



**THE BIG 5 FALSE BAY
MUNICIPALITY**

**PERFORMANCE MANAGEMENT
FRAMEWORK**

AUGUST 2012

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Annexure 2	Local Government Performance Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers, 2006. Government Gazette No. 29089 (1 August 2006)
Annexure 3	Organisational Scorecard 2012/2013

Glossary of Terms and Acronyms

Acronym	Definition
COGTA	Co-operative Governance and Traditional Affairs
IDP	Integrated Development Plan
KPA	Key Performance Area
KPI	Key Performance Indicators provide the details of the evidence that must be provided to show that a key objective / KPA has been achieved. A KPI defines the standard of performance required by the organisation. Standards are expressed in terms of quality, quantity, cost and time (<i>as applicable</i>)
MDB	Municipal Demarcation Board
MFMA	Municipal Finance Management Act (No. 56 of 2003)
MSA	Local Government: Municipal Systems Act (<i>Act No. 32 of 2000</i>)
Performance Agreement	The document that records the agreement between the employee and the superior on the performance that is expected from the employee for the contracted period within the financial year. This also records the employee's development plan. This agreement also details performance standards and targets against which the employee is going to be measured.
Performance Objective / Key Performance Areas (KPA)	Performance objectives describe the main tasks that need to be done.
Performance Targets	Performance Targets are the planned level of performance or the milestones that are set for each indicator
PM	Performance Management
PMS	Performance Management System
S. 57	Section 57 managers, as per the Local Government: Municipal Systems Act (No. 32 of 2000)
SDBIP	Service Delivery and Budget Implementation Plan
Target dates	The target dates describe the timeframe in which the work must be achieved.
The Municipality	The Municipality refers to Big 5 False Bay Local Municipality (KZ273)
Weightings	The weightings show the relative importance of the key objectives to one another.

1. Introduction

This document is the policy framework for The Big 5 False Bay Local Municipality to develop a Performance Management System (PMS), which is ultimately aligned to the Integrated Development Plan and best suited to the circumstances of the municipality.

The Municipal Planning and Performance Management Regulations stipulate that a municipality's Performance Management System (PMS) must entail a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role-players.

In line with the said legal requirements this framework is a policy document that will set out the following:

- the requirements that The Big 5 False Bay Local Municipality's PMS will need to fulfill;
- the principles that informed its development and subsequent implementation;
- the preferred performance model;
- the process by which the system will work;
- the delegation of responsibilities for different roles in the process; and
- a plan for the implementation of the system.

The main goal of this document is to provide The Big 5 False Bay Local Municipality with a written guide that will assist in the implementation of the PMS at organisational and individual levels. For a sound appreciation of the context, the project plan for developing this PM Framework is shown in Annexure 1.

2. The Legislative Framework for Performance Management

Various government prescripts stipulate provisions pertaining to performance management in the context of local government. Of note, are the following elements:

White Paper on Local Government

The major PMS policy instrument is the 1998 White Paper on Local Government supported by the Batho Pele principles, which policies were given legal stature through the adoption of the Local Government: Municipal Systems Act in 2000 (Act 32 of 2000). The said Act requires all municipalities to:

- Develop a performance management system
- Set targets and monitor and review the performance of the Municipality based on indicators linked to their Integrated Development Plan (IDP)
- Publish an annual performance report on performance of the Municipality forming part of its annual report as per the Municipal Finance Management Act (MFMA).
- 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
- Involve the community in setting indicators and targets and reviewing municipal performance

The Municipal Systems Act (MSA)

In terms of Chapter 6, of the Municipal Systems Act, No 32 of 2000, the Municipal Planning and Performance Management Regulations (2001) were published, setting out the requirements for a municipal PMS. The Regulations also contain the general indicators prescribed by the Minister responsible for local government and have been attached as Annexure 2. A further set of Regulations were published in 2006 and they deal with Performance Management for municipal managers and managers that are directly accountable to municipal managers. A copy thereof is attached as Annexure 3.

The Municipal Finance Management Act (MFMA)

The MFMA requires municipalities to annually adopt a Service Delivery and Budget Implementation Plan (SDBIP), stating the service delivery targets and performance indicators. Whilst approving the annual budget, the Municipality should also set measurable performance targets for each revenue source and vote. They should also compile an annual report, which entails a performance report that is compiled in terms of the MSA.

3. The Concept of Performance Management

The **COGTA** defines performance management as a strategic approach to management that equips all stakeholders with tools to:

- plan,
- monitor,
- measure
- analyse and
- review performance in terms of set indicators & targets for efficiency, effectiveness and impact.

