

MATATIELE MUNICIPALITY

FRAMEWORK FOR INSTITUTIONAL PERFORMANCE MANAGEMENT



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1. INTRODUCTION

South Africa and more specifically Matatiele, continues to endure the legacy of underdevelopment, poverty, infrastructure backlogs and inequitable access to basic services. To respond to these, government is putting in place various mechanisms and measures to turn the situation around.

In the local government context, a comprehensive and elaborate system of performance management has been developed for municipalities. The system is designed to continuously monitor the performance of municipalities in fulfilling their developmental mandate. Central to the system is the development of key performance indicators as instruments to assess performance. These indicators help to translate complex socio-economic development challenges into quantifiable and measurable constructs. They are therefore crucial if a proper assessment of the impact of government in improving the quality of life of all is to be done.

The purpose of this document is to make provision for the implementation of a Performance Management System at Matatiele Local Municipality (hereafter also referred to as MLM), the establishment of appropriate practices and the enhancement of a culture of performance management in terms of the requirements and provisions in various policy instruments. This is a policy (framework) document that sets out:

- The **requirements** a performance management system will need to fulfill,
- The **objectives, functions** and **principles** that will inform its development and use,
- A **model** that describes which **dimensions of performance** will be managed in Matatiele Local Municipality,
- The **process** by which the system will work, and the **delegation of responsibilities** for different roles in the process,
- The **core components** of and **implementation plan** for the performance management system.

This document, when adopted by the Matatiele Local Municipality Council, shall serve as its official Performance Management Framework which informs the performance management policy, process and practices.

2. DEFINITION OF PERFORMANCE MANAGEMENT

The Department of Co-operative Governance and Traditional Affairs, (CoGTA) defines Performance Management as “... a strategic approach to 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 organisation in terms of indicators and targets for efficiency, effectiveness and impact.” This system will therefore ensure that all leaders, managers and individuals in a municipality are held accountable for their actions, which should bring about improved service delivery and value for money.

For a PMS to be successful it is important that:

- Top management and the council drive the system.
- There is a clear understanding and appreciation of its value by all stakeholders.
- Line managers are trained and take responsibility for performance management.

Performance management in a municipality is a two way communication process between the municipality and the community that is making use of the municipal services. The performance of the municipality is then measured against specific standards and priorities which have been mutually developed and agreed upon during the IDP process.

Performance management is potentially the area of management that can make the most significant contribution to organisational performance. The system should be designed in such a way that it improves strategic focus and organisational effectiveness through continually seeking to improve the performance of the municipality as a whole.

3. PURPOSE OF THE PMS FRAMEWORK

The Municipal Planning and Performance Management Regulations of 2001, sec 7 (1) stipulates that a 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. The roles of the different role-players in the cycle and various processes also need to be spelt out in the framework.

Performance Regulations 7(1) stipulates: “A municipality’s performance management system entails a framework that describes and represents how the municipality’s cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role-players.”

4. POLICY AND LEGISLATIVE FRAMEWORK FOR PERFORMANCE MANAGEMENT

This section sets out the principle legislative policy instruments and related requirements implicit for the establishment of a Performance Management System at Municipalities.

4.1 The Constitution of the RSA, 1996 (Act 108 of 1996)

The Constitution (1996), Section 152, dealing with the objects of local government, paves the way for performance management with the requirement for an “accountable government”. The democratic values and principles in terms of Section 195(1) are also linked with the concept of performance management, with reference to the principles of, inter alia; the promotion of efficient, economic and effective use of resources, accountable public administration, to be transparent by providing information, to be responsive to the needs of the community, and to facilitate a culture of public service and accountability amongst staff.

4.2 The Local Government: Municipal Systems Act, 2000 (Act 32 of 2000)

The major PMS policy instruments is the 1998 White Paper on Local Government supported by the Batho Pele principles, which policies was given legal stature through the adoption of the Municipal Systems Act in 2000 (Act 32 of 2000).

The Act in reference 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 Municipality must compile an annual report, which must include a performance report compiled in terms of the Systems Act.

4.3 The Local Government: Municipal Structures Act, 1998 (Act 117 of 1998)

According to this Act, Municipal Councils must strive within its capacity to achieve the objectives set out in section 152 of the Constitution. In this regard, Municipal Councils must annually review-

- The needs of the community;
- Its priorities to meet those needs;
- Its processes for involving the community;
- Its organisational and delivery mechanisms for meeting the needs of the community; and
- Its overall performance in achieving the objectives referred to in subsection.

Municipal Councils must further develop mechanisms to consult the community and community organisations in performing its functions and exercising its powers.

4.4 The Municipal Planning and Performance Management Regulations (No796, 24 August 2001)

The Municipal Planning and Performance Management Regulations set out in detail requirements for municipal Performance Management Systems. Each component of the proposed framework in this document is strongly informed by the Regulations. The Regulations deal with provisions for the following aspects of the Performance Management System:

- The framework that describes and represents the municipality's cycle and processes for the Performance Management System and other criteria and stipulations, and the adoption of the Performance Management System;
- The setting and review of Key Performance Indicators (KPI's);

- The General KPI's, and which include:
 - Households with access to basic services
 - Low income households with access to free basic services
 - Capital budget spent in terms of the IDP
 - Job creation in terms of LED program
 - Employment equity with target groups in three highest levels of management
 - Implementing of work skills plan
 - The financial viability of the municipality

- The setting of performance targets, and the monitoring, measurement and review of performance;

- Internal Auditing of performance measurements;

- Community participation in respect of performance management.

