



Performance Management Framework

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List of Acronyms

AG	:	Auditor - General
IDP	:	Integrated Development Plan
KPA	:	Key Performance Area
KPI	:	Key Performance Indicator
LED	:	Local Economic Development
MEC	:	Member of the Executive Council
MFMA	:	Municipal Finance Management Act
MSA	:	Municipal Systems Act
MTEF	:	Medium Term Economic Framework
OPMS	:	Organisational Performance Management System
PAC	:	Performance Audit Committee
PMS	:	Performance Management System
SDBIP	:	Service Delivery and Budget Implementation Plan
SMART	:	Specific, Measurable, Achievable, Realistic, Time-bound

1. Introduction

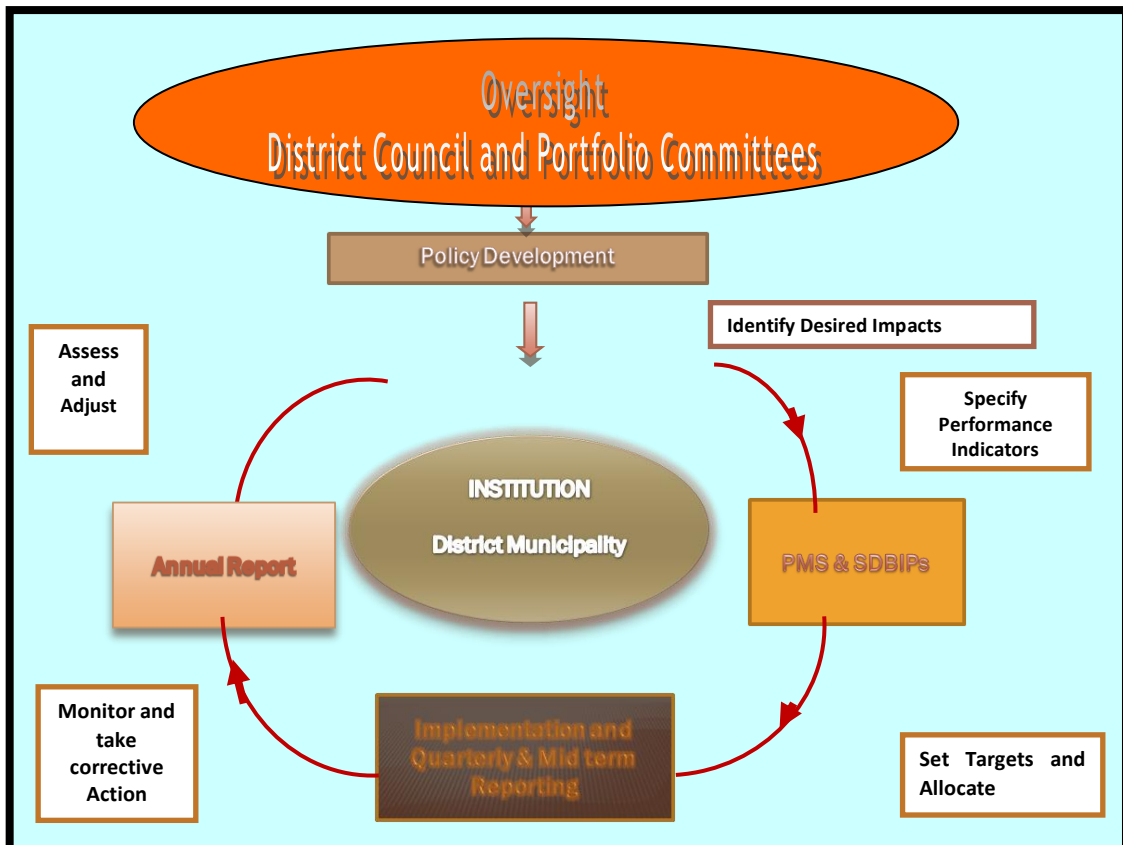
The Municipal Systems Act (MSA) of 2000 mandates municipalities to establish performance management systems, and the Planning and Performance Management Regulations of 2001 describes the municipality's performance management system as consisting of a framework that articulates and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed and to determine the roles of different stakeholders.

Furthermore, the MSA and the Municipal Finance Management Act of 2003 (MFMA) requires that the 5-year strategy of a municipality, the Integrated Development Plan (IDP), must be aligned to the municipal budget and must be monitored for the implementation of the IDP against the budget via the annual Service Delivery and Budget Implementation Plan (SDBIP). Thus the IDP, the budget and the municipality's performance are linked. In relation to these provisions, the performance management of Section 56 Managers must align with the implementation of the Integrated Development Plans, and this is now regulated in terms of the Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers, 2006.

Performance management is a process which measures the implementation of an organization's strategy. At the local government level, this has become an imperative, with economic development, transformation, governance, financial viability and service delivery being the key performance areas in terms of the Local Government Developmental Agenda. Performance management provides the mechanism to measure whether targets to meet its strategic objectives that are set by municipalities and its employees, are met. National government has also found it necessary to institutionalize and provide legislation on the performance management process for local government.

iLembe District Municipality adopted the PMS Framework in June 2012. The purpose of this document is to have a performance management policy framework that encompasses a Performance Management System (PMS) that must be adopted by the municipal council. The Policy Framework will reflect the linkages between the Integrated Development Plan (IDP), the Budget, the Service Delivery and Budget Implementation Plan (SDBIP) and the Performance Management System (PMS) of the municipality. This document will therefore incorporate recently promulgated legislation and policies and outline the roles and responsibilities of different stakeholders. As required by the Municipal Systems Act, 2000 and the Planning and Performance Management Regulations, 2001, this Policy Framework sets out:

- The objectives of a performance management system;
- The principles that will inform the development and implementation of the system;
- A preferred performance model that describes what areas of performance will be measured by the municipality;
- The process by which the system will be managed;
- Auditing of the municipality's performance;
- Compliance to critical dates and timelines;
- The roles and responsibilities of different stakeholders; and
- The process of managing individual performance



2. Policy and Legal Context for Performance Management

Legislative enactments, which govern performance management in municipalities are found in the Batho Pele Principles; the White Paper on Local Government; Municipal Systems Act, 2000; Municipal Planning and Performance Management Regulations 2001; Municipal Finance Management Act 2003; Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers, 2006; the Framework on Managing Performance Information and lastly the

Directive: Performance Information Public Audit Act, 2004 published under Notice 646 of 2007.

Although it is not considered necessary to go into detail in respect of all the legislation it is important to give a brief overview of the most important legislative provisions set out in:

- The Municipal Systems Act , 32 of 2000
- The Municipal Planning and Performance Management Regulations, 2001
- The Municipal Finance Management Act, No. 56 of 2003; and
- The Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers, 2006.

Summaries of very important provisions relating to organisational performance management are thus set out hereunder.

A. The Local Government: Municipal Systems Act , 32 of 2000

Chapter 6 of the Municipal Systems Act (2000) provides briefly that a municipality must:

- Develop a performance management system;
- Promote a performance culture;
- Administer its affairs in an economical, effective, efficient and accountable manner;
- Set appropriate Key Performance Indicators (KPI's) as a yardstick for measuring performance;
- Set targets and monitor and review the performance of the municipality based on indicators linked to their IDP;
- Monitor, measure and review performance at least once per year;
- Take steps to improve performance;
- Report on performance to relevant stakeholders;
- Publish an annual performance report on performance of the municipality forming part of its annual report as per the Local Government: Municipal Finance Management Act, 2003;
- Incorporate and report on a set of general (sometimes also referred to as national) indicators prescribed by the Minister responsible for local government;
- Conduct on a continuous basis an internal audit of all performance measures;
- Have their annual performance report audited by the Auditor-General; and
- Involve the community in setting indicators and targets and reviewing municipal performance.

Section 55 to 58 of the Act outlines the provisions on the employment and functions of the Municipal Manager and Managers directly accountable to the Municipal Manager.

B. The Municipal Planning and Performance Management Regulations of 2001

In summary the Regulations provide that a municipality's PMS must:

- Entail a framework that describes and represents how the municipality's cycle and process of performance management, including measurement, review, reporting and improvement, will be conducted;
- Comply with the requirements of the Systems Act;
- Relate to the municipality's employee performance management processes and be linked to the municipality's IDP ; and that:
- A municipality must:
 - Set key performance indicators (KPI's) including input, output and outcome indicators in consultation with communities;
 - Annually review its KPI's;
 - For each financial year set performance targets;
 - Measure and report on the nine nationally prescribed KPI's;
 - Report on performance to Council at least twice a year;
 - As part of its internal audit process audit the results of performance measurement;
 - Annually appoint a performance audit committee; and
 - Provide secretarial support to the said audit committee.