Performance management is essentially a mechanism to measure the implementation of the IDP. As such, it can be applied to any level within the municipality. Through ensuring accountability at all levels, the following results should be attained:

- Meeting of strategic objectives
- Improvement of the overall municipal performance
- Improved service delivery
- Getting value for money
- Meeting the needs of people
- Creating a performance culture
- Achieving organisational transformation

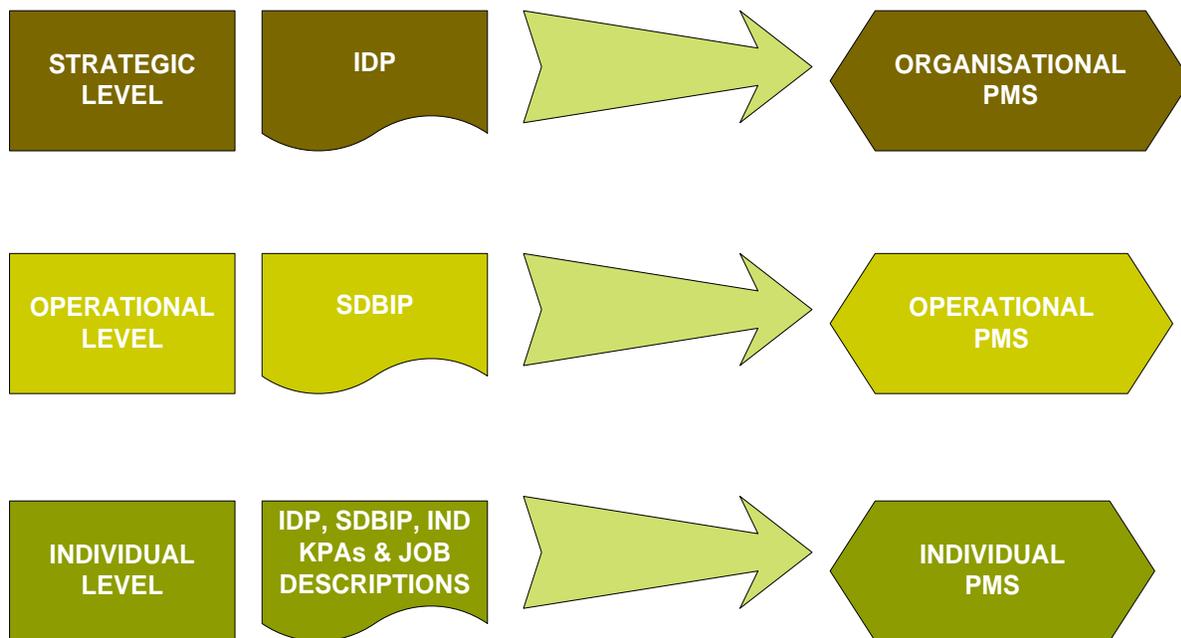
The foregoing legislative framework (*in Section 2*) provides for performance management at various levels in a municipality including **organisational** (sometimes also referred to as municipal, corporate or strategic level), **departmental** (also referred to as services, operational or section/team level) and lastly, **individual** level.

At **organisational** level, the five-year IDP forms the basis for performance management, whereas at operational level the annual SDBIP forms that basis. The performance measures associated with the IDP have a long-term focus, whereas those associated with the SDBIP are short-term and focus on reviewing the progress made in implementing the current budget and achieving the annual service delivery targets. The measures that are set for the Municipality are captured in the organisational scorecard. Annexure 4 provides a sample municipal scorecard.

At **departmental** level, the measures are captured in the SDBIPs of the various departments that operate within the Municipality. Performance management should be occur at the various levels and relate to one another, as required by the Municipal Planning and Performance Regulations. By cascading performance measures from organisational to departmental level, both the IDP and the SDBIP eventually link with individual performance management. Regarding performance management at **individual** level, the MFMA specifically requires that the annual performance agreements of managers must be linked to the SDBIP and the measurable performance objectives approved with the budget.

4. Managing and measuring performance at various levels

Performance management can be applied to various levels within any organisation. The legislative framework as set out above provides for performance management at various levels in a municipality including organisational (sometimes also referred to as municipal, corporate or strategic) level, operational (also referred to as services, departmental or section/team level) and lastly, at individual level as. These levels are however integrated and interdependent on each other.



Strategic (Organisational) Performance

5. Objectives of the Performance Management System

PMS is the primary mechanism to monitor, review, improve the implementation of the IDP and gauge the progress made in achieving the objectives set out in the IDP. The PMS process plan outlines the following objectives of the PMS:

- **Facilitate increased accountability**

The PMS should provide a mechanism for ensuring increased accountability between the local community, politicians, the Municipal Council and the municipal management team.

- **Facilitate learning and improvement**

The PMS should facilitate learning in order to enable the Municipality to improve delivery.

- **Provide early warning signals**

The PMS should ensure that decision-makers are timeously informed of performance related risks, so that they can facilitate intervention, as appropriate.

- **Facilitate decision-making**

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

The fore listed functions are not exhaustive but also provide a summary of the intended benefits of the PMS. They should also be used for evaluating and reviewing the PMS.