4.5 Regulations for Municipal Managers and Managers reporting directly to Municipal Managers, 1 August 2006

The Minister also recently published Regulations for municipal managers and managers reporting directly to municipal managers (Section 57 Employees) describing the process of how the performance of municipal managers will be uniformly directed and monitored. They address the job description, employment contract, as well as the performance agreement that is to be entered into between respective municipalities, municipal managers and managers directly accountable to municipal managers.

4.6 The Municipal Financial Management Act, No 56 of 2003

It is also important to note that the Municipal Finance Management Act (MFMA), no 56 of 2003 contains various important provisions related to municipal performance management. It requires municipalities to annually adopt a Service Delivery and Budget Implementation Plan (SDBIP) with service delivery targets and performance indicators. Whilst considering and approving the annual budget the Municipality must also set measurable performance targets for each revenue source and vote. In terms of a circular issued by National Treasury provision is also made for the compilation on an annual basis of departmental SDBIPs (circular 13).

4.7 Batho Pele (1998)

The White Paper on Transforming Public Service Delivery (Batho Pele) puts forward eight principles for good public service that should be encapsulated in a municipal Performance Management System, namely:

- Consultation: Citizens should be consulted about the level of quality of public service they receive, and, where possible, should be given a choice about the services that are provided.
- Service standards: Citizens should know what standard of service to expect.
- Access: All citizens should have equal access to the services to which they are entitled.
- Courtesy: Citizens should be treated with courtesy and consideration.
- Information: Citizens should be given full and accurate information about the public services they are entitled to receive.
- Openness and transparency: Citizens should know how departments are run, how resources are spent, and who is in charge of particular services.
- Redress: If the promised standard of service is not delivered, citizens should be offered an apology, a full explanation and a speedy and effective remedy; and when complaints are made, citizens should receive a sympathetic, positive response.
- Value-for-money: Public services should be provided economically and efficiently in order to give citizens the best possible value-for-money.

"Importantly, the Batho Pele White Paper notes that the development of a service-oriented culture requires the active participation of the wider community. Municipalities need constant feedback from service-users if they are to improve their operations. Local partners can be mobilised to assist in building a service culture". - The White Paper on Local Government (1998).

4.8 The King Report on Corporate Governance for South Africa 2002

The King Report on Corporate Governance for South Africa 2011 has been developed as an initiative of the Institute of Directors in Southern Africa. It represents a revision and update to the initial King Report first published in 1994, in an attempt to keep standards of governance applicable in South Africa current with changing circumstances, both internationally and at national level. Its publication is a reflection of the South African business community and the

public sector's desire to ensure that local governance standards keep pace with the rest of the world and serve as a contribution to the country's ongoing development.

The King Report 2010 emphasises the importance of striking a balance between "performance" (e.g. decisions and actions designed to ensure the creation and protection of value) and "conformance" (e.g. the demonstrable adherence to due process in coming to such decisions and taking such actions). The King 2010 identifies the following as seven primary characteristics of good governance:

- Discipline implies commitment by the organisation's senior management to widely accepted standards of correct and proper behaviour.
- Transparency implies the ease with which an outsider can meaningfully analyse the organisation's actions and performance.
- Independence implies the extent to which conflicts of interest are avoided, such that the organisation's best interests prevail at all times.
- Accountability implies addressing shareowners' rights to receive, and if necessary query, information relating to the stewardship of the organisation's assets and its performance.
- Responsibility implies acceptance of all consequences of the organisation's behaviour and actions, including a commitment to improvement where required.
- Fairness implies acknowledgement of, respect for and the balance between the rights and the interests of the organisation's various stakeholders.
- Social responsibility implies the organisation's demonstrable commitment to ethical standards and its appreciation of the social, environment and economic impact of its activities on the communities in which it operates.

5. STRATEGIC OBJECTIVES OF THE PERFORMANCE MANAGEMENT SYSTEM

The objectives of institutionalising a Performance Management System, beyond the fulfilling of legislative requirements, is to serve as a primary mechanism to monitor, review and improve the implementation of the municipality's IDP. In doing so, it should fulfill the following functions:

- Promoting accountability
- Decision-making and resource allocation
- Guiding development of municipal capacity-building programmes
- Creating a culture for best practice, share-learning among municipalities
- Develop meaningful intervention mechanisms and early warning system
- Create pressure for change at various levels
- Contribute to the overall development of the Local Government System

5.1 Accountability

A Performance Management System should facilitate accountability between a mandated and mandating body or the delegating and the delegated body. The key question that a performance management tool should answer in terms of its accountability function is: "Have we/they done what was supposed to be done, that we/they had committed to do and that has been budgeted for?"

In Matatiele Local Municipality a Performance Management System is needed to ensure accountability between:

- The Administration and the Executive Committee
- The Executive Committee and the Council
- Council and the citizens of Matatiele (in their various forms of organization)

The accountability function of Performance Management System is also useful in ensuring integration and alignment of programmes across Directorates, Departments and other spheres of government.

5.2 Best Practice, Learning and Capacity-Building

The Performance Management System must also ensure learning. It should help the municipality to know which approaches are having the desired impact, and enable the municipality to improve delivery. It should form the basis for monitoring, evaluating and improving the IDP.

5.3 Decision-making and Resource Allocation

Closely related to both the accounting and learning functions of the Performance Management System is that of improving the efficiency and effectiveness of decision-making. This is particularly relevant in making decisions on the allocation of resources as budgetary processes are significantly enhanced by the availability of appropriate management information and evaluation capacity.