C. The Local Government: Municipal Finance Management Act, 56 of 2003 (MFMA)

The Municipal Finance Management Act, 2003 also contains various important provisions relating to performance management. Section 53 (1) states the following:

(c) The mayor of a municipality must take all reasonable steps to ensure that-

(ii) the municipality's service delivery and budget implementation plan is approved by the mayor within 28 days after the approval of the budget;

(iii) the annual performance agreements as required in terms of Section 57 (1) (b) of the Municipal Systems Act of the municipal manager and all senior managers

(3) The Mayor must ensure-

(a) that the revenue and expenditure projections for each month and a service delivery targets and performance indicators for each quarter, as set out in the service delivery and budget implementation plan, are made public no later than 14 days after the approval of the service delivery and budget implementation plan.

- Empower the Mayor or Executive Committee to approve the Service Delivery and Budget Implementation Plan and the Performance

- Agreements of the Municipal Managers and the Managers directly accountable to the Municipal Manager; and
- Compile an annual report, which must, amongst others, include the municipality's performance report compiled in terms Section 46 of the Systems Act.

The Municipal Systems Act and the Municipal Finance Management Act require that the PMS be reviewed annually in order to align it with the reviewed Integrated Development Plan (IDP). As a direct consequence of the reviewed organisational performance management system it then becomes necessary to also amend the scorecards of the Municipal Manager and Section 56 managers in line with the cascading effect of performance management from the organisational to the departmental and eventually to the employee level.

D. The Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers, 2006

This legislation regulates the management of the Section 56 employees of a municipality by providing an outline of employment contracts, performance agreements, performance plans, employee development and empowerment measures and performance evaluation processes. These regulations further provide criteria for performance assessment and the 5-point rating upon which performance of an individual need to be scored during the assessment and evaluation.

3. Objectives and Benefits of Performance Management

The objectives of institutionalizing performance management are beyond the legislative compliance requirements. The general objectives of managing performance are to:

- facilitate increased accountability
- facilitate learning and improvement
- provide early warning signals; and
- facilitate informed decision-making.

The objectives are also for the performance management system to serve as a primary mechanism to monitor, review and improve the implementation of the iLembe District Municipality's IDP. Performance management is viewed as a tool that will improve the overall performance of the municipality.

Adopting a performance management system is beneficial in that it identifies major or systematic blockages, timeously, ensures accountability between **community**, the political leadership and the administration of the municipality, and the system provides early warning signals so that corrective action can be taken on a regular basis.

4. Preparing for Performance Management

Delegation of Responsibilities

The Municipal Systems Act (2000) places the responsibility of adopting a Performance Management System (PMS) on the Council, while holding the Executive Committee responsible for the development and management of the system.

The Executive Committee of the iLembe District Municipality delegates the responsibility for the development and management of the PMS to the Municipal Manager. The development of the system is a once-off activity and the Municipal Manager submits the system to the Mayor and his executive Committee, who in turn forwards it to the full council for approval. The responsibility of implementation and management of the system remains with the Municipal Manager as part of his core functions as provided in Section 55(1) of the Municipal Systems Act of 2000.

5. Development of the Performance Management System

The Relationship between Integrated Development Planning (IDP), the Service Delivery and Budget Implementation Plan (SDBIP) and Performance Management

Integrated development planning, as defined by the Municipal Systems Act, is a process by which municipalities prepare a 5 year strategic plan that is reviewed annually in consultation with communities and stakeholders. This strategic plan adopts an implementation approach and seeks to promote integration. By balancing the economic, ecological and social pillars of sustainability without compromising the institutional capacity required in the implementation and by coordinating actions across sectors and spheres of government, the IDP delivers a number of products that translate to the formulation of the municipal budget, the development of an annual Service Delivery and Budget Implementation Plan and an organizational performance scorecard for the municipality. In a nutshell, the IDP process should deliver the following products in relation to performance management:

- 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;
- Key Performance Areas 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;
- Programmes and projects identified which contribute to the achievement of the above objectives;

- High level Key Performance Indicators and Performance targets that will be used to measure progress on implementation of projects and progress towards attainment of the objectives and the vision; and
- A financial plan and medium term income and expenditure framework that is aligned with the priorities of the municipality;

The municipality have established structures for consultation, oversight and management of integrated development planning. These include the:

- The IDP Representative Forum; and
- IDP Izimbizo per annum

The municipality has **structured** its delivery priorities in the IDP under the following 5 Key Performance Areas (KPA's):

1. Municipal Transformation and Institutional Development
2. Good Governance & Democracy
3. Financial Viability & Management
4. Basic Service Delivery and;
5. Local Economic Development

The IDP planning process has resulted in the formation of the above key performance areas, and these have been translated into objectives, and Key Performance Indicators and performance targets have been set for each key performance area. Every year the above elements are reviewed within the period of July and March which occurs simultaneously with the implementation of the IDP

Developing and Adoption of the Service Delivery and Budget Implementation Plan (“the SDBIP”)

The above results of the 5 year IDP and the annual reviews result in the development of the Service Delivery and Budget Implementation Plans (SDBIP) on an annual basis. The SDBIP gives effect to the Integrated Development Plan (IDP) and the budget of the municipality and is effective if the IDP and budget are fully aligned with each other, as required by the Municipal Finance Management Act. The budget gives effect to the strategic priorities of the municipality and is not a management or implementation plan. The SDBIP therefore serves as a “contract” between the administration, council and the community expressing the goals and objectives set by the council as quantifiable outcomes that can be implemented by the administration over the next twelve months. This provides the basis for measuring performance in service delivery against end of year targets and implementing the budget.

The Municipal Manager is responsible for the preparation of the SDBIP, which must be submitted to the Mayor for approval once the budget has been approved by the council. However, the Municipal Manager should start the

process to prepare the first draft of the SDBIP no later than the tabling of the first draft budget to Exco. As per Section 53 (C) ii the municipality's service delivery and budget implementation plan is approved by the Mayor within 28 days after the approval of the budget.

The Municipal Systems Act, Section 57 (2) (a) (ii) states that the performance agreement must be concluded annually within one month after the beginning of each financial year of the municipality.

The SDBIP requires a detail of five necessary components and these are:

- I. Monthly projections of revenue to be collected for each source;
- II. Monthly projections of expenditure (operating and capital) and revenue for each vote;
- III. Quarterly projections of service delivery targets and performance indicators for each vote;
- IV. Ward/Local Municipality information for expenditure and service delivery; and
- V. Detailed capital works plan broken down by ward/Local Municipality over three years.

From the above detail, it is clear that the IDP informs the municipality's scorecard concepts by delivering the KPA's, strategic objectives, high-level indicators and targets. These concepts are the ones that make up the organisational scorecard and the departmental SDBIP.

Adoption of a Performance Management System

According to Regulation 8 of the Municipal Performance Regulations of 2001, the 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.

6. Principles Governing Performance Management

In developing its Performance Management System, the iLembe District Municipality will be guided by the following principles:

- A. Simplicity, integration, objectivity, transparency and accountability, that it must be politically-driven and that its implementation must be incremental;
- B. Both development and implementation of the system must be driven by top management and council;
- C. The system must be owned by all relevant stakeholders within the municipality and supported by other spheres of government;
- D. Communication must occur at all levels;

- E. The value of having the performance management system must be understood by all role players and stakeholders;
- F. The system must place the community at the centre of the local government processes
- G. The system should not be punitive, but be developmental;
- H. The system must be developed and implemented within the available capacity and resources of the municipality;
- I. The system should align to other municipal initiatives, systems and processes;
- J. The system must provide learning and growth opportunities through the coaching and review processes.

The performance management system will be implemented in such a way that it:

- Is developmental and not punitive in nature as employees will be allowed space to be creative and innovative in improving their performance;
- Provides a clear and detailed framework for:
 - Agreement on performance contracts;
 - Clear key performance indicators, targets and standards, and these must be agreed upon;
 - A balance between organizational needs and employee needs.
- Allows for joint responsibility and accountability based on mutual trust and respect;
- Is cost-effective and practical and enhances improvement on quality;
- Is applied consistently and documents formal and informal feedback;
- Is applied equitably and fairly;
- Allows for honesty and transparency in application;
- Provides clear linkages between performance and recognition and reward;
- Provides clear guide on dealing with poor or non-performance.

7. Why and How to Monitor and Review Performance

What is a Performance Measurement Model?

Performance management is defined as a strategic process to management (or system of management), which equips leaders, managers, employees and stakeholders at different levels with a set of tools and techniques to regularly plan, continuously monitor, periodically measure and review performance of the organization in terms of indicators and targets for efficiency, effectiveness and impact.

Performance measurement involves determining the extent to which objectives are being achieved through developing indicators and linking them to targets and related standards. Review of performance against set targets is

undertaken on a **quarterly and annual** basis. A performance measurement framework is a practical plan for the municipality to collect, process, organise, analyse, audit, reflect on and report performance information.

A performance measurement model is a system that is used to monitor, measure and review performance indicators within the above performance measurement framework. It is a choice about what aspects or dimensions of performance will be measured. It is the grouping together of indicators into logical categories or groups, called **perspectives**, as a means to enhance the ability of an organization to manage and analyze its performance.