6. Principles Governing the PMS

The following principles inform and guide the development and implementation of The Big 5 False Bay Municipality PMS.

- ***administratively managed*** in terms of its day-to-day implementation;
- ***implementable*** within any current resource constraints;
- ***integration*** of the PMS with the other management processes within the Municipality;
- ***politically acceptable*** to the political role players of the municipality;

- **provision of clarity to all employees** in terms of their role in the achievement of municipal and departmental targets;
- **provision of early warning signals** in terms of inherent risks for the full implementation of the IDP;
- **public participation** in terms of granting community members their constitutional right to participate in the process;
- **reliability** of the information provided on the progress in achieving the objectives as set out in its IDP.
- **simplicity** in order to facilitate implementation given any current capacity constraints;
- **transparency and accountability** both in terms of developing and implementing the system;

7. Stakeholder Roles and Responsibilities

The following figure outlines the key roles and responsibilities to be discharged by the various role players in the process.

ROLES AND RESPONSIBILITIES

Responsibility	Role
Citizens and communities	<ul style="list-style-type: none"> ✓ Be consulted on needs. ✓ Develop the long term vision for the area. ✓ Assist in identifying priorities. ✓ Participate in the identification of indicators and setting targets. ✓ Be given the opportunity to review municipal performance and suggest new indicators and targets.
Council	<ul style="list-style-type: none"> ✓ Facilitate the development of a long term vision. ✓ Develop strategies to achieve the vision. ✓ Identify priorities. ✓ Adopt indicators and set targets. ✓ Review municipal performance quarterly.
	<ul style="list-style-type: none"> ✓ Give strategic direction and develop strategies and policies for the Municipality. ✓ Manage the development of the IDP. ✓ Approve and adopt indicators and targets. ✓ Communicate the plan to other role players.

Responsibility	Role
	<ul style="list-style-type: none"> ✓ Conduct major reviews of municipal performance determining where goals had or had not been met, what the reasons were and to adopt response strategies.
Municipal Manager, and S57 Managers	<p>Assist Council in :</p> <ul style="list-style-type: none"> ✓ Giving strategic direction and developing strategies and policies for the Municipality. ✓ Manage the development of the IDP. ✓ Ensure that the plan is integrated. ✓ Identify and propose indicators and targets. ✓ Communicate the plan to other role players. ✓ Regularly monitor the implementation of the IDP and identify risk areas. ✓ Ensure regular monitoring (measurement, analysis, and reporting). ✓ Take corrective action as and when required. ✓ Conduct regular reviews of performance. ✓ Ensure that performance reviews at the political level are organised. ✓ Ensure the availability of information. ✓ Propose response strategies to Council.
Departmental Managers	<ul style="list-style-type: none"> ✓ Develop service delivery and budget implementation plans for the Municipality. ✓ Measure performance according to agreed indicators, analyse, and report regularly. ✓ Manage implementation and intervene where necessary. ✓ Inform decision makers of risks timeously.

1. The roles and responsibilities mentioned above are set out in the MFMA and MSA and the requirements are summarised in the following table.

2.

Accountability and Responsibility	
Section 38 of the MSA	The Municipality MUST establish a PMS in line with its IDP.
Section 21 and 24 of the MFMA	The Mayor must coordinate the process of budget and IDP formulation as well as ensuring the development of measurable performance measures for the budget.
Section 39 of the MSA	Council MUST manage the development of the PMS.
	Council can assign responsibilities to the MM.
	Municipal Council to adopt the PMS.

Section 51 and 55 of the MSA (also refer to the individual performance agreement section in this table)	<p>Ensuring that the administration is set up and operates within the Municipality's PMS.</p> <p>MM is responsible and accountable for implementing and monitoring the municipal IDP.</p>
Monitoring, Evaluation and Audit	
Section 40 of the MSA	Systems for monitoring and review MUST be established.
Section 41 of the MSA	Systems for monitoring, reporting, and redress MUST be established.
Regulation 13 and 14 of the Municipal Planning and Performance Management Regulations No 796 dated 21 August 2001	Systems for monitoring, reporting and redress MUST be established and maintained.
Section 121 of the MFMA	The Municipality must prepare and deal with the Annual Report (Financial and Performance) within 9 months of financial year end.
Section 45 of the MSA	The Municipality MUST audit its performance annually.
	Municipal performance MUST be audited by the Auditor-General by means of submitting an Annual Performance Report.
Individual Performance Agreements	
Section 57(5) of the MSA	Objectives and Targets set in these contracts MUST be based on the performance indicators set in the Municipality's IDP.
Section 53 of the MFMA	Performance Agreements are linked to the measurable performance measures for the budget.
Regulation 4, 23, 25 and 26 of the Local Government Performance Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers. Regulations No 805 dated 1 August 2006	Performance Agreements must be entered into within 90 days of commencement of employment OR within 1 month of the financial year starting. Once concluded, it must be forwarded to the MEC for Local Government within 124 days.
	Performance Agreements must be aligned to the IDP, SDBIP and Budget of the Municipality.
	Performance Objectives are based on the IDP, SDBIP and Budget of the Municipality.
	The MM and Managers reporting to the MM agree to participate in the PMS of the Municipality.

