIEW

Review is the first step in the Implementation of the performance management system. The review of the implementation phase essentially consists of two actions that take place at different times of the municipal financial year. The first is the review of the IDP at the beginning of the municipal financial year and the second is the mid-year and annual review of indicators to determine the relevancy.

4.3.1.1 IDP and Performance Management in Review

The first review process of the performance management system starts with the review of the IDP of a Municipality for the following financial year. Whenever the municipality amends its IDP the municipality will, as part of the process referred to in Regulation 3, review those KPIs that will be affected by such an amendment. The indicators in the IDP will be an integral part of the performance management system. The IDP and the performance management system therefore have to be seamlessly integrated. The integration between the performance management system and integrated development planning process is highlighted in the Guidelines (2001: par 5.1): "The integrated development planning process and the performance management process should appear to be seamlessly integrated. Integrated development planning fulfils the planning stage of performance management. Performance management fulfils the implementation management, monitoring and evaluation of the IDP process."

The review of the IDP is thus the first step when implementing the performance management system. Once the IDP is reviewed, the performance management system is aligned to reflect the changes in the IDP. During the review of

the IDP, it is also important to take the budget implementation plan into account for the following Financial Year. This budgetary implementation plan will also reflect and have bearing on the performance management system. The review of the IDP and integration with the performance management system will start with the analysis phase that will continue into the planning, strategic and alignment phases of the IDP (thus from July and will be completed in November annually). The following table depicts the timeframes, roles and responsibilities for the review of the IDP, performance management system and budget:

What	How	Who	When	Output	Comment
Planning for the implementation of the performance management system, IDP, budgetary process and other	Annual delegation of responsibility for the implementation of the performance management system should accompany (for part of) the IDP framework and process plan	Municipal Manager takes report to Executive Committee and Council	July	Annual implementation integrated IDP, performance management and budgetary process plan, delegation of responsibility, clarifying roles and responsibilities	The review of the IDP will be integrated with the planning/review phase of the implementation of the performance management system. Delegation of responsibility will be the same as was discussed under Phase 1 step 1. See Phase 1, step 1 and 2
	Internal and external stakeholder participation will be reviewed and new systems and processes will be recommended accordingly	Same as above	July	Council Resolution	

TABLE 10: PLANNING FOR THE IMPLEMENTATION OF PERFORMANCE MANAGEMENT, THE IDP AND
    BUDGETING

The Performance Management Guidelines has the following regarding the IDP and PMS integration:
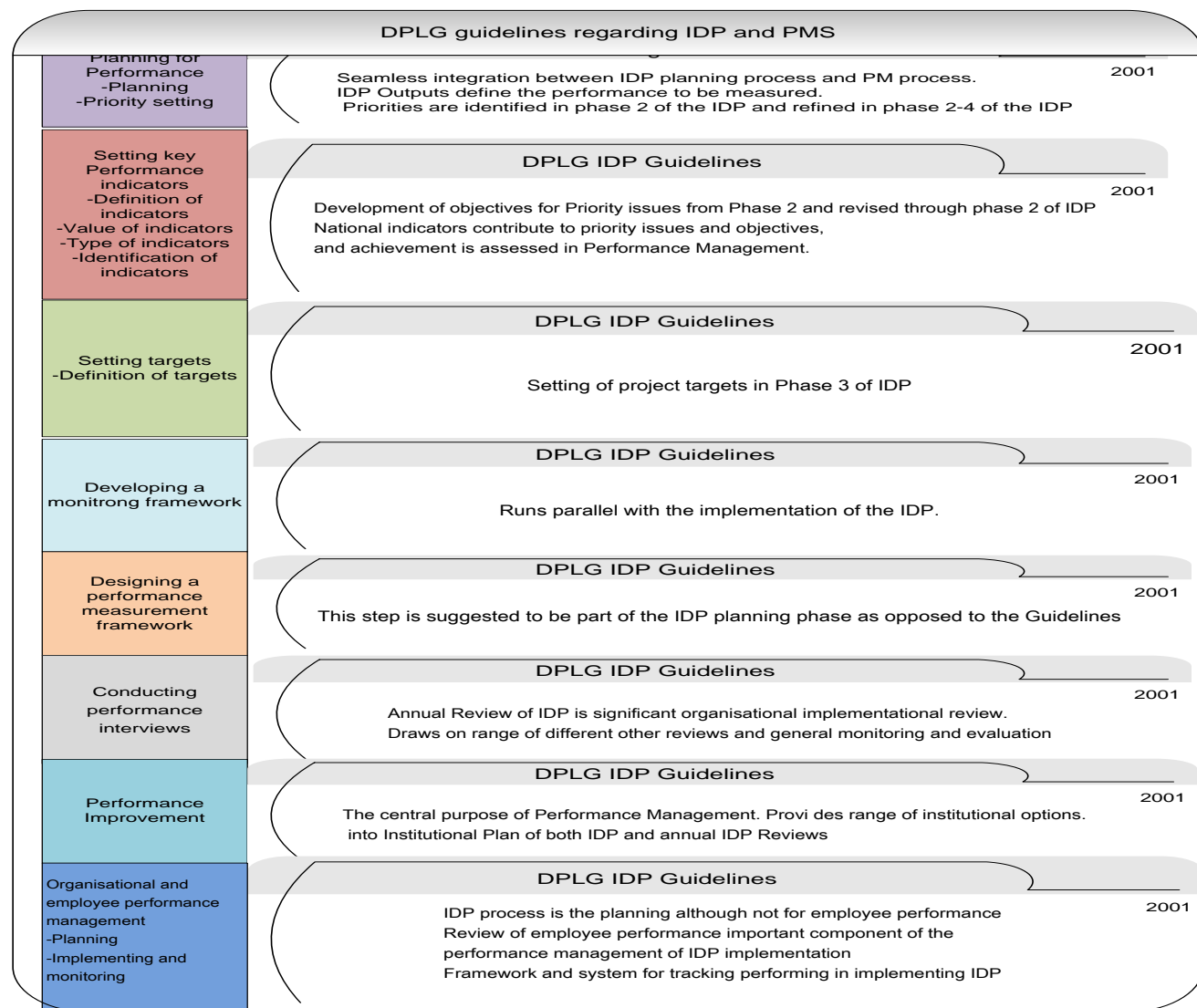
FIGURE 6: PERFORMANCE MANAGEMENT GUIDELINES ACCORDING TO THE IDP

In the review of the IDP process and integration with the performance management system, four elements are necessary to ensure success: strategy implementation and priority setting; the setting of objectives; the development of KPIs and the setting of performance targets.

4.3.1.1.1   STRATEGY AND PRIORITY SETTING

The explanation in the Performance Management Guidelines for Municipalities (2001: Ch 5) as quoted above in 4.3 makes it clear that a strategic approach to the implementation of a performance management system is very important. This strategic approach should correlate with the IDP review process, and will also integrate with the development of the SDBIP and budgetary implementation plan for the year.

Strategic direction setting from a performance driven point of view is important to drive the organisation in a performance-oriented way. The strategic approach entails setting the vision and strategic direction of the Council. This is reflected in setting up of the municipal scorecard in the performance management system to encapsulate the strategic intent of the organisation in a focused manner.

The figure below illustrates the strategic planning approach:

Analysis Phase, Mayors Address, SDBIP Performance, Financial Status, Project Status

S W O T

Pains (Negatives) (Weaknesses and Threats)

Enablers (Positives) (Strength and Opportunities)

Develop Strategic Objectives to address the Weaknesses and Threats

Develop Strategic Objectives to the Existing Strength and Opportunities

Review the Vision and Mission

Strategic Objectives, Programmes Alignment and Strategies

Vision and Mission	Develop Strategic Objectives to address the Weaknesses and Threats	Develop Strategic Objectives to the Existing Strength and Opportunities

Develop High Level Strategies (for each Strategic Objectives)

Programme 1	Programme 2	Programme 3	Programme 4	Programme 5
Programme (Operational Strategies	Programme (Operational Strategies	Programme (Operational Strategies	Programme (Operational Strategies	Programme (Operational Strategies

Operational Activities

Figure 1: **APPROACH TO STRATEGIC ALIGNMENT**

Strategic approach outlines the process of a strategic plan session. It begins with the analysis phase and other matters relating to the status quo situation. A SWOT analysis is derived from the analysis phase which eventually leads to development of Strategic Objectives and its strategies. Each Strategic Objective is aligned to programmes related to its function. Strategies for programmes are developed to ensure achievements of the aligned programmes. Vision, Mission and Values are also developed during the strategic plan session.