The Value of a Performance Measurement Model

The value of performance measurement models can be summarized as follows:

- Models simplify otherwise long lists of indicators by organizing them into perspectives which will sufficiently represent effective performance;
- Different models differ enormously on what is viewed as key aspects of performance (Key Performance Areas) and can help organizations make their own decisions on a model that fits their context;
- Models help in aligning the relationship between areas of performance when planning, evaluating and reporting;
- Models help align strategic planning and performance management by directly linking Key Performance Areas to priority areas in the strategic plan.
- Building an own model allows municipalities to agree on what areas of performance should be integrated, managed and measured and what values should inform indicators and standards of achievement.

Criteria of a Good Performance Model

The following characteristics should guide the choice of a performance model:

- a. It must be simple to develop and its implementation must be able to be cascaded to the lower level with ease.
- b. The model must ensure that there is a balance in the set of indicators being compiled.
- c. The balance created by the model must encompass all relevant and priority areas of performance.
- d. The perspectives must be aligned to the IDP objectives.
- e. The model must be able to diagnose blockages in the system timeously.
- f. It must be easy to replicate to all other levels.

- g. It must be easy to integrate with other municipal systems and processes.

Why iLembe District Municipality will adopt the Key Performance Area Scorecard Model?

With recent developments through the adoption, by national cabinet, of the 5-Year Local Government Strategic Agenda that aligns local government with the national programme of action, it became imperative ensure that the municipal scorecard is aligned with the 5 Key Performance Areas (KPA's) for local government.

The iLembe District Municipality will align this framework to the Key Performance Area Scorecard Model and its performance will be grouped under the following 5 Key Performance Areas:-

1. Local Economic Development

In this perspective the municipality will assess whether the desired development indicators around the performance area of social and economic development is achieved.

2. Basic Services Delivery

This perspective will assess the municipality's performance in the overall delivery of basic and infrastructural services and products.

3. Financial Viability and Management

This perspective will measure the municipality's performance with respect to the management of its finances.

4. Municipal Transformation and Institutional Development

This area relates to input indicators that measure the functioning of the municipality under areas such as human resources, strategic planning and implementation, performance management, etc.

5. Good Governance and Democracy

This area will measure the municipality's performance in relation to its engagement with its stakeholders in the process of governance, established and functioning governance structures, etc.

8. Developing the Organizational Scorecard and Outlining the Scorecard Concepts

During the IDP process a corporate vision and mission was formulated for the iLembe District Municipality, together with **national** key performance areas (KPA's), development objectives and key performance indicators (KPI's) which feed into the vision and mission. It is now necessary to take this process further into the performance management system, by developing an organizational or strategic scorecard that will encompass all the relevant areas or concepts that will allow measurement of the performance of the organization using this scorecard. This will be done by using relevant concepts to populate the organizational and service scorecards of the iLembe District Municipality. This process of developing the organizational and service/departmental scorecards will be followed every year after adoption of the IDP and the budget and after evaluation of the previous year scorecard or municipal performance. An illustration of some of the components of an organizational or strategic scorecard is reflected in figure 3 below.

Organisational Scorecard Concepts

Step 1	Outline the National Key Performance Areas
Step 2	Define Strategic Focus Areas (SFA's)
Step 3	Formulate appropriate development objectives (IDP Objectives)
Step 4	Develop suitable Key Performance Indicators (KPI's)
Step 5	Indicate the types of Key Performance Indicators
Step 6	Provide baseline information
Step 7	Set targets for each KPI, per quarter
Step 8	Allocate responsibility to departments for execution of actions

In the following paragraphs are explanatory notes expanding on each of the component concepts set out in the above illustrative scorecard.

Step 1: Setting out National Key Performance Areas (KPA's)

Outlining Key Performance Areas is the first step in the performance management process. According to the 5-Year Local Government Strategic Agenda, all municipalities are required to cluster their priority issues identified during the IDP development and review processes around the following KPA's:

- Basic Service delivery;
- Local economic development;
- Municipal transformation and institutional development;
- Good governance & democracy; and

- Financial viability and management

Step 2: Define Strategic Focus Areas/ Local Priorities

It is advisable to identify Strategic Focus Areas for each of the development areas that fall under each of the Key Performance Area's. Examples of Strategic Focus Areas that fall under the Service Delivery KPA are water, electricity, sanitation, roads, etc. Each KPA will have specific strategic areas and each of these must be outlined in the scorecards.

Step 3: Formulating Appropriate Development Objectives

The next step involves the setting of at least a maximum of five (5) high level objectives per KPA. An objective is a measurable statement of intent, measurable either quantitatively or qualitatively. It's a series of elements of the vision or mission broken down into manageable quantities.

There is no hard-and-fast rule about how many objectives to set, but it is important to make it manageable and realistic and it is therefore advisable to limit the number of objectives that are developed for each KPA.

Example of a developmental objective that is aligned with the KPA:

KPA = *Service Delivery.*

Objective = *"To provide every household with a weekly door-to-door refuse collection service by July 2010".*

Step 4: Developing Suitable Key Performance Indicators (KPIs)

The fourth step involves determining necessary Key Performance Indicators for each Strategic Focus area, which define what needs to be measured in order to gauge progress towards achieving the development objectives discussed in the previous step. KPI's must be measurable, relevant, simple and precise. They simply define how performance will be measured e.g. numbers, **percentage, date of approval etc.**

KPI's are used to:

- Communicate the achievements and results of the municipality.
- Determine whether a municipality is delivering on its developmental mandate.
- Indicate whether the organisational structure of a municipality is aligned to deliver on its development objectives.
- Promote accountability by the council to its electorate.

The Performance Regulations of 2001 prescribes two core local government indicators. Municipal indicators which are set by following this step, and national general indicators have been set by the National Minister.

The municipality's scorecard must incorporate both indicators. The National General indicators are prescribed in terms of Section 43 of the Municipal Systems Act and provided for in Regulation 10 of the 2001 Performance Regulations and are as follows:

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

In compliance with the Municipal Systems act, S93B (a), ILembe District Municipality facilitates the setting of annual performance objectives and indicators for the municipal entity.

Step 5: Types of Indicators (KPI's)

The following indicators can be considered when setting indicators:

Input Indicators: These indicators are typically cost related. As the name suggests, they literally measure what inputs have been made towards achieving the objective and they are most relevant to the day-to day operations of a municipality. These are indicators that measure the costs, resources and time used to produce an output;

Process indicators: These indicators describe how well the municipality uses its resources in producing services. They cover the activities and operations that convert inputs into outputs. They are essentially internal types of indicators.

Output indicators: These indicators that measure the results of activities, processes and strategies of a program of the municipality. They refer to "products" produced by processing inputs (i.e. the end point of an activity). An example of an output indicator is "the number of houses built or the number of

electricity connections made”. Output indicators should only be used for those functions for which the municipality is directly responsible.

Outcome indicators: These indicators measure the quality and or impact of an output on achieving a particular objective. Outcomes are usually based on the results of different variables acting together (for example increased economic activity as a result of improved water supply). They measure the effect that the goals and objectives are having on the community and they are important diagnostic tools. Based on many variables, they tend to lag behind output indicators because they can only be measured after the outputs have been produced. They are also more difficult to measure and are usually influenced by factors external to the municipality’s control.

Step 6: Determining Baseline Indicators

Once the indicators are set in the scorecard, the next step is to determine the baseline indicator. A baseline indicator is the value (or status quo) of the indicator prior to the period over which performance is to be monitored and reviewed. However since baselines can only be determined in the last quarter every year, the quarter 3 actuals will be used as baselines when preparing the new year indicators, since the preparation commences before the monitoring year ends in instances where baselines cannot be established. When quarter 3 actual is not applicable (N/A) or not reported, bi-annual actual will be used as a baseline, **or in instances where there is only annual targets the previous year’s annual actual will be used.** The baseline reported at the end of the monitoring period will then be updated/corrected during the mid-term amendment process of the SDBIP.

Step 7: Setting Performance Targets

The next step is to set performance targets for each identified KPI. Performance targets should comply with the “SMART” criteria:

- Specific: the nature and the required level of performance can be clearly identified
- Measurable: the required performance can be measured
- Achievable: the target is realistic given existing capacity
- Relevant: the required performance is linked to the achievement of a goal
- Time-bound: the time period or deadline for delivery is specified

Target dates for the completion of actions should be set in conjunction with those Departments responsible for their achievement. It is important to be realistic in the setting of target. If realistic **targets** are not set the departments concerned create false expectations and also set themselves up for failure. **Setting of targets must also be in line with budget allocations for example, if the budget for the new financial year has reduced when compared to the previous financial year, targets could be lower than the baseline.**

Step 8: Allocating Responsibility

It is also necessary to decide who takes responsibility for what actions. In the case of the organisational scorecard responsibility would be allocated to a Department. In regard to departmental scorecards a **responsible person** must be placed against **an** indicator. This is also a way of cascading the responsibility from the strategic level down to the operational level and from the organisational objectives right down to individual performance monitoring. In this way individual employees can exactly know what their roles are in achieving the strategic objectives.