8. The Preferred Performance Management Model

A performance management model can be defined as the grouping of performance indicators into logical categories often called perspectives. The grouping can be based on the type of indicator but is used as a means to enhance the ability of the municipality to manage and analyse its performance. A model therefore provides a common framework for understanding the aspects of performance that will be measured and managed. It further ensures that a balanced set of measures are employed and are not relying on only one facet of performance.

A number of performance models are available and any of them could be applied by the Municipality. The Municipality has chosen the Key Performance Area model. In the said model all indicators are grouped together under the national key performance areas as per the MSA and the local key performance areas as per The Big 5 False Bay Municipality IDP. The said model therefore enables the Municipality to assess performance based on the national and local KPA's.

9. SMART Principles

The municipality has to develop the indicators which are qualitative and quantitative that indicates whether progress is being made in achieving the objectives and targets. Indicators are important because they:

- enable the review of objectives;
- provide a common framework for measuring and reporting;
- translate complex concepts into simple operational measurement variables;
- help to provide feedback to a organisation, its staff and stakeholders; and
- help when comparing the municipality's performance to that of others.

The Smart principles are as follows:

- | | | |
|-------------------|---|--|
| Specific | - | measure only those dimensions that the municipally intends to Measure; |
| Measurable | - | easy to calculate from data that can be generated speedily, easily & at reasonable cost; |
| Attainable | - | able to attain the objectives (<i>knowing the resources and</i> |

capacities at the disposal of the community);

Realistic - able to obtain the level of change reflected in the objective;

Time bound - achievable within a defined time scale (this would not be applicable to a standing objective);

10. The Process of Managing Performance

The PMS process at organisational level in the Municipality is characterized by the steps that are set out in Figure 2. Although the steps and what follows relates mainly to performance management at organisational level, the principles and approaches as espoused could also be applied to performance management at departmental level.