See the Guidelines (par. 5.1.2) "Consistent with the event-centred approach in the IDP guide, the IDP should deliver the following products:

- An assessment of development in the municipal area, identifying development challenges, marginalised and vulnerable citizens and communities
- A long-term development vision for the municipal area that overcomes its development challenges
- A set of delivery priorities and objectives, based on identified needs, achievable in the current term of office, that would contribute significantly to the achievement of the development vision for the area
- A set of internal transformation strategies, priorities and objectives, whose achievement would enable the delivery and the realisation of the development vision

- Additional projects identified which contribute to the achievement of the above objectives
- A financial plan and medium term income and expenditure framework that is aligned with the priorities of the municipality
- A spatial development framework
- Disaster management plans
- Operational strategies

During the IDP process, the municipality identifies a set of service delivery priorities and objectives, a set of internal transformation strategies, identified projects that contribute to the achievement of the above objectives and a financial plan. The strategic intent is captured according to the Balanced Scorecard methodology. This constitutes the premise of a good performance management system for the Municipality in order to enhance service delivery efforts. Priorities should then be clustered into five KPAs, which represent the broad development mandate of local government. These five main KPAs are described as follows in the Performance Management Guidelines for Municipalities, Draft II, followed by the description as given by COGTA in brackets:

- Infrastructure and Services (KPA 2: Basic Service Delivery)
- Social and Economic Development (KPA3: Local Economic Development)
- Institutional Transformation (KPA1: Municipal Transformation and Organisational Development)
- Democracy and Governance, and (KPA5: Good Governance and Public Participation)
- Financial management (KPA 4: Municipal Financial Viability and Management)

The sixth KPA referred to in the COGTA IDP draft guide 2008, namely Spatial Rationale are to be seen as a cross cutting KPA and consideration thereto will be addressed under each of the five main Key Performance Areas, especially KPA 2 and 3. It should be noted that the Local Government: Municipal Performance Regulations for Municipal Managers And Managers Directly Accountable to Municipal Managers, 2006 only refer to the abovementioned five Key Performance Areas.

The priorities are, in essence, the issues that a municipality intends to focus on in order of importance to address the needs. These will vary from one area to the other. They may include programmes for water delivery, electrification, sanitation and so forth.   Although the clustering on the priorities is not an easy task, it begins with the aligning of priorities with objectives and also to simplify the reporting process in terms of the strategic attainment as well as achievement of the five main KPAs.

Table 11 describes the action plan for the setting of priorities.

What	How	Who	When	Output	Comment
Priority Setting	Initiate community survey / analysis	Project Task Team, IDP Representative Forum, IDP Steering Committee)	June/July	Community Priority needs and service requirements – Ward Scorecards	Internal research needs to be done before external participation can start
	Review baseline info and gap analysis	Project Task Team (IDP Steering Committee)	July/Aug	Services Model information	Most international cities and towns will conduct a city / town survey to determine needs, perceptions – only then can priorities be determined
	A SWOT will be done on IDP implementation achievement during the previous financial year. The SWOT will be converted into pains and enablers (setting the priority issues)	Political and Administrative representatives	September – Strategic Planning session	Comprehensive Assessment	
	Delivery priorities and objectives based on community needs will be re-evaluated against the vision, 5-year strategic agenda and Provincial Growth and Developmental Strategy	Political and Administrative representatives	September	Prioritisation model	Priority projects must be identified against the priority issues and needs
	Internal transformation strategies, priorities and objectives will be re-evaluated against the vision and national and local key performance indicator achievement	Political and Administrative Representatives	September	Annual performance report	
	Financial plan implementation will be reviewed	Political and Administrative representatives	September	KPI scorecards through performance based budgeting	
	Spatial development framework will be reviewed	Administrative representatives	September		
	Disaster management plans will be reviewed	Administrative representatives	September		
	Operational strategies will be reviewed	Administrative representatives	August		
	Vision and strategic intent will be determined and reconfirmed	Political and Executive Management input	September – strategic planning session	Strategic Intent Baseline information will be validated	

What	How	Who	When	Output	Comment
	Priorities will then be amended, set and decided upon accordingly	Political and Executive Management	October	Priorities determined through prioritisation model and Strategic Scorecard	

TABLE 11: PRIORITY SETTING

4.3.1.1.2   SETTING OBJECTIVES

The Performance Management Guidelines for municipalities (2001: par. 5.1.3) stipulates the following: "All components of the integrated development plan, whether they are strategies or priority areas, need to be translated into a set of clear and tangible objectives. This is a crucial stage in ensuring that there is clarity on the integrated development plan and those suitable indicators are found." Objectives need to be set in a clear and concise manner that is measurable, tangible and unambiguous. This will make the choice for appropriate KPIs quite obvious. It makes clear the purpose of each objective and what needs to be achieved. According to the Performance Management Guidelines, in setting objectives, a municipality needs to:

- Carefully consider the results desired
- Review the precise wording and intention
- Avoid overly broad result statements
- Be clear about the scope and nature of desired change
- Ensure that objectives are outcome and impact focused

Table 12 describes the action plan to be followed in the setting of objectives.

What	How	Who	When	Output	Comment
Setting Objectives	Develop clear strategic objectives that can be linked to the IDP strategies and programme operational objectives	Executive	September / November	Institutional Scorecard	Objectives should be guided through baseline information and input from the community, legislation and management
	Re-arrange IDP programmes and project accordingly	Executive	September / November	IDP programme objectives and projects	
	Incorporate municipal and IDP objectives into departmental scorecards	Managers	January / February	Departmental Scorecards	

TABLE 12: SETTING OBJECTIVES

During the Municipality's annual strategic session (retreat), Council identifies the objectives, strategic key performance indicators and strategic projects that need to be achieved. For Makhado Municipality, this will be done

through making use of the development of a strategic scorecard. Once the Executive has set and Council has adopted the strategy or strategic scorecard for the year, municipal employees shall begin to work on the implementation plans for the strategy. The aim of the strategic scorecard is to derive at clear concise strategic objectives grouped by the financial, community, institutional processes and learning and growth perspectives. This will then be translated to each KPA. In ordering the objectives under these perspectives one ensures all the elements needed for a successful organisation is included and that a balanced strategy is developed.

4.3.1.1.3   DEVELOPMENT OF PERFORMANCE MEASURES (KEY PERFORMANCE INDICATORS)

Once objectives are set, the setting of KPIs follows. Although partially handled under 4.4.3 it is important to give specific attention to the development of the KPIs. The Guidelines define indicators as: "measurements that tell us whether progress is being made in achieving our goals. They essentially describe the performance dimension that is considered key in measuring performance." The Guidelines go further to describe indicators to be important as they:

- Provide a common framework for gathering data for measurements and reporting
- Translate complex concepts into simple operational measurable variables
- Enable the review of goals and objectives
- Assist in policy review processes
- Help focus the organisation on strategic areas
- Help provide feedback to the organisation and staff

Legislation, as found in Chapter 6 of The Systems Act S41 states as follows: 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;

(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;

The identification and setting of KPIs under objectives can be an intricate task. The Municipal Systems Act, the Guidelines as well as Regulations give clear direction on how it should be done (Guidelines par. 5.2.1, 5.2.2 5.2.3, 5.2.4):

The Municipal Systems Act requires local government to measure its performance on outputs and outcomes. The Regulations on Performance management system (9. (1)(a) Requires to measure the input, output and outcome indicators, in respect of the development priorities and objectives. The measurement of inputs and processes are also useful especially when the lower SDBIP is developed. The municipality will develop the following **types of indicators** according to the Performance management Regulations (Chapter 3: Regulation 9) that is also covered in the Performance Management Guide.

Input Indicators

These are indicators that measure economy and efficiency. That is, they measure what it cost the municipality to purchase the essentials for producing desired outputs (economy), and whether the organisation achieves more with less, in resource terms (efficiency) without compromising quality. The economic indicators are usually expressed in unit cost terms. For example, the unit cost for delivering water to a single household. On the other hand, efficiency indicators may be the amount of time, money or number of people it took the municipality to deliver water to a single household.

Output Indicators

These are the indicators that measure whether a set of activities or processes yield the desired products. They are essentially effectiveness indicators. They are usually expressed in quantitative terms (i.e. number of or % of). An example would be the number of households connected to electricity as a result of the municipality's electrification programme. The output 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 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. Examples of quality indicators include an assessment of whether the service provided to households complies with the applicable standards or percentage of complaints by the community. In terms of impact, they measure the net effect of the products/services on the overall objective. An example would be percentage reduction in the number of houses destroyed by fire due to the switch from other sources of energy, as a result of the electrification programme. Outcome indicators relate to programme objectives.

The measurement of costs, inputs, process, outputs and outcomes are valuable in developmental local government. These sets of different indicators relate to the ingredients, products and effects of organisational processes.