5.4 Early Intervention and Warning

It is also expected that the Performance Management System will provide the municipality with early warnings of failure to achieve the IDP objectives and governance commitments. Early warning should enable early intervention. It would be imperative and as required by legislation to monitor the performance of the municipality on a quarterly basis in order to pro-actively identify the so-called “hot-spots or gaps” where performances are not achieved (see paragraph 15 on the frequency of the performance review process). However, early warning is not directed at under-achievement only, but serves as an important mechanism to identify those instances where both over- and under-achievement have occurred. The over-achievement of performance objectives especially within a local government environment, might not implicate a positive consequence. A common typical negative example of overachievement would for instance be where the budget has been spent before the end of the financial year and the consequence thereof leads to the non-implementation of other projects due to the lack of financial support.

6. PRINCIPLES GOVERNING PERFORMANCE MANAGEMENT

The following are proposed as principles that must inform the development and implementation of Performance Management in Matatiele Municipality.

6.1 Politically Driven

Legislation clearly tasks the Executive Committee as the owner of the Performance Management System. The Executive Committee will need to drive both the implementation and the improvement of the system, and may delegate responsibilities in this regard. This is an important delegation which must be recorded within the municipality's System of Delegation as confirmed with the appropriate Council resolution (see par 7 to follow).

6.2 Simplicity

The Matatiele Organisational Performance Management System must be simple and user-friendly enabling the municipality to manage it within its existing institutional and financial resource capacity. It must also be easily understandable to all stakeholders so that everyone knows what is expected from him/her or his/her team and what to expect from others.

6.3 Participatory

For this initiative to succeed there must be buy-in and support from all stakeholders. For this to be achieved, the development and implementation must be participatory.

6.4 Transparency and Consultation

The system must be a tool for consultation and accountability between the administration, the Council, the community and other spheres of government.

6.5 Development

The system will be developmental in two ways. It will be a tool to measure developmental local government and the impact of the municipality on delivery on its key strategic objectives, identifying areas of weak performance and develop ways to improve. Secondly, the system itself will undergo continuous incremental development and improvement based on experience.

6.6 Fair and Objective

Performance management will be founded on fairness and objectivity in the recognition of poor or good performance. It will not be used to victimise or give an unfair advantage to an individual or groups of people.

7. DELEGATION OF RESPONSIBILITIES

The Systems Act of 2000, no 32 of 2000 (sec 39) dictates apart from establishing a PMS system, how a municipality must develop and manage the system. The Act as in section 39 identifies the role-players that are mainly responsible for managing the system.

“The executive committee or executive mayor of a municipality or, if the municipality does not have an executive committee or an executive mayor, a committee of councilors appointed by the municipal council must:

- Manage the development of a performance management system;
- Assign responsibilities in this regard to the municipal manager, and
- Submit the proposed system to the municipal council for adoption.”

The Committee of Councillors as supported by par 6.1 is responsible for overseeing the implementation of the PMS of the municipality. The Committee of MLM therefore must officially delegate the relevant responsibilities to the MM. This delegation must be recorded in the Municipality's System of Delegation and as adopted by Council.

8. PERFORMANCE MANAGEMENT AT VARIOUS LEVELS

It is important to note that performance management should be applied to various levels within an organisation. The legislative framework provides for performance management at various levels in a municipality including institutional (sometimes also referred to as municipal, organisational, strategic or corporate) level, operational (also referred to as services, departmental or section/team) level and lastly, individual level.

8.1 Institutional Level and the IDP

It is important at the Municipality, that the Council and management should have access to the appropriate information for considering and making timeous interventions to uphold or improve the capacity of its delivery systems. The performance of any ***municipality as a service delivery mechanism*** is fundamentally determined by factors enabling it to perform its Constitutional and statutory mandates. It is important that these causal and contributory factors for performance excellence at the municipality be measured to determine performance gaps timeously with the objective to respond with appropriate remedial interventions.

At institutional level the five-year IDP of a municipality forms the basis for performance management, whilst at operational level the annual SDBIP forms the basis. The IDP is a long-term plan and by its nature the performance measures associated with it will have a long-term focus, measuring whether a municipality is achieving its IDP objectives.

The measures set for the Municipality at institutional level is captured in an **institutional scorecard** structured in terms of the preferred performance management model of the Municipality (see next section). The measures at operational level are to be captured in the SDBIP of the Municipality and the SDBIPs of the various Departments in the Municipality.

8.2 Operational Level and the SDBIP (Strategy Implementation)

Managing strategy implementation deals with municipal performance at the strategic level but translated into departmental business plans. The business plans measure the success of achieving the strategic objectives of the municipality through the ***implementation of the IDP***. It should thus mainly inform the organisation if it is doing the right things to produce the desired outcome or impact through its operational actions to achieve its vision. It should thus focus on measuring the ongoing and long-term operations of the organisation, linked with its annual business plan.

Annual departmental business planning can be defined as the detailed deployment of resources to achieve the IDP in terms of its annual development objectives. It includes annual action plans, which are structured and interconnected actions with fixed target dates and are captured into a detailed Service Delivery and Budget Implementation Plan. Annual business planning is the process which determines all activities regarding the **what, where, by whom and when** - on an annual basis. Clearly defined KPI's and performance targets furthermore direct it.

8.3 Individual level (IPMS)

Individual or staff Performance Management deals with ***performance on the level of the individual employee***. Individual performance targets are also formulated during this business planning process referred to in par 8.2. Measuring staff performance provides Council and management with appropriate information on the behaviour of staff and outcomes in the workplace. Reviewing staff performance at regular intervals will provide the Council and management with appropriate information on performance gaps or excellence.

By cascading performance measures from strategic to operational level, both the IDP and the SDBIP, forms the link to individual performance management .This ensures that performance management at the various levels relate to one another which is a requirement of the Municipal Planning and Performance Regulations and the MFMA. The MFMA specifically requires that the annual performance agreements of managers must be linked to the SDBIP of a municipality and the measurable performance objectives approved with the budget (circular 13 of the MFMA). The SDBIP in essence becomes the main operational tool to translate and manage the performance objectives as formulated in the IDP.