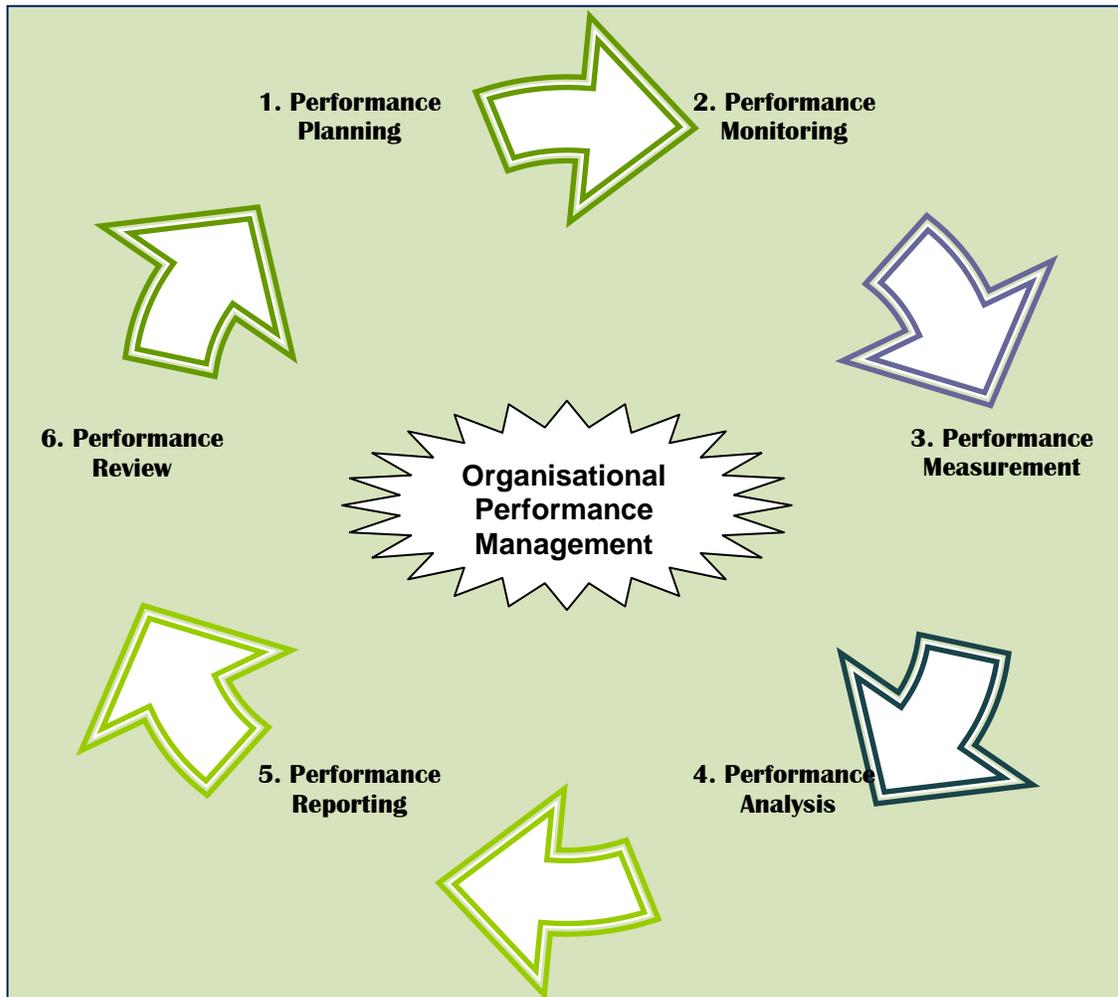


Figure 1: Steps for Managing Performance at Organisational Level

10.1 Performance Planning

Performance will be managed in terms of the IDP and the process of compiling the IDP. Therefore, the annual review of the IDP constitutes the process of planning for performance. From figure 2 it should be noted that the step of the cycle is “*performance review*” and the outcome thereof should inform the next cycle of IDP compilation/review by focusing the planning processes on the areas in which the Municipality has under-performed.

10.2 Performance Monitoring

Performance monitoring is an ongoing process by which a manager accountable for a specific indicator as set out in the organisational scorecard (and a service delivery target contained in a SDBIP) continuously monitors current performance against the set targets. The aim of the monitoring process is to take appropriate and immediate action where it appears that a target will not be timeously met. The same will apply to the various SDBIPs. Performance monitoring requires appropriate action to be taken should it become evident that a specific performance target is not going to be met. In undertaking performance monitoring processes, the following need to be determined and provided for:

- The data that must be collected in order to assess performance
- The methods that must be employed in the collection, storage, verification and analysis of that data
- The processes and formats that must be used in compiling reports on that data
- Corrective measures that will be employed when poor performance has been detected
- Mechanisms to compare current performance with baseline indicators and performance during the previous financial year

Monitoring reports should be submitted as follows:

Submitted to	Frequency
Council	at least quarterly
Municipal Manager	at least monthly

Managers should track performance trends against targets for those indicators that lie within their area of accountability at least once per month. That will allow them to identify performance

related problems and take appropriate remedial action in time. In addition, each senior manager should delegate to the direct line manager the responsibility to monitor the performance for his/her sector.

10.3 Performance Measurement

Performance measurement refers to the formal process of collecting and capturing performance data to enable reporting to take place for each KPI and against the target set for such indicator. A manual process will be used to measure performance at The Big 5 False Bay Municipality. The municipal and SDBIP scorecards should spell out the name of an official who will be reporting on each indicator. The said official will, when performance measurement is due, have to collect and collate the necessary performance data or information and capture the result against the target for the period concerned. As such, they need not be accountable for performance on the said performance indicator.

10.4 Performance Analysis

Performance analysis involves the process of making sense of measurements. It requires interpretation of the performance measurements to determine whether targets have been met / exceeded and to project whether future targets will be met or not. Where targets have not been met, the reasons thereof should be examined and corrective action recommended. Where targets have been met or exceeded, the key factors that resulted in such success should be documented and shared so as to ensure organisational learning.

The manager responsible for each indicator should, therefore, do the following:

- (i) Capture the performance data against targets on the scorecard.
- (ii) Analyse reasons for meeting or not meeting a target.
- (iii) Capture a summary of findings on the scorecard.
- (iv) Recommend remedial actions, as appropriate.

The completed organisational and SDBIP scorecards should be submitted to a formal meeting of the senior management team for further analysis and consideration of draft recommendations from the relevant managers. This level of analysis should examine performance across the municipality in terms of all its priorities with the aim to reveal and capture whether there are any broader organisational factors that are limiting the ability to meet any performance targets.

Such analysis should also ensure that quality performance reports are submitted to the Executive Committee and that adequate response strategies are proposed in cases of poor performance. After reaching agreement on the analyses, the management team can take the scorecards to the Executive Committee for consideration and review.

10.5 Performance reporting and review

The next two steps in the process of performance management (i.e. *Performance Reporting and Performance Review*) will be dealt with at the same time. This section is further divided into three sections dealing with the requirements for ***in-year*** versus ***annual*** reporting and reviews respectively and lastly a summary is provided of the various reporting requirements.

10.5.1 In-year Performance Reporting and Review

The submission of the scorecards to the Council for consideration and review of the entire municipal performance is the next step in the process. The first such report is a major milestone in the implementation of any PMS and it marks the beginning of what should become a regular event (i.e. using the performance report as a tool to review the Municipality's performance and to make important political and management decisions on how to improve).