- Inputs are what go into a process
- Costs are what the inputs cost us
- Processes are the set of activities involved in producing something
- Output is the product or service generated
- Outcome is the impact or effect of the output being produced and the process undertaken

Composite Indicators

Output and outcome indicators can be developed for each local government function. Each function can have a variety of outcomes that need to be measured. The danger of this is that the municipality can end up with a very long list of indicators that becomes difficult to manage and communicate. One possible response to this problem is to use composite indicators for each sector or programme (transport, water, sanitation, electricity, public participation, housing, etc.) or across sectors or departments in achieving an objective. Composite indices combine a set of different indicators into one index by developing a mathematical relationship between them.

Baseline Indicators

These are indicators that show the status quo or the current situation. They may indicate the level of poverty, service, infrastructure and so forth. They are usually utilised in the planning phase to indicate the challenges the organisation is faced with. They are important, since organisations use them to assess whether programmes are indeed changing the situation. Baseline indicators are typically used for reporting purposes and no targets or scores are attached to them. An example will be the number of indigent households. These baseline indicators are typical used when reporting to COGTA on the status quo of municipalities.

How to set indicators? A municipality must identify indicators for each of the areas outlined above, brainstorm them and rigorously check whether they are:

- Measurable
- Simple
- Precise
- Relevant
- Adequate
- Objective

From the above explanations it is obvious that the setting of KPIs is a legal requirement and important step in the implementation of the performance management system. In the case of Makhado Municipality, both the political and administrative Executive will be involved in determining the strategic KPIs. Some general key performance indicators have been set in section 43 of the Municipal Systems Act, (Act no. 32 of 2000) and Performance Management Regulations, Regulation 10. The Municipality must include the general indicators as part of the strategic scorecard.

These general KPIs are:

- Percentage of households with access to basic level of water, sanitation, electricity and solid waste removal
- Percentage of households earning less than R1100 per month with access to free basic services
- 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
- Number of jobs created through municipality's local economic development initiatives including capital projects
- Number of people from Employment Equity target groups employed in the three highest levels of management in compliance with the municipality's approved Employment Equity Plan.
- The percentage of a municipality's budget actually spent on implementing its Workplace Skills Plan
- Financial viability: Debt Coverage; Cost Coverage and Service Debtors to Revenue

The roles and responsibilities for setting Key Performance Indicators are as follows:

What	How	Who	When	Output	Comment
Setting Key Performance Indicators (KPI), Budgetary Process and Business Plans	Determine and integrate KPI's for the Strategic, Institutional, Departmental, Individual and other Scorecards	Project Task Team, Management and Heads of Departments in Administration	November - June	Appropriate KPI's for developmental local government in line with the national KPI's and the five year strategic agenda targets	Minimise KPI's to enable you to measure the essentials Ensure all participants understand the development of KPI's
	Provide projected costing on the implementation of KPI's	Municipal Manager Management and Chief Financial Officer	January	Projected cost of implementing the performance management system with measures	Ensure compliance with national and other Standards for the setting of KPI's
	Attach budgetary allocation to the strategic intent (strategic and institutional scorecard) and IDP programmes and objectives	Municipal Manager and Management	November - January	Draft budget	Subscribe to the KPI's – it will assist with the reporting phase Political leadership needs to play an instrumental role in the development of the strategic KPI's

What	How	Who	When	Output	Comment
	Finalise the draft budget	Project Task Team IDP Structures	March	Draft budget	
	Public hearings on Budget and IDP	Financial team IDP Steering Committee	March / April	Community participation in budget and IDP processes	To combine public hearings on Budget, performance management and IDP
	Develop Process Scorecards – departmental business planning processes	Municipal Manager and Management and service provider	February	Process Scorecards	The KPI's need to be measurable, simple, precise, relevant, adequate and objective
	Submit Reviewed IDP to Representative Forum for approval	IDP Steering Committee	End April	Draft Reviewed IDP approved by IDP Rep Forum	
	Table budget to Council	Mayor	May	Approved budget	Bear in mind that if you amend your strategic objective your KPI's need to be amended accordingly. Ensure effective participative processes with the external stakeholders Do not use an indicator that you are not able to measure or to obtain the baseline line information on Advocate provincial benchmarking"
	Submit Reviewed IDP to Council for adoption	Mayor	May	Adopted Reviewed IDP	The adoption of the Reviewed IDP and tabling of the budget should be simultaneous

TABLE 13 : SETTING KEY PERFORMANCE INDICATORS

4.3.1.1.4   **SETTING PERFORMANCE TARGETS**

The next step after setting KPIs is the setting of performance targets for the indicators. According to the Performance Management Regulations (Chapter 3, Regulation 12):

"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 sub regulation (1) must - be practical and realistic;

- 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;

- Be commensurate with available resources;
- Be commensurate with the municipality's capacity; and
- Be consistent with the municipality's development priorities and objectives set out in its integrated development plan."

"Performance targets" are defined as (Guideline par. 5.3.1): "the planned level of performance or the milestones an organisation sets for itself for each indicator identified and when setting targets, the following needs to be considered:

- Politicians need to give clear direction as to the importance of the target and how it will address the public need. Targets should be informed by the development needs of communities and the development priorities of the municipality and the priority needs from provincial and national government
- Line managers need to advise as to what a realistic and achievable commitment for a target is, given the available resources and capacity. Whilst targets should be realistic, they should pose a challenge to the municipality to do things significantly better. Managers will need to advise on seasonal changes and other externalities that should be considered in the process of target setting.
- Decision-makers must make a contractual commitment to achieving these targets within agreed upon time frames and notify all stakeholders of the targets and the time frames"
- The targets once set ideally should not change during the course of the financial year

"The municipality's executive leadership should give direction on the targets in order to address the expectations of public needs. Targets will be informed by the development needs of communities and the development priorities of the municipality identified during the integrated development planning process, the provincial growth strategy and the five year strategic agenda.

"Line managers need to advice as to what a realistic and achievable commitment for a target is, given the available resources and capacity. Managers will need to advise on seasonal changes and other externalities that should be considered in the process of target setting. On how to set targets the Guidelines (par. 5.3.2) describes as follows: "A municipality must identify baseline measurements."

When setting up performance targets, the Municipality will identify baseline information for each indicator at the start of the period. In setting targets, it is important to know how the organisation is performing at the current moment (baseline information) in order for targets to be realistic. This step also tests whether the chosen indicator is in fact measurable and whether there are any problems associated with it. It is important to know the date when

the Municipality's baseline information was relevant. For example, if it cannot report on its baseline at the current moment, and have to rely on data from the last census, it should clearly note that its baseline information is determined by the date of the last census.

Target setting is one of the most important elements in the performance management system. Target setting will determine who is going to take responsibility for what. It will ultimately lead to individual and institutional accountabilities and will determine how well the Municipality is performing against the scorecard, logic model and performance based budgeting system.

Table 14 sets out the action plan with regards to target setting.

What	How	Who	When	Output	Comment
Setting targets	Identify baseline information for each KPI	Project Task Team, IDP Steering Committee, Management	November - January	Strategic Scorecard Municipal Scorecard Dept. Scorecards	Setting the target will determine whether the KPI is measurable or not Attach a date or standards to your baseline measurement
	Set the service delivery targets with external stakeholders where applicable	Project Task Team, IDP Steering Committee, IDP Rep Forum	November	Informed and participating community	Targets need to be realistic, measurable and commensurate with available resources and capacity
	Correlate the setting of the targets against the budget and other resources	Project Task Team, IDP Steering Committee Management	February / March / April	Achieved output	
	Complete all deliverables	Project Task Team, Technical Committee, IDP Steering Committee, Management	May	Strategic Scorecard Institutional Scorecard, KPI Scorecards, Departmental Scorecards, IDP programmes and projects, Budget,	Working session needs to be arranged to facilitate discussions between external and internal stakeholder groupings

What	How	Who	When	Output	Comment
				SDBIP	

TABLE 14: TARGET SETTING

The review of the IDP and performance management system and development of scorecards with objectives and KPIs should be completed by the end of the financial year to enable monitoring, assessment, reporting, evaluation and auditing to commence at the beginning of the next Financial Year.

4.3.1.2 SDBIP and Performance Management

The SDBIP forms an integral part of the performance management system as mentioned in 4.3. According to MFMA Circular 13, "the budget gives effect to the strategic priorities of the municipality and is not a management or implementation plan. This provides the basis for measuring performance in service delivery against end-of-year targets and implementing the budget."