9. CORE COMPONENTS OF A MUNICIPAL PERFORMANCE MANAGEMENT SYSTEM

The core components of a Performance Management System and its legal requirements as prescribed by the Systems Act, no 32 of 2000 and the Regulations can be defined as follows:

9.1 Developing and Maintaining the Performance Management System

According to the Systems Act of 2000, sec 39, it is the responsibility of the executive committee or executive mayor or a committee of appointed councillors to develop a performance management system. The IDP steering committee, assisted by experts if necessary, may be tasked to develop a performance management system, which will then be submitted to the IDP representative forum and eventually to Council for consideration. In developing its performance management system, a municipality must ensure that the system:

- Complies with all the requirements set out in the Act;
- Demonstrates how it will operate and be managed from the planning stage up to the stages of performance and reporting;
- Clarifies the roles and responsibilities of each role player, including the local community in the functioning of the system;
- Clarifies the processes of implementing the system within the framework of the IDP process;

- Determines the frequency of reporting and the lines of accountability for performance;
- Relates to the municipality's employee performance management processes;
- Provides for the procedure by which the system is linked with the municipality's IDP process; and
- Indicates how any general KPI's envisaged in section 43 of the Act will be incorporated into the municipality's planning and monitoring processes.

A performance management system must be adopted before or at the same time as the municipality commences with the process of determining KPI's and performance targets in accordance with the IDP.

9.2 Measuring for Performance

Performance measurement requires an objective framework for assessing performance. Setting KPA's and clustering development objectives and key development priorities in terms thereof establish this framework. Performance measurement has to be done very carefully. It is important to ensure that the right information is obtained, and that this information is not manipulated to produce misleading results. This means that the municipality must ensure the integrity of measurement mechanisms.

9.2.1 Setting Key Performance Areas (KPAs)

The municipality's performance management system is to cluster the development priorities and objectives into KPAs as referred to in section 26 (c) of the Systems Act. In this regard, MLM has set the following KPAs as captured in its institutional scorecard:

- Finance
- Human Resources
- Local Economic Development (LED)
- Environmental Management
- HIV / AIDS
- Roads
- Public Facilities
- Housing
- Arts and Culture
- Tourism
- Basic Services

9.2.2 Setting Objectives

Once the municipality identifies the KPAs it will be able to set clear objectives. Objectives are clear statements of intent, which guide the development of the programmes and projects making up the IDP. This will enable the municipality to link the KPAs and development objectives to its sectoral departments.

9.2.3 Setting Key Performance Indicators (KPIs)

Once the municipality has identified KPAs and clear objectives in terms of its IDP process, it can move to set indicators. Indicators are derived from objective statements. KPIs define how performance will be measured. It ought to assist in motivating and orientating staff towards achieving the set objectives. KPIs define how performance will be measured along a scale or dimension. KPIs are management tools, which assist in making performance-based decisions regarding strategies and activities. The following is applicable in this regard:

- KPI's are utilised to determine whether the municipality is delivering on its developmental mandate. The municipality would also be in a position to determine whether its organisational structure is suitable to meet its development objectives. KPIs also enforce accountability by the council to its electorate.
- Whenever the municipality amends or reviews its IDP in terms of section 34 of the Systems Act, the municipality must, within one month of its IDP having been amended, review those KPIs that will be affected by such amendment.
- Before the KPI's are set, the municipality is expected to identify the KPAs that require performance measuring and improvement. Once this is done, a municipality will develop KPIs and performance targets with regard to each KPA and development objective.

9.2.3.1 Criteria for Good Indicators

- Focused and Specific: indicators should be clearly focused and stated unambiguously.
- Measurable: An indicator should by definition contain a unit of measurement.
- Valid and Relevant: Validity is the degree to which an indicator measures what is intended to be measured.

- This correlates strongly to the relevance of the indicator to the objective being measured. It is also important that the whole set of indicators chosen should be contextually relevant to the South African context.
- Reliable: Reliability is the degree to which repeated measures, under exactly the same conditions will produce the same result.
- Simple: Good indicators will be simple, easy to communicate such that their relevance is apparent.
- Minimise perverse consequences: Poorly chosen indicators, while nobly intended, can have perverse consequences in the behaviours of its inventiveness.
- Data Availability: Good indicators will also rely on data that is, or intended to be, available on a regular basis.

9.2.3.2 National Key Performance Indicators (KPIs)

In terms of the Municipal Planning and Performance Management Regulations of 2001, sec 10, all municipalities must report on the following general national KPIs by the end of the financial year:

- The percentage of households with access to basic level of water, sanitation, electricity and solid waste removal;
- The percentage of households earning less than R1 100 per month with access to free basic services;
- The percentage of a municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plan;
- The number of jobs created through municipality's local economic development initiatives including capital projects;
- The number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan;
- The percentage of a municipality's budget actually spent on implementing its workplace skills plan; and

- Financial viability as expressed by the following ratios:

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

Where -

'A' represents debt coverage

'B' represents total operating revenue received 'C'

represents operating grants

'D' represents debt service payments (i.e. interest + redemption) due within the financial year;

$$\text{ii) } A = \frac{B}{C}$$

Where -

'A' represents outstanding service debtors to revenue

'B' represents total outstanding service debtors

'C' represents annual revenue actually received for services;

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

Where -

'A' represents cost coverage

'B' represents all available cash at a particular time 'C'

represents investments

'D' represents monthly fixed operating expenditure.