9. The Process of Managing Organizational Performance

Co-ordination

Co-ordination involves the overall responsibility of and carrying out the function of, and being the custodian of Ilembe District Municipality's performance management system and managing the system on behalf of the Municipal Manager. This is a strategic function which resides in the Office of the Municipal Manager.

The co-ordination of the implementation phases of the PMS will be the function of the Performance Management Unit which will be responsible for the following core activities:

- Responsible for the co-ordination of the development and implementation activities of the organisational PMS, through interaction with all relevant stakeholders;
- Ensuring and overseeing the implementation of this Performance **Management** Framework and compliance to all performance legislative requirements in respect of the implementation of the PMS;
- Providing regular support and capacity to the different departments in developing departmental scorecards;
- Continuously providing technical support to the Municipal Manager and the **senior** management team with implementation, assessment, review, monitoring and information management;
- Providing capacity for analysing organizational performance information submitted by **Senior** Managers on a quarterly, mid-term and annual basis in preparation for reporting;
- Responsible for co-ordination and compiling the annual Section 46 performance report;
- Ensuring that all quarterly, mid-term and annual organizational performance reports are submitted to **relevant** stakeholders timeously, for example, quarterly, mid-term and annual performance reports to Exco, Council, the Auditor General, MEC and the public (**through website; print media notification & a copy available for viewing at municipal offices**)

10. Implementing the Performance Management System

Having identified the preferred performance model to be the Key Performance Area, and having agreed to measure its performance against the five areas, Ilembe District Municipality will adopt a process plan for implementing its performance management system. The PMS implementation and management process will be carried out within the following phases:

Phase 1: Planning for Performance

Phase 2: Performance Monitoring and Managing Performance Information

Phase 3: Performance Measurement and Analysis

Phase 4: Performance Review and Improvement

Phase 5: Performance Reporting

Each phase is outlined in detail and this includes the actual step-by-step guide on what each phase entails and how each one will evolve. Templates that will be used in each phase are illustrated figuratively in the document.

Phase 1: Planning

Planning for performance simply means developing and reviewing the IDP annually in preparation for continuous implementation. Municipal performance planning is part of the IDP strategic planning processes. The IDP process and the performance management process are seamlessly integrated. Integrated development planning fulfils the planning phase of performance management. Performance management fulfils the implementation management, monitoring and the evaluation of the IDP process.

The organizational scorecard of the iLembe District Municipality and the entity scorecard will be laid out in a simple spreadsheet as indicated below

ILEMBE DISTRICT MUNICIPALITY

The Ilembe District Municipality Organizational Scorecard Template (adopted as the Key Performance Area)

NATIONAL KPA	IDP OBJECTIVE	KPA	BACKLOG	BASELINE	KPI's	UNIT OF MEASURE	ANNUAL TARGET	1 ST QUARTER TARGET	HALF-YEAR TARGET	3 RD QUARTER TARGET	4 TH QUARTER TARGET	RESPONSIBLE DEPARTMENT
Basic Service Delivery	To eradicate the backlogs & cater for future demands that may arise out of the new developments that are likely to be implemented within the Municipality	Water Projects	50,277	3609	Number of hh with access to water	Number	10632hh	N/A	N/A	586hh	10632hh	Technical Services
	To eradicate the backlogs & cater for future demands that may arise out of the new developments that are likely to be implemented within the Municipality	Sanitation Projects	53,452	1650	Number of hh with access to sanitation	Number	5305hh	0	0	1105hh	5305hh	Technical Services

Step 2: Attending to Governance and Compliance Issues

Upon approval of all the strategic documents, the Mayor and the Municipal Manager must sign the Municipal Manager's Performance Agreement before 31 July of every year. The Municipal Manager must do the same and sign Performance Agreements with all the Managers directly accountable to him/her before 31 July of every year. These agreements will be discussed in detail below under individual performance management.

The Mayor will also publicize the SDBIP, the organizational scorecard and the Municipal Manager's Performance Agreement as per the provisions of Section 53(3) of the Municipal Finance Management Act.

The iLembe District Municipality will use the following publicity platforms to publicise the above documents:

- The municipal website

The Mayor will also submit copies of the SDBIP, the Organizational Scorecard and the performance agreements of all the Section 56 Managers to the MEC for Local Government in the KwaZulu Natal province.

The whole planning process for performance management will be done once per year within the months of March to June, in preparation for implementation in the following year, starting in July. By the beginning of a new financial year, all planning will be complete, compliance issues attended to and resources allocated accordingly.

Phase 2: Monitoring

Monitoring of performance will be an ongoing process throughout the year. The iLembe District Municipality will use both paper-based and electronic report-based monitoring mechanism. Different role players are allocated tasks to monitor and gather information that would assist the municipality to detect early indications of under-performance and take corrective measures on time. Information management plays a central role during this phase.

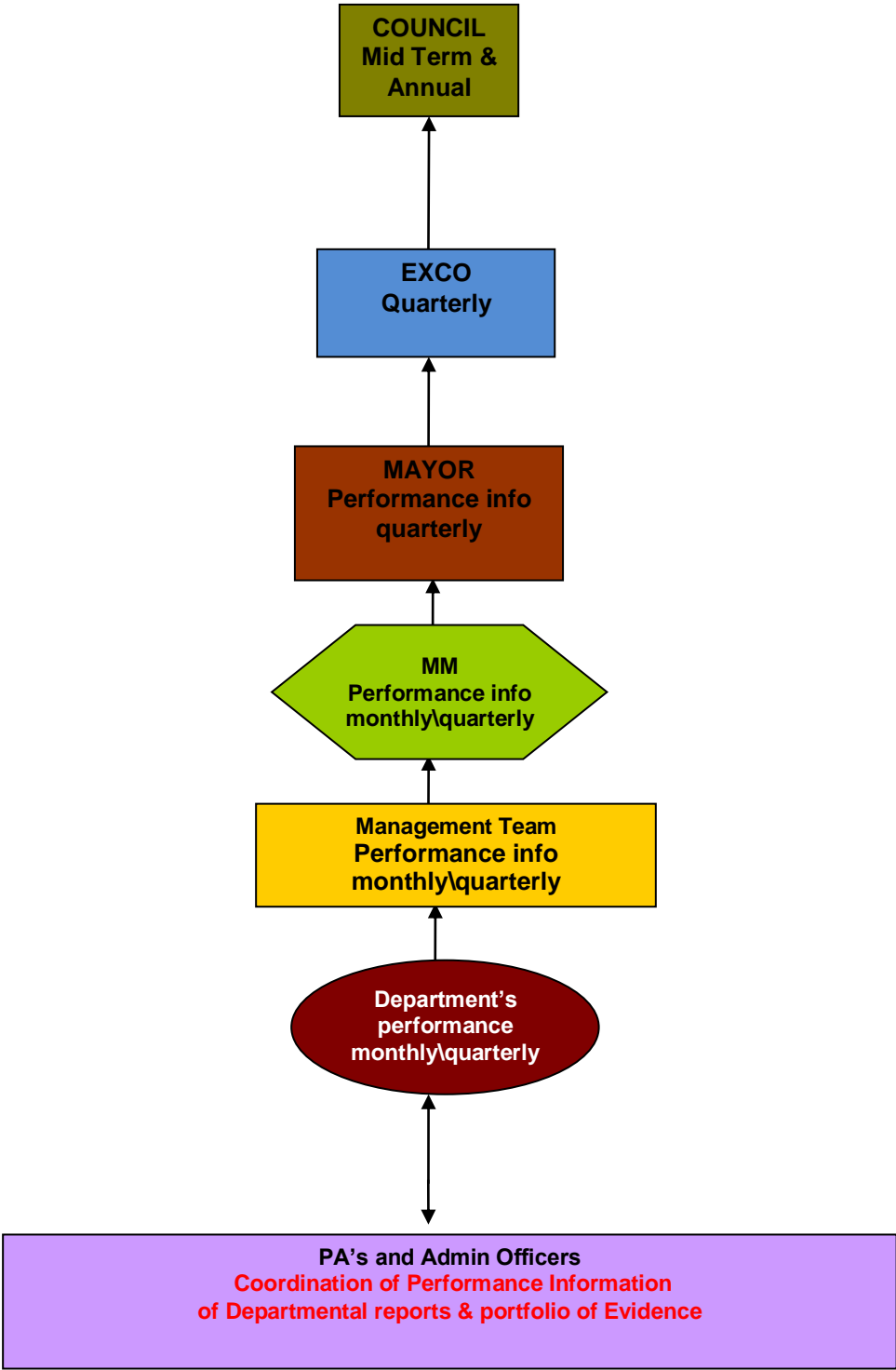
The iLembe District Municipality's monitoring system places responsibility on each Department, Division/Section and Individual employee to collect relevant data and information to support the monitoring process. Evidence of performance will be gathered, stored by each department and presented to substantiate claims of meeting (or not meeting) performance standards. This evidence is stored on files (both manual filing and digital filing, where possible). The Heads of the Departments will allocate responsibility in their offices for information management, as these performance information files must be separate from normal registry filing. Even though registry will have all the data and file it as per their filing system, the performance information will be filed according to key performance area and key performance indicators. These files will be regarded as portfolio of evidence kept for purposes of performance measurement, performance review and audit in the other phases.