Performance review is the process where the leadership of an organization reviews the results and decides on appropriate action, after the performance of the organisation has been measured and reported. In reviewing the organisational and departmental scorecards, the Council will have to ensure that the committed targets have been met; and where they have not, that satisfactory and sufficient reasons have been provided and that the proposed corrective action is adequate. If satisfied with the proposed corrective action, those should be adopted as formal resolutions of Council, minuted and actioned accordingly.

As indicated earlier, the organisational and SDBIP scorecards should be submitted to the Council for consideration and review on a quarterly basis. The reporting should therefore take place as follows within a financial year:

Quarter	Period Under Review	Month of Reporting
1 st	July to end of September	25 October 2012
2 nd	October to the end of December	31 January 2013
3 rd	January to the end of March	25 April 2013
4 th	April to the end of June	25 July 2013

The review in January will coincide with the mid-year performance assessment as per section 72 of the MFMA. The said section determines that the Accounting Officer must, by 25 January of each year, assess the performance of the municipality and report to the Council on, *inter alia*, its service delivery performance during the first half of the financial year and the service delivery targets and performance indicators as set out in the SDBIP.

10.5.2 Annual Performance Reporting and Review

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

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

The oversight report to be adopted provides the opportunity for full Council to review the performance of the Municipality. The requirement that the annual report once tabled and the oversight report be made public similarly provides the mechanism for the general public to review the performance of the Municipality. However, the Municipality will budget for the compilation of a user-friendly citizens' report. The citizens' report should be a simple, easily readable and attractive document that translates the annual report for public consumption.

Over and above the legal requirements of the MSA and the MFMA, there should be an annual public campaign that involves the community in the review of municipal performance. Such a campaign could involve all or any combination of the following methodologies:

- Various forms of media including radio, newspapers and billboards should be used to convey the annual report.
- The public should be invited to submit comments on the annual report via telephone, fax and email.
- Public hearings could be held in a variety of locations to obtain input of the annual report.
- Making use of existing structures such as ward committees to disseminate the annual report and invite comments.
- Hosting a number of public meetings and road shows at which the annual report could be discussed and input invited.
- Producing a special issue of the municipal newsletter in which the annual report is highlighted and the public invited to comment.

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

The annual performance report should be compiled and completed no later than two months after financial-year end. That will ensure that its outcomes can timeously inform the next cycle of performance planning.

10.5.3 Summary of Various Performance Reporting Requirements

The following table, derived from both the legislative framework for performance management and this PMS framework, summarises the various performance reporting deadlines as they apply to The Big 5 False Bay Municipality.

REPORT	FREQUENCY	SUBMITTED FOR CONSIDERATION AND / OR REVIEW TO	REMARKS
1. SDBIPs	Quarterly	Council	See MFMA Circular 13 of National Treasury for further information
2. Monthly budget statements	Monthly	Mayor (in consultation with Council)	See sections 71 and 54 of the MFMA
3. Organisational Scorecard	Quarterly	Council	This PMS framework (see section 8.5.1 above)
4. SDBIP mid-year budget and performance assessment	Annually during January of each year	Mayor (in consultation with Council)	See sections 72 and 54 of the MFMA
5. Performance report	Annually	Council	See section 46 of the Municipal Systems Act as amended. Said report to form part of the annual report
6. Annual report	Annually	Council	See chapter 12 of the MFMA

11. The Auditing of Performance Measures

11.1 The Role of Internal Audit in Terms of Performance Management

The MFMA requires that the Municipality must establish an internal audit section which could be outsourced (depending on municipal resources and specific requirements). Section 45 of the MSA stipulates that the results of the municipality's performance measures should be audited by the said internal audit section as part of the internal auditing process and annually by the Auditor-General.

The Municipal Planning and Performance management Regulations stipulates that the internal audit section must, on a continuous basis, audit all performance and the auditing must include an assessment of the following:

- (i) The **functionality** of the municipality's performance management system. The internal audit section must therefore on a regular basis audit whether the PMS of the Municipality is functioning as developed and described in this framework.
- (ii) Whether the municipality's performance management system **complies** with the Act. This compliance check would require that the Municipality's internal audit unit, at least on an annual basis, verify that the Municipality's PMS complies with the said legal requirements.

- (iii) The extent to which the municipality's performance measurements are **reliable** in measuring the performance of municipalities by making use of indicators. The Municipality should have a proper information management system (electronically or otherwise) so that the internal audit function is able to access information regularly and to verify its correctness.

The Municipality's internal auditors must submit quarterly reports on the audits undertaken to the Municipal Manager and the Audit Committee.

11.2 Audit Committee

The MFMA and the Municipal Planning and Performance Management Regulations require that the municipal Council should establish an audit committee consisting of a minimum of three members, where the majority of members are not employees of the municipality. No Councillor may be a member of an audit committee. Council should also appoint a chairperson who is not an employee of The Big 5 False Bay Municipality.