As it is required that the budget should be fully aligned with the IDP, and the IDP is aligned to the performance management system, the budget should be integrated into the performance management system. The SDBIP gives effect to the IDP and budget when they are fully aligned. The SDBIP therefore serves as a management, implementation and monitoring tool to assist the Mayor, Councillors, Municipal Manager, Senior Managers and the community. When properly formulated, it monitors the execution of the budget, the achievement of strategic objectives as set by Council and the performance of executive management. It also serves as a performance monitoring tool for the Municipal Manager to monitor senior management performance, for the Mayor to monitor the performance of the Municipal Manager and for the community to monitor the performance of the Municipality.

  As the SDBIP is vital for monitoring performance it is the institutional scorecard. The institutional scorecard is built around how the SDBIP and the different departments are contributing towards the achievement of the strategic indicators. The result is true cascading of the strategic indicators to institutional indicators and from strategic projects into institutional projects and down to the departments.

A real breakthrough in performance management is the introduction of the departmental/Individual SDBIP making use of the methodology of performance based budgeting. This incorporates the development of input, process and output indicators that provide intelligence on outcome, impact and results at the lower operational level that must feed intelligence back for strategic reviewing purposes. This is developed after the higher level SDBIP and will feed the SDBIP results and therefore the institutional scorecard, for true performance management.

4.3.2   COMPONENT 2: MONITIRING AND ASSESSMENT

Successful implementation of strategic plans and operational strategies requires that they be monitored, reported on and reviewed. Monitoring is the process of data gathering and data management. Assessment is the measurement of data by means of a scoring process to assess if targets were reached. Both monitoring and assessment plays a key role in municipal success and is a central part of the performance management system.

4.3.2.1 Monitoring

To monitor or monitoring generally means to be aware of the state of a system.The process of monitoring entails that a few key steps needs to be identified. They are:

- The identification of role-players in monitoring and measuring the municipality's performance
- The allocation of specific tasks in terms of the gathering of data and submission of reports
- Determining the data that must be collected in order to assess performance, how that data is to be collected, stored, verified and analysed and how reports on that data are to be compiled
- Providing for reporting to the municipal Council at least quarterly
- Providing for monitoring to the management quarterly
- Be designed in a manner that enables the municipality to detect early indications of under-performance
- Providing for corrective measures where under-performance has been identified Comparing current performance with performance during the previous financial year and baseline indicators

Table 15 spells out the actions required with the establishment of a performance monitoring framework.

What	How	Who	When	Output	Comment
Develop the Monitoring Framework	Identify the roles and responsibilities of the different role players in monitoring the municipality's performance	Municipal Manager report to Executive Committee	June	Monitoring system – roles and responsibilities	The data that must be collected must be able to assess performance
	Allocate specific tasks to the gathering of data and submission of reports	Municipal Manager	May	Guideline	
	Describe on how the data is collected, stored, verified and analysed – decide on computerised or manual systems	Project Task Team Municipal Manager	May	Guideline	Focus data around the strategic and institutional scorecard and national KPI's
	Decide on a data management information system in respect of how the data is to be managed. Decide on objective, KPI, project and	Project Task Team Municipal Manager	May	Management System	

What	How	Who	When	Output	Comment
	process owners				Decide how reports on data are to be compiled
			Sept., Dec., March and June	Recommendations	
			Sept., Dec., March and June	Different Reports	The collection of the right data must enable the municipality to detect early indications of under-performance

TABLE 15: PERFORMANCE MONITORING FRAMEWORK

Performance monitoring should be an on-going process running parallel to the implementation of the IDP. For each year, an SDBIP will be developed based on the IDP. SDBIP will clearly spell out, in a format provided by the National Treasury, municipal priorities, strategic objectives, measurable outputs and targets, and a set of activities to achieve priorities, objectives and outputs contained in the IDP.

Data management is a key element in the successful functioning of a monitoring system and must be set up in such a way that information is used pro-actively to guide the municipality to manage and plan according to the input of data as well as the input of actual values against the key performance indicators.

4.3.2.2 ASSESSMENT AND ANALYSIS

The Guidelines (par.5.5) depicts the following: "Performance measurement is essentially the process of analysing the data provided by the monitoring system in order to assess performance."

Makhado Municipality will use the Balanced Scorecard and logic model for measurement and measuring the implementation of the IDP, SDBIP and individual performance. The Balanced Scorecard provides a performance measurement framework and by its design, will enable the municipality to assess and analyse data for its monitoring mechanism. The metrics system of the Balanced Scorecard is expected to provide the municipality with measurement that is time-specific, source-specific, valid, reliable, clear and accurate.

Analysing entails a process where the municipality, after measuring its own performance, assesses whether it is doing the right thing. Assessment and analysis of performance will need municipalities to look at the following to determine the impact made on service delivery to the community:

- Inputs (resources, financial perspective)
- Outputs (results, service delivery perspective)
- Outcomes (impact, customer satisfaction, growth, quality of life)

For the ease of analysis and assessment, a score for performance is attached to the KPIs and project progress according to the COGTA five point scale of one-five (1-5) where three (3) indicates that target has been met. Scoring allows for quick and easy assessment of performance, especially where different scores are colour-coded or accompanied by icons of "smiley-faces" to indicate the level of performance. This type of assessment acts as early warning indicators of under-performance.

The performance management system Project Task Team will facilitate the assessment and analysis of performance across the organisation in terms of all the priorities for the period and provide an interpretation of the measurements to determine whether targets have been met and exceeded and projections on whether future targets will be met. Where targets are not being met, the analysis will require that the reasons be examined and corrective action recommended.

It is crucial that line managers also continuously analyse the measurements in their control since they are best placed, and have an in-depth understanding of their department, to analyse whether targets are met currently, and will be met in the future, what the contributing factors are to the level of performance and what remedial action needs to be taken.

Table 16 describes the process for assessment

What	How	Who	When	Output	Comment
Assess data on measurements	Assess the data provided through the monitoring system	Section 57 Managers, Internal Audit	Quarterly assessment	Gap assessment	The Makhado Municipality decided to use the Balanced Scorecard and logic model for developing and implementing the

What	How	Who	When	Output	Comment
	Decide which processes need to be validated, verified and optimised	Section 57 Managers Internal Audit	Quarterly Bi-annual reports to Council	Process scorecards	performance management system Ensure that policies are correct Whether resources are spent according to planning Whether processes yield results Whether the outcome in society was achieved Key factors that resulted in success should be shared to enhance municipal learning

TABLE 16: ASSESSMENT

4.3.3   COMPONENT 3: REPORTING ON PERFORMANCE

Reporting collates information into intelligence and represents consolidation from the previous steps into reports. This section does not repeat the specific reporting mentioned in the monitoring and measuring steps. The Guidelines (par.5.8) advises under reporting: "Reporting requires that we take the priorities of the organisation, its performance objectives, indicators, targets, measurements and analysis, and present this information in a simple and accessible format, relevant and useful to the specified target group, for review … Performance management in local government is a tool to ensure accountability of the:

- Municipality to Citizens and Communities
- Executive Committee to Council
- Administration to the Executive Committee or Mayor
- Line/Functional/Sectoral Management to Executive Management and Portfolio and Standing Committees
- Employees to the organisation"

It is thus necessary that the reporting process follows the lines of accountability as is mentioned above.

Municipality	⟶	Citizens and community
Executive Committee	⟶	Council
Administration	⟶	Mayor
Line/functional management	⟶	Executive management/ Portfolio/standing Committees

Employees	⟶	Organisation
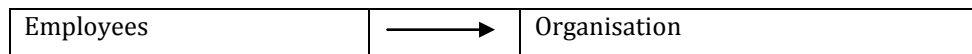
The different steps of monitoring, measurement, review and reporting is combined into a quarterly report to be submitted as previously indicated. In order to comply with the provisions of the Local Government: Municipal Systems Act (2000) and thereby entrenching a culture of public accountability as encapsulated in the Systems Act, the Municipal Manager will compile and submit a performance report to the Mayor on a quarterly basis for submission to Council. The Mayor assisted by the Municipal Manager will convene quarterly performance meetings to be attended by the Executive Committee. During the quarterly meetings, the Municipal Manager will present reports reflecting progress made towards achieving quarterly targets as well as outlining activities for the remaining year. The quarterly performance meetings will serve as the basis for the compilation of the annual performance report to be submitted to – (a) Council, and (b) the MEC responsible for local government.