9.2.4 Setting Performance Targets

Performance targets must be set for each identified KPI, as part of the performance measurement process. Performance targets should be **SMART** (Specific, Measurable, Attainable, Realistic and Time related) and directly relate to (support) the indicator used to measure a particular performance objective. A typical example would be where a percentage is used as an indicator (e.g. % progress made) and the target is set in a percentage (e.g. a 100%). Setting performance targets should be a realistic exercise - local performance targets must therefore be equal to or higher than national standards. The municipality sets out to achieve these performance targets within a given financial year, and its performance can then be measured according to whether targets for each indicator were met consistently.

Setting performance targets is particularly useful for internal, contracted-out and privatised services, as it promises the public a defined quality of service.

Due to their five (5) year performance based contracts, the individual KPIs and performance targets of municipal managers and senior managers will be determined and based on the municipal KPIs and performance targets.

9.2.5 Benchmarking levels of service delivery

Benchmarking entails the measurement and improvement of the products, services and practices of the municipality's toughest competitors or those organisations regarded as leaders in a particular practice or business area. The goal of benchmarking is to reinvent operations to achieve significantly improved performance, and is best accomplished as part of a restructuring or re-engineering process. If the municipality wants to be the best-of-the-best in service delivery, benchmarking can assist. It is in addition recommended to procure an external service provider to annually assess MLM's performance management system against global and national best practices.

9.3 Monitoring and Evaluation of Performance

Performance monitoring and evaluation are processes aimed at assessing the performance of municipalities, municipal staff and external contractors. All municipalities are obliged to monitor and evaluate their own performance against their set objectives, KPIs and performance targets. This will allow the municipality to:

- Ensure the implementation of its plans and programmes;
- Measure their development impact;
- Ensure the efficient utilisation of resources; and
- Assess its performance and that of departments, divisions, partners or agents.

Monitoring and evaluating performance are interlinked activities. Monitoring provides the information base in terms of which a more detailed evaluation can take place.

The information gathered through monitoring and evaluation will be utilised by:

- The Public - to hold a municipality accountable for promised performance targets.
- Councillors - to enable them to measure the effectiveness of the administration.
- Municipal Management - to adjust strategies, plans and projects if necessary.

9.3.1 Monitoring

Monitoring is a continuous activity to measure KPI's and performance targets. It will provide project information to management. Monitoring includes the systematically collecting of information to enable management to evaluate whether project implementation is proceeding, as it should. It is important to ensure that the right information is obtained, and that this information is not manipulated to produce misleading results. This means that municipalities must ensure the integrity of measurement mechanisms.

9.3.2 Measurement (Evaluation)

Measurement or evaluation is a less frequent activity, which is designed to measure whether and to what extent the development objectives of the municipality are being achieved. It will measure the medium term impact and results of the IDP process. This provides the information required to re-appraise the IDP and specifically the development objectives and strategies. The evaluation process does not just look at whether a municipality is performing adequately - it also analyses why there is under-performance and over-performance or what the factors were that allowed good or exceptional performance in a particular area. This is to determine if the over-achievement of performance objectives would eventually lead to a positive consequence. Municipalities have to make special arrangements for evaluating performance, e.g. setting up a specific task team or setting aside time in council meetings on a regular basis.

9.4 Reporting on Performance

The Systems Act, sec 46 (1) stipulates that a municipality must prepare an annual report that reflects:

- A performance report which deals with:
 - The performance of the municipality during the financial year and a comparison between performance targets and performance in the previous financial year;
 - The development and service delivery priorities and the performance targets set by the municipality for the following financial year; and
 - Measures that were or are to be implemented to improve performance.
- Financial statements for the financial year;

- An audit report of the financial statements and the report of the results of the performance measures; and
- Any other reporting requirements stipulated in other applicable legislation.

Performance reports must explain past performance (including deviations from performance targets) and highlight future plans. The annual report should also be linked to the annual IDP review - this report will thus combine current municipal reporting initiatives into one report that focuses on the municipality's performance in its totality.

Annual performance reports will at least contain the following information:

- A summary of KPA's and development objectives;
- Performance targets set for each KPA for the previous year;
- Measurement of performance in terms of the KPIs for the previous year;
- An evaluation of performance;
- Are view of delivery mechanisms in instances of under-performance, and corrective measures to improve performance;
- Any amendments to development priorities and strategies contained in the IDP;
- KPIs and performance targets for the next financial year;
- Audited financial statements of the municipality for the previous financial year;
- A statement by the external auditors regarding the integrity of the municipality's performance measurement mechanisms; and
- Are views of the municipality's performance by the external and internal auditors.

The annual report must be presented to the community for discussion, and the MEC and Auditor-General must be notified about the meeting and may either attend or send representatives to attend on their behalf.

After consultation with the community, the municipality must adopt the report and, within 14 days, make copies available to the public and any other interested parties. Copies should also be submitted to the MEC for local government, the Auditor-General and any other institution as may be prescribed by legislation.

In terms of section 47 of the Systems Act, the MEC for local government must also compile a consolidated report on the performance of municipalities, and submit such to the provincial legislatures on an annual basis. A copy of the report must be submitted to the National Council of Provinces (NCOP).

Finally, in terms of section 48 of the Systems Act, the minister must compile an annual report on the performance of local government in terms of the general KPIs. A copy of the report must be submitted to parliament and the MEC's for local government, and published in the Gazette.