The Regulations give municipalities the option to establish a separate performance audit committee whereas the MFMA provides only for a single audit committee. The operation of this audit committee when dealing with performance management is governed by section 14 (2-3) of the Regulations which require the audit committee to do the following:

- review the quarterly reports submitted to it by the internal audit unit
- review the municipality's PMS and make recommendations in this regard to the Council of the Municipality
- at least twice during a financial year submit an audit report to the municipal Council

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

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

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

The Big 5 False Municipality should establish an Audit Committee and clearly outline their PM responsibility in line with the MFMA, the PM Regulations and this PM framework.

11.3 Performance Investigations

The Audit Committee should also be able to commission in-depth performance investigations where there is either continued poor performance or a lack of reliability in the information being provided. Those performance investigations should assess the following:

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

While the internal audit section may be used to conduct these investigations, it is preferable that external service providers who are experts in the area should be used. Clear terms of reference will need to be adopted by Council for each investigation.

12. Performance Management at Individual Level

The reality is that the municipality is an institution that employs people thus its performance is highly dependent on employees. Logic therefore dictates that performance needs to be managed at individual employee level. The individual performance management system is a vehicle for implementing the operational plans emanating from the municipal / SDBIP targets. At this level, PM is meant to improve linkages between individuals, functions and the broader Municipal objectives. The PMS is aimed at providing specific standards to assist the employer, management and municipal staff to perform to the required standards. The Big 5 False Bay Municipality will use the individual PMS to:

- Manage and measure behaviours that contribute to organisational and individual success.
- Recognise levels of actual performance in relation to agreed targets.
- Encourage continuous improvement and efficiency.
- Identify and act on areas for individual development.
- Provide a platform for communication on performance between superiors and employees.

The municipality will have a structured process for managing performance of the municipal manager and the employees that directly report to him and will strictly adhere to the provisions of the Municipal Performance Regulations (2006) shown in Annexure 3. For the rest of municipal staff, performance will be managed in accordance with the phases shown in Figure 3.

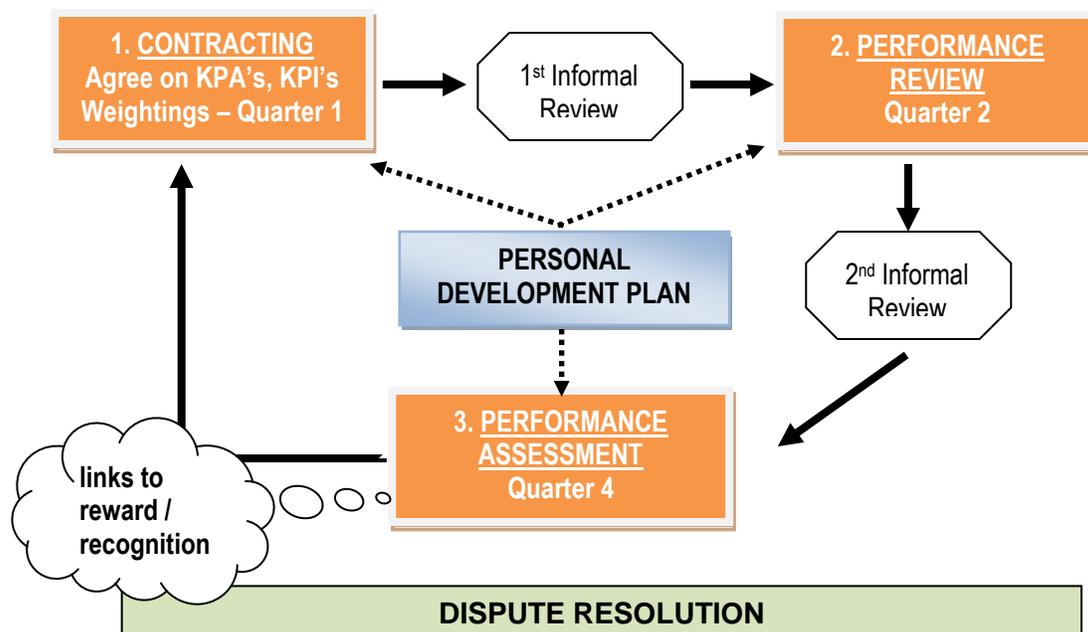


Figure 2: Cycle for Managing Performance at Individual Level

The objectives of the above phases are individually provided below.

(i) Contracting

Contracting will entail the conclusion of a new performance agreement in a new financial year. That will take place within one month after the commencement of the new financial year. Specific objectives are, namely:

- To provide details of expected performance for the particular financial year in line with the Departmental objectives.
- To set the scene for developing a Personal Development Plan (PDP) for the employee in order to ensure performance improvement.
- To give clear and detailed targets for the employee with regard to Key Performance Areas, Key Performance Indicators, target dates and weightings.