The annual performance report will form the basis for the formulation of the IDP and SDBIP for the incoming annual cycle. Significantly, the annual report will also serve as a performance linkage between quarterly reports. The following list the reporting requirements:

Report	Legislation	Frequency	Accountable by	Accountable to
AUDITING				
Performance management Audit Report	Reg14(4) (a)(iii)	2 in FY	Performance Audit Committee	Municipal Council
Audit Reports on Performance Measures of Municipality	Reg 14(1)(c) (ii)	Quarterly	Internal Auditors	Municipal Manager and Audit Committee
Municipal Reports				
Performance Management Reporting	Systems Act S41(1)(e)	Regularly (Quarterly)	Municipality	The Mayor, Council, other Portfolio Committees, political office bearers and staff of the municipality; and the public and appropriate organs of state
SDBIP ▪ Revenue ▪ Expenditure &Revenue by Vote ▪ Quarterly projections of service delivery targets and performance indicators for each vote ▪ Service delivery information per ward	- Circular 13; section 71(1)(a) and (e) - section 71(1) (c), (d) and (f) MFMA	Monthly Monthly Quarterly	Accounting Officer/MM	Mayor and the relevant Provincial treasury

Report	Legislation	Frequency	Accountable by	Accountable to
◾ Detailed capital works plan broken down by ward over three years		Quarterly Quarterly		
Mid-year budget and performance assessment	MFMA 72	Mid-year Jan 25	Accounting Officer	(i) The Mayor of the municipality; (ii) The National Treasury; and (iii)Relevant provincial treasury
Annual Report ◾ Performance ◾ Financial Statements ◾ Audit report on Financial statements and audit performed ◾ Any other information as prescribed by the annual report requirements in terms of KPIs and projects ◾ Required by other legislation	MFMA121 MFMA 132 S46(1) of Systems Act,	Annual	Municipality	Council, Provincial Legislature or MEC, Auditor General
Notifications of KPI's and targets	S44	Annual	Municipality	Internally, General Public
Local Government Performance i.t.o. KPI's	S48	Annual	Minister	Parliament and the MECS for local government, Published in Gazette
Report on the performance of municipalities in the Province.	S47	Annual	MEC	Provincial legislatures and the Minister

OTHER	Legislation	Frequency	Accountable by	Accountable to
Website Reports	MFMA75	Continuously	Accounting Officer	Website
General reporting obligation	MFMA71	Continuously	Accounting Officer	National Treasury, the provincial treasury, the department for local government in the Province or the Auditor-General

Table 17 is a reporting action plan for the Makhado Municipality:

What	How	Who	When	Output	Comment
Lines of accountability	Adopt the lines of accountability for reporting as is listed under performance monitoring, measuring and review	Municipal Manager report to Mayor and Executive Committee and Council	May / June	Clear lines of accountability	Checklist on reporting: • State the period for which it is reporting • State the relevant priority for which it is reporting

What	How	Who	When	Output	Comment
					• Capture all the agreed objectives • Capture all the agreed indicators
Adopt the format for reporting	Develop a checklist for standard and good reporting – use the municipal scorecard format	Project Task Team Internal Audit Performance Audit Committee	May / June	Report format and criteria	• State agreed targets relevant to the period, which the report covers • Measure current performance over the period for which it is reporting • Specify when the measurement was done • Specify the source of the measurement
Track and manage the reporting process	Time table all reporting processes for the year Prepare logistics for reporting Develop and improve reporting formats	Project Task Team Internal Audit Project Task Team Project Task Team Internal Audit	May/June May/June	Report tracking system Annual report (Can be done at the same time as when the Mayor delivers budget speech)	• Reflect on whether agreed targets have been met • Analyse the reasons for the level of performance • Suggest corrective action if necessary • Remain simple, accessible and useful to the intended reader
	Track and monitor reporting processes. Control the quality of reports going to reviews at political levels in terms of the criteria for good reports Analyse performance reports corporately.	Project Task Team - Office Project Task Team Project Task Team	May/June Quarterly Quarterly		

What	How	Who	When	Output	Comment
	Compile complete organisational reports and the annual report. Ensure that measurement of a central nature is happening	Project Task Team Internal Audit Project Task Team	Quarterly June Ongoing		
	Review the reporting process and suggest improvements	Project Task Team Internal Audit Executive Management	Ongoing Quarterly	Validate Reports	
To collate information into different reports for different purposes	Service Provider Executive Management		Quarterly		Provides for corrective actions where under-performance has been identified Reports should include KPI Scorecards
To submit quarterly reports to the Forum	Internal Audit		Quarterly	Recommendations	
To submit report quarterly to Performance Audit Committee	Internal Audit		Quarterly		
To submit report to Municipal Manager	Internal Audit		Quarterly	Audited opinion on performance management system	
To submit report to Executive Committee	Internal Audit / Municipal Manager to Executive Committee, to Council		Quarterly		
To submit Performance Audit Committee quarterly report to Executive Committee and Council	Internal Audit / Municipal Manager to Executive Committee, Council		Quarterly		
Provides for corrective measures where	Performance Audit Committee and Council		Bi-annually		

| What	How	Who	When	Output	Comment
under-performance has been identified					
Publication of Performance Reports	The annual report needs to be published through a press release, press conference and other methods deemed necessary File a copy of the annual report at the administrative offices throughout the municipality to allow for Public Feed-back	Project Task Team and Executive Committee	February	Informed community	Time frames will have to fit in with national requirements on reporting
Audited Report	Ensure report is according to auditing principles After publication the report needs to be audited by the Auditor-General Submit Audited report to Council for notification and to build requirements into the implementation of the performance management system Publish notice and inform community when Council meeting will take place to discuss report Notice to Auditor General and MEC on date when meeting is to take place	Internal Audit to Performance Audit Comm. Internal Audit Municipal Manager, Mayor Executive Committee to Council Municipal Manager	Quarterly Bi-annually June / July End July Within time frame	Audited Report Number audit findings Adhering to sound governance principles Compliance to Legal requirements	See Municipal Systems Act 46 (1-4)

What	How	Who	When	Output	Comment
Audited Report	Submit Council report with recommendations to MEC for local government in the Province, the Auditor General, make copies of the report available to the public	Municipal Manager	14-days within meeting that took place	No. Auditor findings Recommendations	The Guidelines stipulate the reason why external expertise is needed: More often prepared to play a critical role
Specialist service providers	Build capacity for auditing financial, social, economic and service delivery indicators Contract new skills through experts to analyse the functioning and implementation of the performance management system	Executive Committee Executive Committee	Ongoing Ongoing	Independent review and reporting	Are seen as sufficiently dependent Are less likely to have a vested interest in the sector Can draw on a wide range of expertise

TABLE 17: REPORTING ACTION PLAN

4.3.3.1 PUBLICATION OF PERFORMANCE REPORTS

The annual report is required by legislation and will be made available to the public. The Municipality will frequently inform stakeholders on its performance depending on resources and capacity through accessible media and other means. To ensure that the reporting process runs smoothly and effectively, the performance management system Project Task Team will manage the processes centrally, to communicate timeframes of all reporting processes for the year, track and monitor reporting processes and analyse performance reports at the organisational level.

The following are the **key elements** that will appear in the reporting framework:
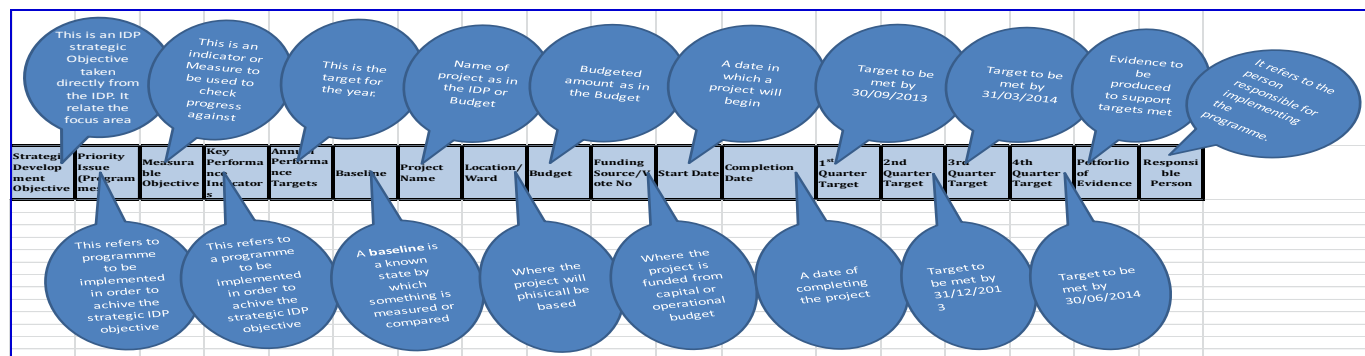
4.3.3.2 PUBLIC FEEDBACK AND HEARINGS

Public feedback on reported performance will be obtained through on-going awareness performance reporting programmes, where feedback will be gathered in the most suitable form. The public will also be encouraged to provide feedback by calling in to the municipality and using feedback boxes. Public hearings will be held every mid-term and during the annual IDP review to report to communities on municipal performance.

4.3.4   COMPONENT 4: EVALUATION AND AUDITING

Component 4 deals with Evaluation and Auditing. These aspects will be discussed in greater detail below.