9.5 Reviewing Institutional and Individual Performance

Reviewing entails adjustments and revisions which are based on the monitoring and evaluation of information. The monitoring results provide adjustments and corrective actions that are fed back into the planning process, to re-inform project planning, design and implementation

9.6 Reviewing the Performance Management System

The Municipal Systems Act, sec 40, requires the municipality to annually evaluate its performance management system. It is proposed that after the full cycle of the annual review is complete, the performance management team will initiate an evaluation report annually, taking into account the input provided by departments. This report will then be discussed by the Management Team and finally submitted to the Executive Committee for discussion and approval. The evaluation should assess:

- The adherence of the performance management system to the Municipal Systems Act (chapter 6).
- The fulfillment of the objectives for a performance management system captured in section 3 of this document.
- The adherence of the performance management system to the objectives and principles captured in section 4 of this document.
- Opportunities for improvement and a proposed action plan.

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

9.7 Public Participation

Public involvement for improved performance is an important part of the overall. Public participation may also enhance the judgements, which will be made during this process as it involves the users of services themselves. Such a process involves public input into selecting and analysing the information that will be used during the monitoring and evaluation phase.

9.8 Internal Audit alignment of Performance Management

According to the Systems Act, sec 45, the results of performance measurements will be audited as part of the municipality's internal auditing processes, and annually by the Auditor - General.

Performance auditing is a key element of the performance management system. This involves verifying that the measurement mechanisms are accurate and that proper procedures are followed to evaluate and improve performance.

Directorates will submit their quarterly and annual performance results to internal audit unit on a quarterly and an annual basis. This process, in addition to verifying the results of the measurement exercise, will also verify the accuracy of the measurement methods.

9.9 Intervention by Provinces

The Constitution allows Provinces to intervene in the affairs of municipalities in the event of non-performance. This is to ensure that citizens receive essential services. A performance management framework will ensure that such interventions are based on accurate diagnosis and undertaken on an objective basis. This is important in terms of protecting local government's constitutional place as a sphere of government in its own right. Depending on the degree and nature of the lack of performance, provinces may:

- Suggest capacity building initiatives to alleviate the problem;
- Issue specific instructions to improve performance (e.g. budget restructuring);
- Recommend a process of competitive tendering in the case of service delivery problems;
 - Appoint a person/team to assist with specific functions for a defined period of time;
 - Transfer the function to another body for a specified period of time; and
 - Take over the function completely.

The information which provinces will base their actions on therefore has to be both comprehensive and accurate. Such information will flow from the annual performance reports provided by municipalities. In addition, provinces may also appoint management evaluation teams to investigate a particular issue (or function) within municipalities, if there is cause for concern.

10. GENERAL ROLES AND RESPONSIBILITIES FOR DEVELOPING AND IMPLEMENTING PERFORMANCE MANAGEMENT

The development and implementation of the Integrated Development Plan and a Performance Management System involves the municipal officials as well as other actors outside the administration itself (private and public on different levels). That means that responsibilities in the municipal administration have to be defined both in the internal and the external perspective. Building strategic partnerships also includes clearly defined responsibilities among other actors.

10.1 Stakeholders

The following key stakeholders can be grouped as internal and external to the municipality:

Table 2: Internal & External Stakeholders

INTERNAL	EXTERNAL
Municipal Council	National Government
Councillors	Minister of Provincial and Local Government
Executive Mayor	Auditor-General
Mayoral Committee	
City Manager	Provincial Government
Directors	MEC for Local Government
General Managers	Provincial Departments
Line Management	
Employees	
Internal Audit	

Local community and the public
 Performance Audit Committees
 IDP Representative Forum
 Ward Committees
 Civics
 CBO's

External Suppliers
 Service Providers
 Private Sector
 Organized Labour
 Professional Bodies
 The Media

10.2 Roles and Responsibilities

The Integrated Development Plan forms the basis for a Performance Management System. The Performance Management System needs to be fully integrated with the IDP. The structures that are developed for the development of the system and for implementation, monitoring, review, evaluation and reporting are integrated with those of the IDP.

For each of these components, this chapter sets out the role stakeholders in the Performance Management System will play and how these components are to happen.

Table 3: General PMS Stakeholder Roles & Responsibilities

ROLE-PLAYERS

Minister of Provincial and Local Government

ROLES & RESPONSIBILITIES

May, after consultation with the MEC's for Local Government and Local Government:

- Prescribe general KPI's when necessary
- Annually compile and submit to Parliament and the MEC's for Local Government a consolidated report of Local Government indicators; and publish the report in the Government Gazette
- Make regulations concerning the design and operation of the PMS.

Auditor-General

Undertake annual reviews of the KPI's and performance targets.

Submits an Annual Audit Report on the Performance Management System

MEC Local Government

Annually compile and submit to the Provincial Legislatures, the Minister and the National Council of Provinces a consolidated report on the performance of municipalities in the Province.

ROLE-PLAYERS**Matatiele Municipal Council****ROLES & RESPONSIBILITIES**

The Municipal Systems Act, Chapter 6 - Section 39 places the following responsibilities on Council:

- ☐ Consider and adopt a PMS Framework Plan
- ☐ Adopt a PMS before or at the same time as setting KPI's and performance targets in relation to the IDP
- ☐ Review the IDP and PMS annually
- ☐ Monitoring progress and development
- ☐ Ensure the annual business plans, and municipal budget are linked to and based on the IDP
- ☐ Appoint Audit Committee and designate a chairperson
- ☐ Review the IDP and PMS annually

Ward Councillors

Ward Councillors are the major link between the municipal government and the residents. As such, their role is to:

- ☐ Link the planning process to their constituencies and/or wards
- ☐ Linking decisions on the development of the system to communities
- ☐ Ensuring communities understand the purpose and the key mechanisms of the system and are motivated to participate actively
- ☐ Be responsible for organizing public consultation and participation within their wards respectively

The Executive Committee of Matatiele

The Executive Committee of Matatiele has the ultimate responsibility for the drafting of the PMS. In the executive capacity he have to:

- ☐ Delegate clear responsibility for the development of a PMS that meets the legislative and regulatory requirements
- ☐ Be responsible for the overall oversight, development and monitoring of the process or delegate PMS responsibilities to the Municipal Manager
- ☐ Submit the proposed PMS to the municipal Council for adoption

ROLE-PLAYERS

Municipal Manager

ROLES & RESPONSIBILITIES

- ☐ The Municipal Manager may further delegate the responsibility to another senior manager. Therefore it is important that Council, within its policy framework in delegation, assigns responsibility accordingly.
- ☐ Ensure a plan is agreed for the PMS development process
- ☐ Make clear further delegations and ensure appropriate institutional arrangements
- ☐ Ensure alignment of other key municipal systems to support the PMS and strategic management of development and performance
- ☐ Monitor progress and report to the Executive Committee
- ☐ Inform the local community through the media about the municipal meeting that will be held to discuss the annual report
- ☐ Give written notice to the Auditor-General and the MEC for Local Government in the province about the annual report meeting
- ☐ Submit minutes of the annual report meeting

to the Auditor-General and the MEC for Local Government

- Permit the Auditor-General and the MEC for Local Government to attend the report meeting and be available to reply to questions about the annual report

Internal Audit

- Carry out assessments of the functionality of the PMS, whether the PMS complies with the Act and the reliability of KPI's
- Continuously audit performance measurements
- Submit quarterly reports to the Municipal Manager and the Performance Audit Committee

Performance Audit Committee

- Must meet twice during a financial year
- Special meeting may be called by any member
- Review the PMS and make recommendations
- Submit an audit report at least twice during the financial year
- Make use of wide-ranging investigating powers

ROLE-PLAYERS	ROLES & RESPONSIBILITIES
Managers	<p>Managers of Departments, as the persons in charge for physically implementing the IDP, will have to be fully involved in the planning process and would:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Make suggestions and comments on making the system function optimally in relation to the specific circumstances of different kinds of jobs, functions and context <input type="checkbox"/> Provide inputs to ensure validity, feasibility, reliability of indicators, baselines and targets <input type="checkbox"/> Provide technical / sector expertise <input type="checkbox"/> Provide relevant technical, section and financial information for analysis for determining priority issues <input type="checkbox"/> Make the necessary staff available for work in task teams and other working groups <input type="checkbox"/> Contribute technical expertise in the consideration and finalisation of strategies and identification of projects <input type="checkbox"/> Provide departmental, operational and capital budgetary information <input type="checkbox"/> Be responsible for the preparation of project proposals, the integration of projects and sector programmes within their departments respectively; and <input type="checkbox"/> Be responsible for preparing relevant amendments to the above, after due consultation <input type="checkbox"/> Managers contract performance objectives and associated KPIs and targets with Line Managers (LM) <input type="checkbox"/> Managers and LMs continuously monitor, evaluate and review the achievement of performance targets.
Employees	<ul style="list-style-type: none"> <input type="checkbox"/> Be consulted on indicators and targets and comment on achievability <input type="checkbox"/> Provide data as required by Line Managers <input type="checkbox"/> Monitor the performance of the organisation and respective team <input type="checkbox"/> Participate in the review of own performance and that of subordinates <input type="checkbox"/> Participate in the review of organisational performance where necessary
External Specialist	<ul style="list-style-type: none"> <input type="checkbox"/> Presenting options based on “good practice” research and examples <input type="checkbox"/> Supporting internal decision-making processes

ROLE-PLAYERS	ROLES & RESPONSIBILITIES
“Civil Society” Community Stakeholders	<input type="checkbox"/> Representing interest in terms of the inclusiveness of the system and process of deciding and communicating expectations and results
Organised Labour	<input type="checkbox"/> Contribute to the development and implementation of an IDP <input type="checkbox"/> Provide the labour viewpoint to analysis and proposals on how to improve the Performance Management System <input type="checkbox"/> Representing members interest, specifically in relation to access to the process and the fairness of the system <input type="checkbox"/> Participate in the public review of municipal performance (through the labour forum)

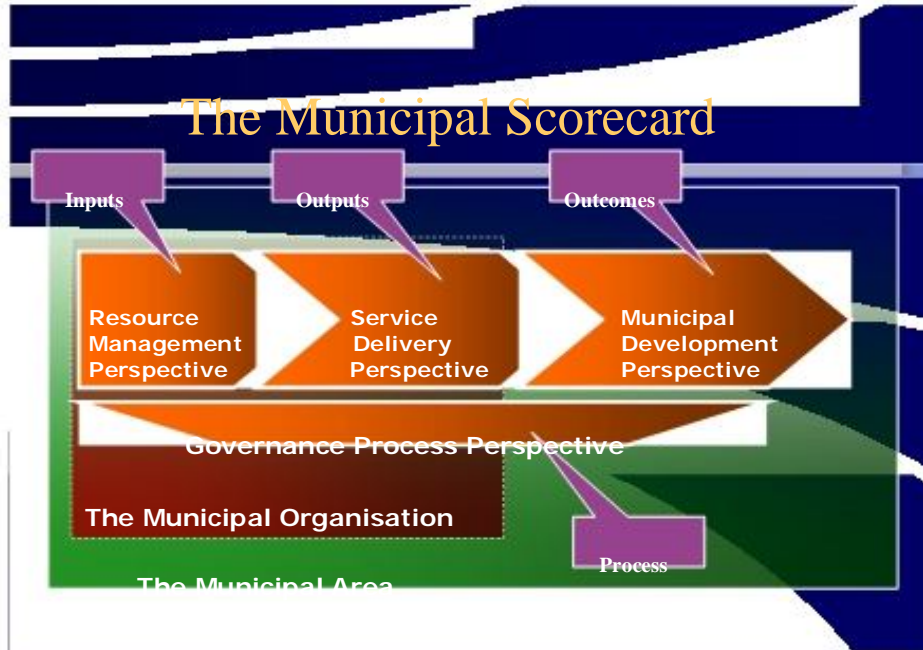
11. PREFERRED PERFORMANCE MANAGEMENT MODEL