The roles and responsibilities for monitoring are allocated as follows:

- **Directors**– The Directors will receive progress reports on the implementation of their departmental scorecards from level 2 & 3 managers and report a high level summary at the Management meetings.
- **Deputy Director & Level three Managers** – Each line manager will be responsible for monitoring and reporting on each indicator in their departmental scorecards. They will monitor performance of their direct reports under their functional areas and report as per the indicator that has been set to measure that functional area. This monitoring occurs on a daily basis, with reports being submitted to line managers by direct reports on a weekly basis. The line manager is responsible for compiling section reports on each of the indicators; collect the relevant data related to each project and indicator and facilitate proper storage of the data in files.
- **Admin Officers** – The Admin Officers in each section has a responsibility of managing indicator information files as per the municipality’s monitoring system. They are also responsible for collating this information in preparation for submission of performance reports to departmental heads by line managers. This responsibility is carried out on a weekly basis.
- **The Management Team** – The management team discuss departmental performance progress on a monthly basis and need to reflect on whether targets are being met, reflect on the reasons being provided by departments for targets not being met and suggest corrective action. The purpose for a performance-driven management team is to instil a culture of collective management and eliminate the silo mentality.
- **EXCO** – The Municipal Manager will submit quarterly/annual reports on all the indicators in the organisational scorecard to the EXCO in order for him to monitor if targets are being achieved and where they are not, that proper corrective strategies are put in place to keep to the timelines set for achieving each indicator and targets.
- **Municipal Council** – Performance reports will be submitted to the council twice a year. A mid-term report and an annual report are the two reports that will be submitted council.

A performance monitoring flow chart is illustrated in **Figure 6** below.

Figure 6: The Ilembe DM Performance Monitoring System




Phase 3: Measurement and Analysis


Performance Measurement is essentially the process of analysing the data provided by the above Performance Monitoring System in order to assess performance. At organisational level, Performance Measurement is formally executed on a monthly and quarterly basis, whilst Performance Measurement at individual level is done quarterly.


Phase 4: Performance Reviews

Performance review is a process where the municipality, after measuring its own performance as detailed in the previous phase, assesses whether it is giving effect to the IDP. It is a phase where it will assess whether it is doing the right thing, doing it right and better, or not. Performance reviews will be conducted through the municipality's scorecard model by assessing performance against the 5 Key Performance Areas (KPA's), indicators, and targets.

Performance rating

When the target is met, it is assessed with a green face 

When target is reported as met but there is no sufficient evidence to support that, or it is in progress it is assessed with progress face .

The red face  indicates that the target was not met.

A variance of **10%** will be accepted during the performance rating process. Where reported actual is below or above quarterly/annual projections, a target met rating will apply in line with appropriate variance explanations.

Who has the Responsibility of Conducting Reviews in Ilembe District Municipality?

As in the monitoring and measurement stages, reviews will be conducted according to the lines of accountability within the municipality's organizational structure. Reviews at all levels on organizational indicators and targets will be conducted quarterly, preceded by coaching sessions by the Municipal Manager to his direct reports. On considering the quarterly reports from each department and the results of the measurement revealing the level of performance in each department, the Municipal Manager must conduct one-on-one coaching sessions with Managers directly accountable to him, to ascertain the level of comfort and confidence in achieving set targets, and to understand the challenges that the Manager might be facing in achieving results. The coaching session must be recorded and the coaching notes be kept in the department's evidence file for individual performance evaluation purposes.

Directors/ Section 56/57 Managers

Directors will review the performance of Level three managers reporting directly to them. These reviews will be conducted on a monthly basis and any deviations can be recommended by the director to the managers, only if they affect indicators and targets that are at their levels, not organizational or departmental indicators.

Executive Management Team

The Municipal Manager and his management team will review performance prior to, and more often than, the Mayor/EXCO, as follows:

- Firstly, they will need to review performance more often, such that they can intervene promptly on operational matters where poor performance or the risks thereof occur.
- Secondly they will need to review performance before reporting to politicians so that they can prepare; control the quality of performance reports submitted to the councillors and the public; and ensure that adequate response strategies are proposed in cases of poor performance.
- It is strongly recommended that the executive management team review performance monthly, prior to reviews being conducted by Executive Committee. At these reviews relevant functional managers will be required to report on respective priority areas.

Mayor

The Performance Management System of Ilembe District Municipality is designed in such a way that it allows the Mayor with his executive committee to strategically drive and manage performance in the organisation. Reviews at this level will remain strategic so that the Mayor is not restrained by operational discussions. In order for this review to be strategic it is recommended that the Mayor with his EXCO review performance quarterly, with the second quarter report taking the form of a mid-term review, as provided for by Section 72 of the MFMA and the final quarterly review taking the form of an annual review. The content of the review should be confined to the adopted 5 key performance areas (KPA's) and objectives. The Municipal Manager will remain accountable for reporting on performance at this level.

Council

All reports approved by Exco quarterly and annually are submitted for noting to Council.

The Public

The public will be involved in reviewing municipal performance at least annually, in the form of the IDM annual report.

While good and excellent performance must also be constantly improved to meet the needs of citizens and improve their quality of life, it is poor performance that needs to be improved as a priority. Poor performance may arise out of one or more of the following:

- Poor systems and processes
- Inappropriate structure
- Lack of skills and capacity
- Inappropriate organisational culture
- Absence of an appropriate strategy and departmental business plans that lay the foundation for optimum performance.

Improving Performance

In order to improve performance, the Ilembe District Municipality, throughout the performance management phases, will analyse the causal and contributory reasons for poor performance, through coaching sessions from top to lower levels of the administration and appropriate response strategies will be developed. These will include, inter alia:

- Restructuring as a possible solution for an inappropriate structure;
- Process and systems improvement strategies to remedy poor systems and processes;
- Training and sourcing additional capacity where skills and capacity shortages are identified;
- Change management and diversity management education programmes to address organisational culture;
- Review of the IDP where councillors will address shortcomings in the strategy;
- Development of appropriate departmental business plans and operational plans to guide performance in each department; and
- Where results show no chance of improvement through internal measures, alternative service delivery mechanisms shall be considered.

Phase 5: Reporting on Performance

Reporting requires that the municipality take its key performance areas, its performance objectives, indicators, targets, measurements and analysis, and present this information in a simple and accessible format, relevant and useful to the different stakeholders for review.

The main feature of the reporting phase is the production of the annual report. This is a consolidated report that reflects results on performance on each of the 5 perspectives as per the adopted model. The main report will be informed by the information gathered through the scorecards throughout the year and one performance report will be compiled as per the requirements of Section 46 of the Municipal Systems Act. Since Ilembe District Municipality adopted the Key Performance Area Model, its annual report will reflect its performance results clustered in the following 5 Areas:

- Under the Socio – Economic Development the municipality will reflect results achieved on indicators around the performance area of social and economic development. This area measures the outputs on socio-economic development in the municipality.
- Under the Basic Service Delivery the municipality will reflect its annual performance achievements in the overall delivery of basic and infrastructural services outputs.
- Under the Financial Viability and Management the annual report will reflect the municipality’s performance with respect to the management of its finances. It has to reflect the results of the process and input indicators, as well as outcome indicators in relation to the impact its financial management systems have achieved on overall financial viability of the municipality.
- The Municipal transformation and Institutional Development will report on input indicators that measure the functioning of the municipality under areas such as human resources, strategic planning (IDP) and implementation, performance management, etc; and
- Under the Good Governance and Democracy the municipality’s annual report must indicate results achieved in relation to its processes of engagement with its stakeholders in the process of governance, established and functioning governance structures, good corporate governance and implementation of the IGR Act, etc.

Who Reports to Whom?

The reporting process will follow the lines of accountability as detailed in the performance monitoring, measurement and review phases above. Reports will be submitted to all different stakeholders using following internal processes as outlined above and through the different political and community stakeholders as required by the Municipal Systems Act, the Municipal Finance Management Act and the Performance Regulations. Reports will be submitted to the following stakeholders during the timelines outlined in the municipality’s performance process plan as shown under the **Performance Cycle** section:

- iLembe District Municipality reporting to Communities, through IDP review processes.
- Mayor and his Executive Committee reporting to Council;
- Municipal Manager reporting to the Mayor and his Executive Committee;
- Deputy Director and Level three Managers reporting to the Manco and
- Employees reporting to their Managers and supervisors.