4.3.4.1 Evaluation

Evaluation is systematic determination of merit, worth, and significance of something or someone using criteria against a set of standards. Evaluation is the comparison of actual project impacts against the agreed strategic plans. It looks at what you set out to do, at what you have accomplished, and how you accomplished it. It can be **formative** (taking place during the life of a project or organisation, with the intention of improving the strategy or way of functioning of the project or organisation). It can also be **summative** (drawing learning's from a completed project or an organisation that is no longer functioning). For Municipalities, Formative Evaluation is through the use of Portfolio Committees and Summative Evaluation is through the Oversight Committee.

Section 80 of the Municipal Structures Act makes provision for the Mayor to appoint committees or Councillors to assist the Mayor. One such committee that can be appointed is the Portfolio Committee. The Portfolio Committee can have as one of its duties to assist in Evaluation of the quarterly performance reports in giving input if strategies, as approved by Council, are being achieved. As this is a function that will happen at regular intervals during the year, the Portfolio Committee can therefore fulfil the Formative Evaluation of the Performance Management system.

Summative Evaluation happens at the end of a financial year with the submission of the annual report. According to section 129 of the MFMA, Council needs to adopt an oversight report containing the Council's comments on the annual report. It is recommended that Council consider the establishment of an Oversight Committee under sections 33 and 79 of the Municipal Structures Act 1998. This committee could be responsible for the detailed analysis of the annual report and drafting of the oversight report to be taken to Council for discussion.

The oversight report differs from the Annual report in that it includes:

- whether Council has approved the annual report, with or without reservations;

- whether Council has rejected the annual report; or
- whether Council has referred the annual report back for revision of those components that can be revised

The annual report is submitted to the Council by the accounting officer and the Mayor and is based on the performance by executive and administration in achieving goals as set by Council. The oversight report is a report by the Council and follows consideration and consultation on the annual report by the Council itself. The Council should obtain the views of the Audit Committee to be able to consider the annual report in its entirety.

4.3.4.2 Auditing

In order for the performance management system to enjoy credibility and legitimacy from the public and other stakeholders, performance reports will be audited. Audits should ensure that reported performance information is accurate, valid and reliable.

4.3.4.2.1   Auditing - Legal Requirements

According to the Municipal Systems Act (2000), the annual performance report must be audited internally, before being tabled and made public. The Auditor General will also audit the Municipality's annual performance report after being reviewed by the Council, and thereafter be submitted to the MEC for local government in the Province. The MEC is required to complete a consolidated annual report of the performance of all municipalities in the Province, identifying poor performing municipalities and proposing remedial action. The MEC must then submit it to the national minister. The national minister will present a consolidated report to parliament.

4.3.4.2.2   Internal Audits

Performance Management Regulations (Chapter 3, Regulation 14): states that a municipality must develop and implement mechanisms, systems and processes for auditing the results of performance measurements as part of its internal auditing processes.

The Municipality's performance audits will include assessments of the following:
- The functionality of the municipality's performance management system
- Whether the municipality's performance system complies with the Act
- The extent to which the municipality's performance measurements are reliable in measuring performance of municipalities on the set indicators

4.3.4.2.3　　Performance Audit Committee

The Municipality will on an annual basis appoint and budget for a Performance Audit Committee consisting of at least three members, the majority of which will not be involved in the municipality as Councillors or employees. This will increase the credibility and legitimacy of the performance reports and the audit process. The Performance Audit Committee will include at least one person who is knowledgeable in performance management. The Municipality may utilise any audit committee established in terms of other applicable legislation as the envisaged Performance Audit Committee. The Council of a municipality might designate a member of the Performance Audit Committee who is not a Councillor or an employee of the municipality as chairperson of the committee.

If the chairperson of the Performance Audit Committee is absent from a specific meeting of the committee, the members present must elect a chairperson to act for that meeting. In the event of a vacancy occurring amongst the members of the Performance Audit Committee, Makhado Municipality will fill that vacancy for the unexpired portion of the vacating member's term of appointment. The Municipality will provide secretariat services for its Performance Audit Committee. A member of the Performance Audit Committee who is not a Councillor or an employee of the Municipality may be remunerated taking into account the tariffs determined by the South African Institute of Chartered Accountants in consultation with the Auditor General.

The Performance Audit Committee will meet at least four times during the financial year of the Municipality. Any member thereof may call a special meeting of the Performance Audit Committee. The Performance Audit Committee may determine its own procedures after consultation with the Mayor or the Executive Committee of the municipality as the case may be. The Performance Audit Committee will:

- Review the quarterly reports submitted to it in terms of Performance Management Regulations Sub-regulation (1)(c)(ii);
- Review the municipality's performance management system and make recommendations in this regard to the Council; and
- At least twice during a financial year, submit an audit report to the Council.

In reviewing the Municipality's performance and the management thereof, the Performance Audit Committee will focus on economy, efficiency, and effectiveness and impact as per key performance indicators and performance targets set by the Municipality.

The Performance Audit Committee may:

- Communicate directly with the Council, Municipal Manager or the internal and external auditors of the Municipality.

- Access any municipal records containing information that is needed to perform its duties or exercise its powers.

- Request any relevant person to attend any of its meetings, and, if necessary, to provide information requested by the committee; and

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

4.4 INDIVIDUAL / EMPLOYEE PERFORMANCE MANAGEMENT AND THE ORGANISATION

4.4.1   INDIVIDUAL REVIEW

The performance management system yields a set of indicators, projects, processes and targets. These become an undertaking of the Municipality to the community. These should however be incorporated into the Municipal Manager's performance agreement and performance plan, as he/she is responsible for the implementation of the performance management system. The Municipal Manager takes relevant indicators, projects and processes to departments concerned through the institutional and departmental scorecards. These indicators would then become the indicators and targets of the Section 57 Managers, to be incorporated in their performance agreements and performance plans. The Section 57 Manager may cascade the indicators and targets to lower levels in line with the scope of responsibilities at that level.

4.4.1.1 Performance Management For Section 57 And Non Section 57 Managers

Section 57 (1) (b), (4A), and (5) of the Local Government: Municipal Systems Act requires the Municipal Manager and Managers reporting directly to the Municipal Manager to enter into performance agreement. A performance agreement is an agreement between an employer and the employee that – (a) outlines employer's expectations of the employee's performance and (b) establishes procedures for assessment of the employee's performance against agreed criteria.

4.4.1.2 Employee Review

The Performance Regulations require Section 57 Managers to enter into performance agreements with the Municipality. These performance agreements define the municipality's performance expectations of Section 57 Managers. Significantly the performance plans which form an integral part of the performance agreement are informed by institutional outputs and targets as captured in the municipality's (IDP) and top layer and bottom layer (technical) SDBIP.

Performance agreements will be entered into as follows:

- The Municipal Manger as the head of the administration will annually enter into a performance agreement with the Municipality (represented by the Mayor).
- The Managers directly accountable to the Municipal Manager will enter into performance agreement with the Municipality (represented by the Municipal Manager).

The performance agreements to be entered into by Section 57 employees will –

- Specify accountabilities as set out in the performance plan;
- Monitor and measure performance against targeted outputs;
- Establish a transparent and accountable working relationship; and
- Assess compliance with performance expectations.

Section 57 employees will enter into a performance agreement each financial year. The agreements must be concluded within ninety (90) days of the beginning of the new financial year. The parties to the performance agreement will review the provisions annually (during the months of May and June). The revised performance agreement will replace the previous agreement after the commencement of the new financial year. The performance agreement will terminate on the employee's contract of employment on the reasons contemplated therein. The performance agreements to be entered into by Section 57 employees and the Municipality will consist of the following components: performance agreement conditions; performance plan (Annexure A) and personal development plan (Annexure B) and financial disclosure (Annexure C).

The performance plan is a strategic management tool that will enable municipalities to assess the performance of Section 57 employees in an objective and fair manner. Essentially the performance plan is an agreement that includes and describes –

- Purpose of the position
- The Key Performance Areas of work for which the employee is responsible for (KPAs);
- KPIs and activities that will make up each KPA
- Projects or processes the person is responsible for
- Core Competency Requirements (CCRs)
- Summary scorecard with weightings
- Rating Scale
- Explanation of the Assessment process

The KPAs are the same as those used for the SDBIP, as prescribed by the Local Government: Municipal Performance Regulations for Municipal Managers And Managers Directly Accountable to Municipal Managers, 2006:

Key Performance Areas (KPAs) for Municipal Managers	Weighting
Basic Service Delivery	
Municipal Institutional Development and Transformation	
Local Economic Development	
Municipal Financial Viability and Management	
Good Governance and Public Participation	
Total:	**100%**

TABLE 18: KEY PERFORMANCE AREAS (KPAs) FOR SECTION 57 MANAGERS

CCRs will be described in more detail below. Each area of assessment is to be weighted and should contribute to a specific part of the total score. The assessment will be based on his/her performance in terms of outputs/outcomes identified as per the performance plan linked to the KPAs, linked to the organisational achievements.