(ii) Performance Review

The aim of the performance review is to check and monitor progress of the employee on each KPA, by checking the difference between the actual and expected performance. The performance reviews are scheduled as follows:

Quarter	Period Under Review	Month of Conducting Review
1 st	July to end of September	09 October 2012
2 nd	October to the end of December	08 January 2013
3 rd	January to the end of March	10 April 2013
4 th	April to the end of June	10 July 2013

In addition, the performance review is aimed at the following:

- To discuss corrective action where it is necessary.
- To check and monitor the progress of the employee on their PDP.
- To update and customize the PDP, where necessary.

(iii) Performance Assessment

Performance assessment will be based on the individual's performance in terms of the outputs / outcomes (KPI's) that are linked to KPA's which were agreed during the performance contracting phase. Specific objectives are as follows:

- To conclude an employee's performance measurement and development for each semester in that particular financial year.
- To assign KPA and final ratings/scores for the performance cycle.
- To determine the impact of the employee's development on his/her performance.
- To rate the employee's performance, using the rating scale that the municipality will develop.

In support of the developmental nature of PMS, the municipality will ensure application of developmental support throughout all phases of the PM cycle. That will be in the form of PDP's whose primary focus will be on ensuring that the employee is well capacitated to deliver on the set performance targets. Albeit, performance feedback will be based on the employer's assessment of the employee's performance.

All phases of the PM cycle will leave room for addressing disputes that may arise. Disputes will be handled in line with the provisions of the municipal Disciplinary Code and / or the Collective Agreement, as applicable.

13. General Issues Relating to Performance Management

This section highlights some general issues related to performance management that need to be taken into account in implementing the PMS in the Municipality.

13.1 Managing performance related data

Monitoring and reporting on municipal performance requires the collecting, collating, capturing and recording of a multitude of performance related data. This includes information on key performance indicators, baselines and backlogs, the targets set against each indicator and the actual performance of the municipality over a period of time against each key performance indicator and related target.

The data must be easily accessible for the purpose of extracting it for local, provincial and national reporting requirements as well as for the compilation of the municipal annual performance report which forms part of the municipal annual report compiled in terms of the MFMA. It is also required to facilitate the auditing of performance measures as per the Municipal Systems Act and the 2001 Municipal Planning and Performance Management Regulations.

Data management systems vary from basic proper record keeping, making use of spreadsheets and/or databases to implementing advanced data management and information systems that integrate data across various platforms and extract it as and when required.

13.2 Annual Review of the Performance Management System

After the full cycle of the annual review and reporting is complete and the audit committee has met as required, the internal audit function will compile a comprehensive assessment / review report. The report will be on whether the Municipality's PMS meets the system objectives and principles as set out in this framework and whether it complies with the MSA, PMS Regulations and the MFMA. The report will need to be considered by the audit committee who will then submit any recommendations to the Executive Committee.

The review undertaken and recommendations made by the audit committee could serve as input into the wider municipal review of the PMS. After the full cycle of the annual review, the Municipal Manager should initiate an evaluation report that includes inputs from departments.

The report will then be discussed by the management team and finally submitted to the Council for discussion and approval. All those steps will also fulfill the MSA's requirement that the Municipality should annually evaluate its PMS.

13.3 Amendments to KPI's and Targets

The Municipality will need to adopt a policy on amendments to performance indicators and targets. As a policy area, such amendments may be proposed but will be subject to the approval of the Council in consultation with the Municipal Manager.

13.4 Integrating PMS with the Council's Existing Management Cycle

International best practice indicates that PMS stands the best chance to succeed if it is integrated with the current management cycle of the Municipality. The purpose of such a cycle would be to guide the integration of important processes e.g. the strategic planning or development process in terms of the IDP methodology, the annual budget process and the formal process of evaluating and assessing Council's performance in terms of the approved PMS and this framework. The Big 5 False Bay Municipality will develop and adopt a similar cycle that is suitable to its own circumstances and requirements.

13.5 Institutional Arrangements

Implementing the OPMS according to this framework will require proper co-ordination and administrative support. It is therefore important to designate an official to be responsible for managing and oversee the process at organisational level on behalf of the Municipal Manager.

This official should ideally be situated in the Office of the Municipal Manager and in the same unit responsible for overseeing and managing the IDP process. To assist the Municipality in identifying and appointing an official responsible for OPMS

It is very important to note that it would not be the designated official's responsibility to monitor, measure, analyse and report on performance but only to facilitate and support the process and to ensure that the required data is collated and available for analysis and review as per this framework on behalf of the Municipal Manager.

At an individual level the responsibility for co-ordination, administration and record keeping should be the responsibility of the Manager responsible for Performance Management.

The Municipality also needs to ensure that its internal audit section is capacitated to deal with the additional responsibilities it has in terms of performance management over and above its traditional financial audit responsibilities.

14. Conclusion

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