Tracking and Managing the Reporting Process

To ensure that the reporting processes run smoothly and effectively, the PMS Unit in the Office of the Municipal Manager will co-ordinate all activities related to efficient reporting. The functions of the Unit in this instance include the following:

- Developing a process plan or timetable for all reporting processes for the year;
- Prepare logistics for reporting;

- Improve the reporting format, should there be a necessity to do so;
- Track and monitor reporting processes;
- Control the quality of reports going to reviews at political levels in terms of alignment with the adopted reporting format;
- Analyse departmental performance reports;
- Compile quarterly organisational performance reports and the annual report; and
- Review the reporting process and suggest improvements.

Publication of Performance Reports

The annual performance report is required by legislation to be available to the public. The Ilembe District Municipality will, however, within its resources and capacity, keep the communities more frequently informed of performance information through:

- Publication of reports in the municipal website
- Available for public viewing at municipal offices for comments/input.

The municipality will also submit performance reports to the MEC and the Auditor General as provided for by the Municipal Systems Act and the Municipal Finance Management Act.

Auditing Performance

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

In terms of the provisions of the Municipal Systems Act and the Performance Regulations of 2001, the annual performance report must be audited internally, and before being tabled and made public, the annual performance report will also be audited by the Auditor-General. It is therefore important to allow sufficient time between completion of annual reports and the tabling of the annual report for auditing.

After being reviewed by the council, the annual report must then be submitted to the Auditor-General before 31 August of every year, for auditing and be submitted to the MEC for local government in the province for the MEC to complete an annual report of performance of all municipalities in the province, identifying poor performing municipalities and proposing remedial action and submit the provincial report to the national minister. The national minister will then present a consolidated report to parliament.

Internal Auditing of Performance Measurements

I. The Internal Audit Unit of the iLembe District Municipality

In terms of Regulation 14 of the Planning and Performance Regulations of 2001, every municipality must develop and implement mechanisms, systems and processes for auditing the results of performance measurements as part of its internal auditing processes. The functions of the internal audit unit include the assessment of the following:

- (i) The functionality of the municipality's performance management system;
- (ii) whether the municipality's performance management system complies with the provisions of the Municipal Systems Act; and
- (iii) the extent to which the municipality's performance measurements are reliable in measuring performance of municipalities on its own indicators and the national indicators

The Regulations further provides that the municipality's internal auditors must:

- (i) on a continuous basis, audit the performance measurements of the municipality; and
- (ii) submit quarterly reports on their audits to the Municipal Manager and the performance audit committee.

The iLembe District Municipality has complied with the Regulations by establishing an Internal Audit Unit. The Internal Audit Unit will be responsible for the assessment of the functionality of the system, whether the municipality's complies with the provisions of the acts, and to validate whether the municipality's measurement (Indicators) both the municipalities and National government's are reliable. The Municipal Manager and the Mayor will place reliance on the performance audit risk assessments and audit reports to make informed decisions and motivate for any reviews and improvements to the municipal council and communities.

II. The Performance Audit Committee

Regulation 14 of the Planning and Performance Regulations stipulates the provisions that guide the establishment of the Performance Audit Committee and outline the functions and powers entrusted to the committee as the following:

- a. review the quarterly reports submitted to it by the Internal Auditors;
- b. review the municipality's performance management system and in doing so, focus on economy, efficiency, effectiveness and impact in so far as the key performance indicators and performance targets set by the Ilembe District Municipality in its organizational scorecard are concerned;
- c. make recommendations in this regard to the municipal council and the Board of the entity; and

- d. at least twice during a financial year submit an audit report to the municipal council and the Board of the entity;
- e. communicate directly with the council, the Board of the entity, Municipal Manager, CEO or the internal and external auditors of the municipality and the entity;
- f. access any municipal records containing information that is needed to perform its duties or exercise its powers;
- g. request any relevant person to attend any of its meetings, and if necessary to provide information requested by the committee; and
- h. investigate any matter it deems necessary in the performance of its duties and the exercise of its powers.

The iLembe District Municipality has appointed the Audit Committee which deals with both financial and performance information. The municipality and the entity provides an annual budget for the running of this committee and also provides the relevant secretarial capacity for the committee.

11. Roles and Responsibilities of Different Stakeholders

As can be noted from the above analysis of each phase in performance management and from the plethora of legislative prescripts governing municipal performance, it is clear that, for the performance management system of Ilembe District Municipality to be functional, a number of stakeholders have to be involved.

These stakeholders have different roles and responsibilities within each of the performance management phases. The tables below will outline roles and responsibilities of each of the stakeholders in each phase.

Roles and responsibilities of stakeholders in the management of the PMS

Roles and Responsibilities of the Municipal Council

PLANNING	MONITORING, ANALYSIS AND MEASUREMENT		
	REVIEW	REPORTING	ASSESSMENT
<ul style="list-style-type: none"> * Approves KPA's and objectives in the Integrated Development Plan. * Approves the PMS policy framework. * Assigns the responsibility for the management of the PMS to the Mayor . 	<ul style="list-style-type: none"> * Approves the annual review programme of the IDP. * Approves the Top level SDBIP. * Approves changes to the SDBIP and budget adjustments * Approves any changes to the priorities, objectives, key performance indicators and performance targets of the municipality. * Considers the oversight reports from the oversight committees, such as the Performance Audit Committee. 	<ul style="list-style-type: none"> * Receives audited performance reports from the Mayor . * Reports the municipality's performance to the community at least annually. * Approves recommendations for the improvement of the performance management system. * Annually receives the appraisal of the Municipal Manager and Section 56 Managers' performance. * Submits the municipal annual report to the Auditor General and the MEC. 	<ul style="list-style-type: none"> * Approves the municipal annual audit plan and any substantial changes to it. * Receives and assesses performance reports directly from the Performance Audit Committee. * Receives and assesses performance audit reports from the Auditor-General and approves implementation of the A-G's recommendations.

Roles and Responsibilities of the Mayor & EXCO

PLANNING	MONITORING, ANALYSIS AND MEASUREMENT		
	REVIEW	REPORTING	ASSESSMENT
<ul style="list-style-type: none"> * Submits priorities and objectives of the Integrated Development Plan to Council for approval. * Submits the PMS policy framework for approval. * Submits the municipal strategic or organizational scorecard to Council for approval. * Approves the Service Delivery and Budget Implementation Plans (SDBIP) * Enters into a performance agreement with the Municipal Manager on behalf of Council. * Assigns the responsibility for the management of the PMS to the Municipal Manager. * Tables the budget and the SDBIP to Council for approval. * Approves the departmental or service scorecards and Section 56 Managers scorecards 	<ul style="list-style-type: none"> * Proposes to Council, the annual review programme of the IDP, including the review of key performance indicators and performance targets. * Proposes the annual performance improvement measures of the municipality as part of the municipal strategic or organizational scorecard. * Proposes changes to the priorities, objectives, key performance indicators and performance targets of the municipality. * Quarterly and mid-yearly reviews and evaluates the performance of the municipality against adopted KPIs and targets. * Quarterly reviews the performance of the departments to improve the economy, efficiency and effectiveness of the municipality. * Quarterly and annually reviews and evaluates the performance of the Municipal Manager and Section 56 Managers 	<ul style="list-style-type: none"> * Receives monthly budget statements from the Municipal Manager and CFO * Receives performance reports quarterly from the internal auditor. * Receives performance reports twice a year from the Performance Audit Committee. * Receives monthly and quarterly reports from the Municipal Manager on the performance of managers and the rest of the staff. * Receives the annual Section 46 report from the Municipal Manager before submission to council, Auditor General and MEC. * Report to council on the mid-term review and the annual report on the performance of the municipality. * Reports to Council on the recommendations for the improvement of the performance management system. 	<ul style="list-style-type: none"> * Submits the municipal annual audit plan and any substantial changes to council for approval. * Approves the implementation of the recommendations of the internal auditor with regard to improvement in the performance of the municipality or improvement of the performance management system itself. * Receives and assesses the performance audit report(s) from the Auditor General and management comments and make recommendations to Council on addressing whatever audit queries raised therein.