The Regulations of Section 57 Managers require that the performance of Section 57 Managers be assessed in terms of CCRs. These competencies describe general managerial and occupational skills. The assessment of these competencies will account for twenty (20) percent of the total assessment score.

Table 19 sets out the CCRs for Employees

CORE COMPETENCY REQUIREMENTS FOR EMPLOYEES (CCRs)		
Core Managerial and Occupational Competencies	**Indicate choice**	**Weight**
Core Managerial Competencies		
Strategic Capacity and Leadership		
Programme and Project Management		
Financial Management	compulsory	
Change Management		
Knowledge Management		
Service Delivery Innovation		
Problem Solving and Analysis		
People Management and Empowerment	compulsory	
Client Orientation and Customer Focus	compulsory	
Communication		
Honesty and Integrity		
Core Occupational Competencies:		
Competence in Self-Management		
Interpretation of and implementation within the legislative and national policy frameworks		
Knowledge of developmental local government		
Knowledge of Performance Management and Reporting		

CORE COMPETENCY REQUIREMENTS FOR EMPLOYEES (CCRs)		
Core Managerial and Occupational Competencies	**Indicate choice**	**Weight**
Knowledge of global and South African specific political, social and economic contexts		
Competence in policy conceptualisation, analysis and implementation		
Knowledge of more than one functional municipal field/discipline		
Skills in mediation		
Skills in Governance		
Competence as required by other national line sector departments		
Exceptional and dynamic creativity to improve the functioning of the municipality		
Total		**100%**

TABLE 19: CORE COMPETENCY REQUIREMENTS FOR EMPLOYEES (CCRs)

The review of the performance agreements and performance plans follow thus the same development time period as the IDP and SDBIP. The review will have an effect on the type and category of the KPIs. The KPIs, projects and processes are then translated to the individual's performance plan. The individual review follows thus the same path as the organisational review cycle.

The panel for assessment will be constituted as follows:

Assessment of Directors	Assessment of Municipal Manager
Municipal Manager (Makhado Municipality)	Mayor (Makhado Municipality)
Municipal Manager or Mayor from another municipality	Municipal Manager or Mayor from another municipality
EXCO Member (Relevant Portfolio Councillor)	EXCO Member
Member of the Performance Audit Committee	Member of the Performance Audit Committee
	Ward Committee Member

What	How	Who	When	Output	Comment
Employee Performance during the Planning Phase of the IDP and PERFORMANCE MANAGEMENT SYSTEM	The IDP will be abstracted into a Strategic Scorecard to be part of the performance management system that will become the Performance Agreement and Plan of the Municipal Manager	Project Task Team Performance management service providers	March / April	Municipal Manager Performance Agreement	Assure alignment and integration between organisational and employee performance "you cannot perform if you cannot measure"
	The Institutional Scorecard (SDBIP) will be developed into Departmental Scorecards that will become the Performance Agreements and Plans of the Section 57 Managers	Project Task Team Performance management service providers	March / April	Section 57 Performance Agreements	
	The IDP's initiatives will be included as part of the Executive Manager's responsibility to the HOD (line managers)	Project Task Team Facilitators HOD's	March / April	Individual Scorecards	
	The performance agreements of the HOD (line managers) will be cascaded to the individuals / teams within the department – Individual Scorecards	Managers / and facilitator from that Department	Year 2 and then annually thereafter during May	Individual Scorecards	Targets for all levels or job category in the organisation

Methods for tracking performance

Intervals for reporting

Lines of accountability |
| | Facilitators will be trained from each Department to assist with the roll- out of the programme | Project Task Team Facilitators | Year 2 and annually thereafter during May | Trained facilitators | |
| | Arrange briefing sessions to explain the implementation of the system and relationship with the organisational performance management system | Project Task Team | Before it gets rolled out to an individual level | Change Management | Institutional arrangements Make use of this opportunity to implement change management and transformation strategies

Implementation of the employee performance management system will run in parallel with the institutional performance management system |

What	How	Who	When	Output
Decision-makers make a contractual commitment in achieving the targets (signing of Performance Agreements)	Managers / Directors reporting to the Municipal Manager Council Executive Committee	Mid-June	Commitment to the process	Politicians take the responsibility of taking decisions and attach budgetary allocations according to the achievement of the targets
Publication of Performance Targets and Performance Agreements	Project Task Team	Mid July	Informed community	i.t.o. MFMA Performance Agreements must be made public within 14 days from approval of SDBIP the Performance Agreements must be built out of the SDBIP
Copies of performance agreements must be submitted to the Council and the MEC for local government in the Province.	Project Task Team	End July	Performance Agreements	

4.4.1.3 Performance Management For Permanent Employees

In terms of section 67 of the Municipal Systems Act no 32 of 2000, a municipality, in accordance with applicable law and subject to any applicable collective agreement, must develop and adopt appropriate systems and procedures to ensure fair, efficient, effective and transparent personnel administration, including (d) the monitoring, measuring and evaluating of performance of staff. The best type of Performance management system adopts a cascading or "rolling-down" of performance objectives from top to bottom. The Guidelines (par.5.9) states: "The performance of an organisation is integrally linked to that of staff. If employees do not perform an organisation will fail. It is therefore important to manage both at the same time. The relationship between organisational performance and employee performance starts from the review of the IDP and SDBIP that also correlates with the review of individuals on how well they have performed during the course of the different performance management phases." The relationship between organisational performance and employee performance starts from reviewing and monitoring, and includes assessment and evaluation.

The Minister for Provincial and Local Government published the Planning and Performance Management Regulations in 2001. Performance management in this context does not refer to the performance of employees. While the two are related and the Systems Act (2000) does require that senior municipal officials are appointed on performance contracts, there is no legal requirement that a municipality should have a performance management system for its employees. However, this framework sets out options of measuring the municipality as an organisation on a corporate level, as well as assessment and reviews of personnel on contracts (Section 57 appointees) and makes reference to other (non-contractual) staff members.

4.4.1.4 Permanent Employee Review

Permanent staff will annually sign a performance agreement that outlines employer's expectations of the employee's performance and a performance plan which outlines indicators and targets to be met. These performance agreements define the municipality's performance expectations of permanent staff. The performance plans which form an integral part of the performance agreement will be informed by institutional outputs and targets as captured in the municipality's IDP and SDBIP.

Performance employee's performance agreements will be entered into as follows:

- The permanent employee will annually enter into a performance agreement with the Municipality (represented by the immediate supervisor and the Director).

The performance agreements will –

- Specify accountabilities as set out in the performance plan;
- Monitor and measure performance against targeted outputs;
- Establish a transparent and accountable working relationship; and
- Assess compliance with performance expectations.

Permanent employees will enter into a performance agreement each financial year. The agreements must be concluded within ninety (90) days of the beginning of the new financial year. The parties to the performance agreement will review the provisions annually (during the months of July - August). The revised performance agreement will replace the previous agreement after the commencement of the new financial year. The performance agreement will terminate when the employee cease employment for any reason. The performance agreements to be entered into by Permanent employees and their supervisors and Directors will consist of the following components: Performance agreement conditions; Performance plan (Annexure A) and Personal development plan (Annexure B).

The performance plan is a strategic management tool that will enable municipalities to assess the performance of permanent employees in an objective and fair manner. Essentially the performance plan is an agreement that includes and describes –

- Purpose of the position
- The Key Performance Areas of work for which the employee is responsible for (KPAs);
- KPIs and activities that will make up each KPA

- Projects or processes the person is responsible for
- Summary scorecard with weightings
- Rating Scale
- Explanation of the Assessment process

The KPAs are the same as those used for the IDP and SDBIP:

Key Performance Areas (KPAs) for Municipal Managers	Weighting
Basic Service Delivery	
Municipal Institutional Development and Transformation	
Local Economic Development	
Municipal Financial Viability and Management	
Good Governance and Public Participation	
Total:	**100%**

TABLE 18: KEY PERFORMANCE AREAS (KPAs) FOR PERMANENT EMPLOYEES

4.4.2   INDIVIDUAL ASSESSMENT

When KPIs, projects, programmes and measurable activities are implemented, the Municipal Manager needs to set up an information management system to track performance of all the Section 57 Managers who would in turn do the same for lower level staff. The management system, in terms of employee performance management, as with organisational performance management should clarify the following:

- Methods for tracking performance
- Intervals for assessment
- Lines of accountability
- Methodology for scoring

The Municipal Manager must, within the parameters of an employee performance management system, set up a framework for performance assessment of staff. The framework, in terms of employee performance management, should clarify the areas of performance to be assessed flowing from the organisational performance management system that includes assessment methods to be used as well as assessment intervals. Informal assessment will take place after the first and third quarter assessment whilst formal assessment will take place after the second and fourth quarter. The fourth quarter assessment shall take place after the financial year is concluded.