Roles and Responsibilities of the Municipal Manager

PLANNING	IMPLEMENTATION	MONITORING, ANALYSIS AND MEASUREMENT		
		REVIEW	REPORTING	ASSESSMENT
<p>* Coordinates the process of needs identification and prioritization among all stakeholders, including community structures.</p> <p>* Coordinates the formulation and revision of the PMS policy framework.</p> <p>* Coordinates the formulation and revision of the municipality's strategic or organizational scorecard.</p> <p>* Leads the process of the formulation and revision of the Service Delivery and Budget Implementation Plans.</p> <p>* Enters into performance agreements with Section 56 Managers directly accountable to him on behalf of Council.</p>	<p>* Manages the overall implementation of the IDP.</p> <p>* Ensures that relevant stakeholders implement the provisions of the PMS policy framework.</p> <p>* Ensures that the Departmental scorecards and departmental annual programmes serve the strategic or organizational scorecard of the municipality.</p> <p>* Ensures that annual programmes are implemented according to the targets and timeframes agreed to.</p> <p>* Implements performance improvement measures approved by the Mayor and the Council.</p> <p>* Ensures that performance objectives in the Section 56 Managers' performance scorecards are achieved.</p>	<p>* Formulates the annual review programme of the IDP, including the review of key performance indicators and performance targets for the consideration of Council Committees and the Mayor .</p> <p>* Formulates the annual performance improvement measures of the municipality as part of the new municipal strategic or organizational scorecard.</p> <p>* Quarterly reviews the performance of departments to improve the economy, efficiency and effectiveness of the municipality.</p> <p>* Quarterly and annually evaluates the performance of Section 56 Managers.</p>	<p>* Receives performance reports quarterly from the internal auditor.</p> <p>* Receives performance reports twice a year from the Performance Audit Committee.</p> <p>* Receives monthly departmental performance reports.</p> <p>* Reports monthly and quarterly to the Mayor on the performance of Departments.</p> <p>* Reports on the implementation of improvement measures adopted by the Mayor and Council.</p> <p>* Annually reports to the Mayor on the performance of Section 56 Managers.</p> <p>* Submit the municipal annual Section 46 report to the Mayor .</p>	<p>* Formulates the municipal annual audit plan.</p> <p>* Formulates responses to the recommendations of the internal auditor and the Performance Audit Committee.</p> <p>* Formulates responses to performance audit queries raised by the Auditor General and make recommendations to the Mayor .</p>

Roles and Responsibilities of the Section 56 Managers

PLANNING	IMPLEMENTATION	MONITORING, ANALYSIS AND MEASUREMENT		
		REVIEW	REPORTING	ASSESSMENT
<p>* Participate in the formulation of the SDBIP and the municipal strategic or organizational scorecard</p> <p>* Manage subordinates' performance measurement system.</p> <p>* Enter into a performance agreements with the Municipal Manager.</p>	<p>* Manage the implementation of their Departmental scorecards.</p> <p>* Ensure that performance objectives and targets in the performance scorecards and departmental scorecards are achieved.</p>	<p>* Quarterly and annually review the performance of their departments</p> <p>* Quarterly review performance of direct reports</p>	<p>* Report on the implementation of improvement measures adopted by the Mayor and Council.</p> <p>* Annually report on the performance of their departments</p> <p>* Receive monthly performance reports from line managers</p> <p>* Report monthly to the Municipal Manager on progress</p>	<p>* Participate in the formulation of responses to the recommendations of the internal auditor, Performance Audit Committee and the Auditor General.</p>

Roles and Responsibilities of Non-Section 56 Municipal Employees

PLANNING	IMPLEMENTATION	MONITORING, ANALYSIS AND MEASUREMENT		
		REVIEW	REPORTING	ASSESSMENT
<p>* Participate in identifying of priorities and setting KPI's and targets for the municipality's IDP</p> <p>* Participate in the development of the organizational and the departmental scorecards</p> <p>* Participate in the development of their own performance scorecards</p>	<p>* Execute individual work plans</p> <p>* Manage all information and evidence required for performance measurement, review and audit.</p>	<p>* Participate in the review of departmental plans.</p> <p>* Participate in the review of own performance.</p>	<p>* Reports to Section 56 managers on monthly basis on progress</p>	<p>* Assess performance review reports of own section</p>

Roles and Responsibilities of the Internal Audit Office

PLANNING	AUDIT	ASSESSMENT	REPORTING
<p>* Develop a risk and compliance-based audit plan.</p>	<p>* Audit the performance measures in the municipal scorecard and departmental scorecards.*</p> <p>* Conduct performance audits</p>	<p>* Assess the functioning of the municipality's PMS to ensure it complies with the Act.</p>	<p>* Submit quarterly reports to the Municipal Manager.</p> <p>* Submit quarterly reports to the Performance Audit Committee.</p>

Roles and Responsibilities of the Performance Audit Committee

PLANNING	REVIEW	REPORTING
* Receive and approve the annual audit plan.	* Review quarterly reports from the internal audit office on quarterly basis	* Submit performance review audit reports to the Municipal Manager and the Mayor * Submit bi-annual reports to the municipal Council.

Roles and Responsibilities of the Portfolio Committees

Planning	Monitoring/ Measuring Analysing Review	Reporting
1) Deliberate and advise on the corporate strategy and SDBIP that includes key performance indicators and performance targets. 2) Ensure that concerns of community structures are taken into account in discharging their responsibilities.	1) Participate in the formulation of proposals for the annual performance improvement measures of the municipality as part of the corporate strategy. 2) Quarterly evaluates the performance of their portfolios against adopted KPIs and targets. 3) Quarterly reviews the performance of their portfolios to improve the economy, efficiency and effectiveness of the municipality	1) Receives quarterly reports from the Directors responsible for their portfolios before they are tabled at the EXCO and Council. 2) Reports to the EXCO on the recommendations for the improvement of the performance management system.

Roles and Responsibilities of the Community

PLANNING	REVIEW	REPORTING
* Participate in the drafting and implementation of the municipality's IDP through established forums	* Participate in the municipality's annual review of performance	* Receive annual performance and budget reports from council
* Participates in the setting of KPIs and targets for the municipality every year	* Participates in the municipality's customer perception surveys.	
* Make representations on the draft annual budget		

12. Responding to Organizational Performance

Good or Exceptional Performance

In South Africa, good and outstanding organizational performance by municipalities is rewarded through the provincial and national **Municipal Excellence** Awards. The criteria used in the awards is to identify municipalities that have performed exceptionally well, is through the assessment of achievements within the 5 Key Performance Areas (KPA's). It is therefore, a wise move by the iLembe to adopt the Key Performance Area Model as it places its performance measurement along the 5 KPA's and can easily evaluate itself if it is ready for the awards nominations.

Poor Performance

Poor performance in municipalities is often characterised by disclaimers and adverse opinions from the Auditor General and community actions for inadequate service delivery. The worst measure that is taken for worst performing municipalities is the Section 139 intervention by the MEC for Local Government in the province.

The effective implementation of this framework and the different roles and responsibilities that will be played by different stakeholders will serve as an early warning mechanism for the iLembe District Municipality to keep ahead in performance and to effect corrective measures timeously in any of the weak functional areas identified by the performance management system.

13. Employee Performance Management

Legal Framework that Governs Employee Performance

The local government legislation has provided guidance on managing and rewarding performance of Section 56 Managers, i.e. the Municipal Manager and all Managers directly accountable to him/**her**. The 2006 Performance Regulations for Municipal Managers and Managers Directly Accountable to the Municipal Manager make special provisions for employment and managing performance of these employees.

iLembe has made their own provisions over and above the requirements of the regulations in terms of the conditions of employment for these employees. The following are the provisions outlined as follows: -

- Section 56 managers must enter into employment contract with the municipality on assumption of duties and the regulations gives a detailed guide on the elements of an employment contract;
- **Performance Agreement** must be signed on each financial year or part thereof;

- A new **performance agreement** must be concluded within **one month** after the commencement of the new financial year, i.e. by 31 July of every year;
- A **personal development plan** must be documented at the end of the performance review and form part of the performance agreement;
- The employee's performance must be assessed against three components: **Key Performance Areas at (80%) and Leading and Core Competency Requirements (20%)**;
- A **5 - point rating scale** should be provided for each Key Performance Indicator in the employees scorecard;
- The municipality must establish Evaluation Committees who must meet annually to evaluate the performance of the Municipal Manager and the managers directly accountable to the Municipal Manager;
- The Municipal Manager's annual performance must be evaluated by the Mayor , Chairperson of the Performance Audit Committee, Member of the Executive Committee, Mayor and/or Municipal Manager from another municipality and Member of a Ward Committee nominated by the Mayor ;
- Managers directly accountable to the Municipal Manager must be rated by the Municipal Manager, Chairperson of the Performance Audit Committee, Member of the Executive Committee and a Municipal Manager from another municipality.
- A performance bonus ranging from a minimum of 5% - 14% maximum of the all-inclusive remuneration package must be paid as follows:
 - A score of 130 - 149% is awarded a bonus from 5% - 9%
 - A score of 150% and above is awarded a bonus from 10% - 14%;

The table herewith stipulates the guidelines on the exact % paid out according to the scores achieved:

Score achieved	Bonus paid
130% – 135%	5%
136% - 140%	7%
141% - 145%	8%
146% - 149%	9%
150% - 155%	10%
156% - 160%	12%
161% and above	14%

- Guaranteed annual cost of living adjustment to salaries must be paid - this is not linked to performance;
- Rewarding of Performance for Section 56 employees is done after the tabling of the annual performance report and the financial audited statements in February annually.

As can be seen from the above provisions, the Section 56 employees in the Ilembe District Municipality will align will the above regulations and their performance will be measured through their performance plans/scorecards.

The iLembe District Municipality wants to ensure recognition for effective performance and therefore will award performance bonuses for performance that fully meets the standard expected in all areas of the job for Section 56/57 employees. The bonus provisions are as follows

Score achieved	Bonus paid
100% - 109%	1%
110% - 115%	2%
116% - 120%	3%
121% - 129%	4%

The phases of managing employee performance are outlined below.

Human Resources Department and Individual Performance management System.

The performance of an organisation is integrally linked to that of its employees. If employees do not perform an organisation will fail. It is therefore important to manage both the organizational and employee performance at the same time. Human Resources Department will play a role in seeing that the individual performance management system of the municipality is developmental and not punitive.

The relationship between organisational performance and employee performance starts from planning, implementation, monitoring, review and reporting. All the 5 phases in the organizational performance apply to the management of employee performance. The monitoring system using monthly and quarterly reports is informed by individual activities at sectional and departmental levels. However, employee performance reviews differ from organizational reviews. Each phase will be discussed briefly below and the Human resources can play in role in the phases of individual performance management.

Phase 1: Planning

The IDP yields a set of indicators and targets. These become an undertaking of the municipality to the community. The IDP informs the development of the SDBIP and the organizational scorecard. The elements of the organizational scorecard will be cascaded to the Municipal Manager's performance scorecard and performance agreement as he/she is responsible for the implementation of the IDP.

The Municipal Manager will then extract relevant KPA's and indicators to section or Departments concerned. These indicators would then become the KPA's, indicators and targets of the Head of the Department to be incorporated in their performance scorecards and agreements. The Head of Department will in turn cascade the indicators and targets to lower levels in line with the scope of responsibilities at that level. Therefore, this policy framework establishes a system of individual performance management linked to the organizational performance through the scorecard model.

Weighting and Rating

Weighting Approach that will apply to Section 56/57 Managers and the CEO of the Entity

The weighting of indicators in the scorecards of the Section 56 Managers will follow the line of the provisions of the 2006 Performance Regulations. The weighting of 80% will be allocated to KPA-related indicators and 20% of the weighting will be allocated to CCR-related indicators. The HR Department will also play a vital role in terms of linking the Core Competency requirement with the employee's job profile so as to have a link and a base for awarding a CCR score to the Manager. This will be done in the planning staged of the Performance Plans and Agreements

Performance Rating Approach that will apply to MM, Directors, and CEO of the Entity

The five-point rating will apply in evaluating the performance within the Ilembe District Municipality. The 2006 Performance Regulations sets out the rating as follows:

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

The outcome of the planning phase in the employee performance management will result in all employees having signed performance scorecards by 31 July of every year.

Phase 2: Implementation, Monitoring, Data Analysis and Measurement.

When projects and programmes are implemented, the monitoring system as proposed in the organizational performance phases will apply. All the reporting timelines and information management responsibilities will be carried out as detailed in the monitoring phase of organizational performance management system.

Phase 3: Coaching

Should an employee not be achieving the agreed indicators and targets in his performance scorecard during the monitoring and analysis phase, the manager/supervisor must assist the employee by managing his/her performance more closely. It is not appropriate that the first time an employee hears about his/her non-performance is at the formal performance review. Employees must be coached and given feedback throughout the year. **The Human Resources Manager** will then need to identify the problem area and make recommendations on the interventions required to assist a struggling employee. The intervention must be related to employee wellness issue or capacity issue; however it must be noted that a resource problem will have to be resolved by both the Director and the manager.

Phase 4: Review

This phase involves jointly assessing actual performance against expectations at the end of the performance cycle so as to review and document planned vs. actual performance. The following guidelines will be applicable for conducting individual performance reviews:

- A Manager/supervisor will prepare ratings of employee's performance against key performance indicators. The rating will be done by considering the year end actual cumulative as well, the evidence which was documented during the coaching cycle as well as any other relevant input.
- The Manager/supervisor will request the employee to prepare for formal appraisal by rating him/herself against the agreed key performance indicators on their scorecards.
- The Manager/supervisor and the employee meet to conduct a formal performance rating with a view to conclude a final rating. The employee may request time to consider the rating. A second meeting will then take place. In the event of a disagreement, the manager/supervisor has the final say with regard to the final rating that is given.
- After the ratings have been agreed upon the scores are calculated.
- The Manager/supervisor must make own notes during the formal review meeting. All the criteria that have been specified must be taken into consideration.
- Only those KPI's relevant for the review period in question should be rated according to the five point scale as shown above
- After the year-end review the manager/supervisor and the employee prepare and agree on a personal development plan.
- The Human Resource Manager will then play a role in assessing whether or not the training or EAP assistance provided, did result in the change in behaviour, hereby measuring the Return on Investment (ROI).
- The HR Department can also use the information in the review to draft the new own Personal Development Plan to be done for the following year.

- The total score is determined once all the indicators have been rated and scored. This is done with a view to establish if an employee is entitled to a bonus as per the guidelines stated above.

Portfolios of Evidence

This will be determined at the planning stage of the scorecard with each manager responsible. It will basically be whatever serves as means of proof or verification for the claimed achievement. The PMS Unit has taken the responsibility to scrutinise and review POEs of evidence to ensure its alignment with reported information before final submission to the Internal Audit unit for **auditing** purposes.

Phase 5: Rewarding Performance

This phase establishes the link between performance and reward. It aims to direct and reinforce effective work behaviours by determining and allocating equitable and appropriate rewards to employees.

The performance reward system applies to Section 56 Employees and they are clearly spelt out in the 2006 Performance Regulations and these rewards are in the form of performance cash bonuses that are allocated after the tabling of the receipt of the audit report and tabling of the annual report, i.e. in February of each year.

Amending the Individual Performance Plan/scorecard at the Mid-Year Review

- At the mid-year review, amendments may be made to the employee's performance scorecard. These amendments may be affected if:
 - Baselines and targets were not finalised at the start of the new performance cycle. These should be finalised and signed off at the mid-year review;
 - The achievement or non-achievement of the particular KPI will be out of the employee's/team's span of control (e.g. the budget has been pulled from the project);
 - The municipality has changed its scorecard, and the achievement of the KPI is no longer strategically important.
- Any amendments must be reflected on a new performance scorecard, developed in accordance with the procedure outlined above. The Director/Municipal Manager will be reviewed and rated on the amended scorecard. The Director and Municipal Manager must sign the amended scorecard and a copy must be kept by them.

14. Critical Dates and Timelines

PHASE	ORGANIZATIONAL ACTIVITIES	INDIVIDUAL ACTIVITIES	TIME FRAME	RESPONSIBILITY
PLANNING	Adopt Reviewed PMS Framework Development and approval of the organizational scorecard and SDBIP		March – June	Management/ Council
		Signing performance Contracts/Plans with MM and Section 56/57 managers, CEO of the entity	31 July	Mayor, MM, CFO, Directors, DD & CEO of entity
MONITOR, MEASURE REVIEW &	Monthly/Quarterly Monitoring	Monthly/Quarterly Monitoring	Monthly/Quarterly	Municipal Manager Directors, CFO, Managers, CEO of Entity
	Quarterly Review/s	Quarterly Reviews	December March June	Municipal Manager Directors, CFO CEO of Entity, Managers
		Annual Performance Appraisal	October	Mayor Municipal Manager Directors , CFO, CEO of Entity, External Evaluation Panel
		Reward and Recognition	March	Mayor, Municipal Manager, CFO & Directors
REPORTING	Monthly Reports	Monthly	10th day of the following month	Municipal Manager Directors, CFO, Managers, CEO of Entity
	Quarterly and Mid-Term Reports	Quarterly Reports	September December March	Municipal Manager Directors, CFO, Managers, CEO of Entity
	Annual reports	Annual Performance Reports	31 August	Mayor Municipal Manager/ PMS Manager
IMPROVEMENT	Performance Improvement		Ongoing	Municipal Manager Directors, CFO, Managers, CEO of Entity

15. Building Capacity

The success of the implementation of the municipality's performance management system rests on the capacity of line managers, executive management, councillors, citizens and communities to fulfil their roles and responsibilities as highlighted in earlier sections. Capacity building programmes will be initiated in order to provide capacity to each of the stakeholders to enable them to gain the necessary skills they require in fulfilling their roles and support will be provided during the implementation of this performance management framework.

16. Evaluation and Review of the Whole Performance Management System (PMS)

The iLembe District Municipality will review its Performance Management System annually alongside the review of the IDP.

17. Conclusion

This framework seeks to provide the basis for a structured approach to performance management within the iLembe District Municipality. As indicated earlier, proper implementation of this framework lies heavily on commitment and dedication of the staff and its leadership.