The criteria upon which the performance of permanent staff will be assessed consist of one component –

- the performance will be assessed against KPAs which counts for 100% of the total assessment

Permanent employees will be assessed on the extent to which KPIs, project- and process activities under each KPA have been achieved in the SDBIP and IDP. Performance scores, calculated by the system through templates (calculators) received, will be copied to the performance plans. A score of 1 to 5 is allocated to each KPI or activity depending on performance. A rating of three will be taken that target has been achieved as expected. The performance assessment of Permanent employees will be conducted on a quarterly basis. Two formal and two informal reviews will be held during the year. The two formal reviews will culminate into a score of annual performance. The annual performance appraisal must involve the following:

- Assessment of the achievement of each KPA.
- An indicative rating on the five-point scale for each KPA.

For the purpose of evaluating the annual performance of the Managers, Assistant Managers and Employees reporting directly to Assistant Managers, an assessment panel constituted of the following persons must be established:

Assessment of Managers	Assessment of Assistant Managers	Assessment of officers reporting to Assistant Managers	Assessment of all employees below at other levels
Director from the directorate	Director from the directorate	Manager from the directorate	Delegated Official by the Director
Director from another directorate	Manager from the directorate	Assistant Manager from the directorate	Immediate supervisor
Manager from another directorate	Manager from another directorate	Assistant Manager from another directorate	An employee of the same rank from the same directorate
Municipal manager or delegate	Assistant Manager from another directorate	Admin Officer from another directorate	An employee delegated from another directorate

4.4.3   ASSESSMENT REPORTING

The Municipal Manager as the head of the administration will also compile an executive strategic report that captures the assessment scores of the Section 57 Managers to the Executive Committee and Council to determine the bonus to be paid to the Section 57 Managers. In the case of permanent employees the Performance Manager will compile a report to the Municipal Manager to determine the incentives to be rewarded.

4.4.4   PERFORMANCE EVALUATION AND AUDITING

The assessment of an employee's performance will form the basis for the rewarding of outstanding performance; and the correction of unsatisfactory performance. In the case of unsatisfactory performance, the municipality shall provide systematic remedial or developmental support to assist the employee to improve his/her performance.

The Local Government: Municipal Performance Regulations for Municipal Managers directly accountable to Municipal Managers require that as part of the performance agreement a personal development plan should be developed.

Table 19 explains the steps to be taken in the management of employee performance

What	How	Who	When	Output	Comment
Employee Performance rewards and incentives	Update guidelines on the implementation of an assessment and reward system. Develop a reward and incentive strategy. Develop an assessment model	Project Task Team Municipal Manager	Year 2	Reward and Incentive Policy for non-Section 57 employees	
	Employees will be reviewed / appraised on their performance agreements and individual scorecards which are linked to the institutional framework	Supervisors	Formally quarterly	Appraisal Scorecards/Assessment Plan	

TABLE 20: ACTION PLAN FOR THE IMPLEMENTATION OF EMPLOYEE PERFORMANCE MANAGEMENT

Employee Performance rewards and incentives

In case of section 57 Managers, the municipality will pay performance bonuses ranging from 5 to 14 per cent in recognition of employee outstanding performance. In this regard, a performance bonus of five to nine per cent will be due to a Section 57 employee who achieves a score of 130 to 149 and 10 per cent to 14 per cent for a score of 150 per cent and above. The municipality will only pay performance bonuses to employees who completed an assessment period of 12 months. The above follows the 2006 Regulations promulgated by the Department of Provincial and Local Government.

The performance reward system applied to Section 57 employees is different from the performance reward system applied to Employees who are not Section 57 employees. If an employee is a permanent employee of Council and is thus covered by the conditions of service of the municipality, performance is not directly linked to pay. Currently the employee receives an annually bargained increase and 13th cheque determined by the South African Local Government Bargaining Council (SALGBC). Permanent employees will be rewarded in terms of incentive policy or incentives to be determined by the municipal manager in the absence of incentive policy.

4.5 BUILDING CAPACITY AND ESTABLISHING THE INSTITUTIONAL ARRANGEMENTS

Building capacity is part of an annual programme and shall be linked to Phases One, Two and Three of this framework. The Guidelines emphasise the importance of capacity building (par.6) and state: "The success of the implementation of your municipal performance management system rests on the capacity of line managers, executive management, Councillors, citizens and communities to fulfil their role."

The Municipality's performance management system will have to be designed, developed and project managed. It is suggested that the Performance Management System Unit be capacitated with at least two officials who will ensure the implementation of a workable and effective performance management system. Currently there is one official, a practice which is not advisable. The Guidelines suggests that these employees either be located in the offices of the Municipal Manager or Mayor which is the case in Makhado Municipality.

Table 21 sets out the steps in building capacity and establishing institutional arrangements

What	How	Who	When	Output	Comment
Training and support for role-players	Individual skills must be developed at the same time when the performance management system is developed	Project Task Team Municipal Manager Mayor Executive Committee Portfolio Committees IDP Steering Committee Executive Management Internal Audit Performance Audit Committee Performance management service providers Facilitators	Annually	Clear development and training needs	Skills Development and training needs are now aligned with institutional performance management system Skills development and training needs will differ from managers to political representatives Human Capital is the

	Skills development and training needs must be incorporated as part of the municipal scorecard and IDP process	Project Task Team Performance management service providers Facilitators Supervisors Lines of accountability as stated earlier	Ongoing	Human Capital	most important aspect in the implementation of a performance driven organisation
	Manager training must be provided before the implementation of the performance management system and planning phase of the IDP starts	Project Task Team	June	Knowledge Management	Capacity is needed for: (as per the Guidelines) Measuring all central and long term indicators
	A detailed plan for public awareness on the performance management system needs to be developed	Project Task Team Full-time Councillors	June	Communication strategy	Analysing all performance measures at a corporate level
	"Communicare" a news communication brief on the implementation of the performance management system must be developed for all employees	Project Task Team	Quarterly	Transformed institution	Timetabling all reporting, review and monitoring processes for the year
	Working sessions must be held with all employees	Managers Facilitators Labour Fora	Bi-annually	Informed employees	Preparing logistics for reporting and reviews
	Award Winning Ceremony	Project Task Team Office of the Mayor	September Annually	Awareness	
	Ongoing skills development training will be included in the Municipal Scorecard where the KPI's will be monitored and evaluated as any other strategic objectives	Project Task Team Executive management	Ongoing	Employer of choice	
Additional Capacity and Resources	Use database management system to capacitate and create learning environment	Municipal Manager, Project Task Team	Ongoing	Council Resolution	

	Staff the office with competent people, right skills and capacity include: Management Organising Financial Auditing Administrative Researching Analysing Client relations Training Networking skills	Municipal Manager Portfolio Committee Project Task Team	Ongoing	Effective and efficient system	
	This office will become secretariat to the performance management system	Performance management Office	Immediate		
Evaluating and improving the system	This office should start a web-site immediately to effect transformation and change management	Performance management Office	Immediate	Informed stakeholders and role players	
	A "think tank" group with nearby municipalities should be established to discuss and share lessons learned	Performance management Office	March and on-going	Belonging	
	Develop good relationship with an international city that has developed a well-run municipality on the Balanced Scorecard model	Performance management Office	May and on-going	Benchmarking and effective development of the system	
	After review is done ensure that the organisational structure advanced the system	HR Manager Executive Committee	After reviewing the successful implementation of the system	Structure to follow strategy	

TABLE 21: INSTITUTIONAL ARRANGEMENTS AND BUILDING CAPACITY

5   CONCLUSION

The Policy Management Framework gives direction to the development, implementation and management of performance management for the Makhado Municipality. The main objective of the performance management system is to introduce a new way of doing things and to enable the Municipality to become accountable for the use of resources and increasing customer value, ultimately, for creating a better quality of life for its citizens.

The application of this framework is to integrate processes and will furthermore offer both employee and institutional solutions in its application. It is thus designed to advance the total performance of the Municipality. Local Government is challenged through legislation to implement a performance management system that will improve and enhance quality, effectiveness and to provide efficient service delivery.   This framework addresses these requirements and through the implementation of the system will set out to achieve what is required and should be able to address client needs and expectations.

As dynamic institution Makhado Municipality is committed in implementing this framework to ensure that it delivers more with the limited available resources.

Resources

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