A performance management model can be defined as the grouping together of performance indicators, sometimes based on the type of indicator, into logical categories or groups (often called perspectives), as a means to enhance the ability of an organisation to manage and analyse its performance. As such a model provides a common framework by which the performance of an organisation and individuals can be measured and managed. It further ensures that a balanced set of measures are employed that are not relying on only one facet of performance and therefore not presenting a holistic assessment of the performance of an organisation.

11.1 The Municipal Scorecard

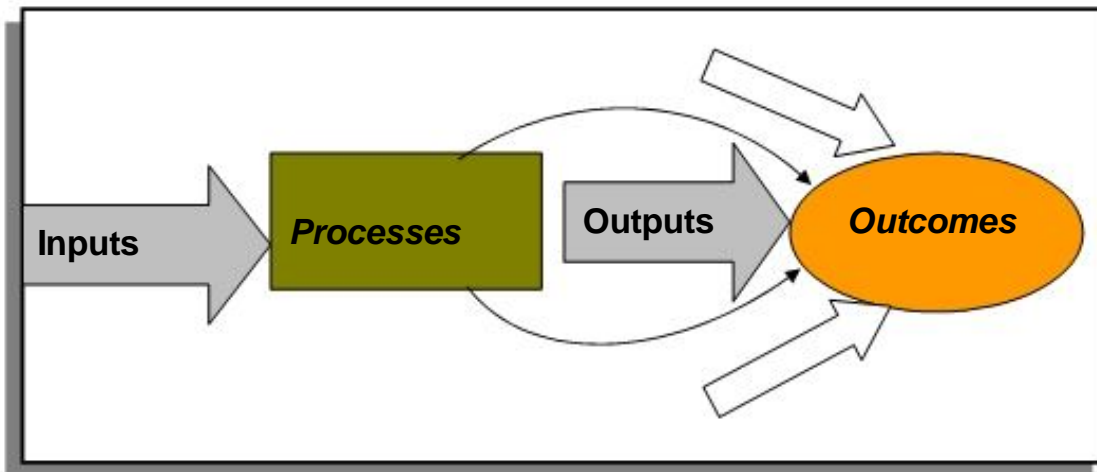
A number of performance models are available and any of them could be applied by the Matatiele Municipality. Some of the available models include the Municipal Scorecard, Balanced Scorecard and the Key Performance Area Model. However, the Municipality has chosen the Municipal Scorecard (MS) as its preferred performance management model. In terms of the MS model all indicators are grouped together into four perspectives as depicted in the figure below e.g. inputs, process, outputs and outcomes.

Diagram 3: Municipal Scorecard



It is important to note that the Municipal Scorecard model assumes the following cause-and-effect hypothesis based on an open-systems theory by which inputs are used through process to develop or deliver, in this case products and services which eventually would benefit the community as a whole. This cause and effect relationship is depicted schematically in Diagram 3 & 4.

Diagram 4: A Systems Approach



11.2 The Causal Effect

The value-add of a framework is that it gives guidance to the integrating process of performance objectives and indicators at the different levels within an institution. A major issue of resistance to performance management within municipalities is usually the argument of individual control, by implication the individual is hesitant to commit to certain indicators as he or she has little control over the outcome or ultimate achievement of a relevant performance objective and indicator. The MS model is one of the few models which accommodate this area of contention as it allows for the clear demarcation of accountability. It should be clear from the above that the senior employee is accountable for all three levels which feed into the outcomes to be achieved and which should be under the control of the municipality. The Municipal and/or Institutional Scorecard should therefore have a healthy balance of indicators clustered into the different categories of inputs, process, outputs and outcomes. The emphasis should be placed on outputs because these indicators directly reflect the results of the indicators achieved through input and process.

12. PERFORMANCE MANAGEMENT AND ITS RELATIONSHIP TO THE

MUNICIPAL MANAGEMENT CYCLE

While management cycles used by municipalities may differ from municipality to municipality, the following diagram provides a basic generic management cycle, which should be generally familiar to all municipalities.

As can be seen from the above, the management cycle effectively begins at the planning stage with the development or review of the existing IDP and strategic plans. This is followed by the preparation of the annual budget and the cycle then flows through its various phases and ends with the compilation and evaluation of performance reports and recognising team achievement. The consolidated information will then be considered when developing/reviewing the IDP and the strategic plans. The review of the IDP then begins again. All of these phases in the management cycle are discussed below together with an explanation as to how each phase relates to the PMS.

The balance of this section looks at each of the steps in more detail and how they will unfold in the process of managing performance in the Matatiele Municipality.

Although the steps and what follow relates mainly to performance management at institutional level, the principles and approaches could also be applied to performance management at operational level.

13.1 Performance Planning

The performance of the Municipality is to be managed in terms of its IDP and the process of compiling an IDP and the annual review thereof therefore constitutes the process of planning for performance. It should be noted that the last component of the cycle is that of performance review and the outcome of such a review process must inform the next cycle of IDP compilation/review by focusing the planning processes on those areas in which the Municipality has under-performed.

The IDP process constitutes the process of planning for performance. It is crucial that for all the priorities in the IDP, objectives, indicators and targets are developed.

ORGANISATIONAL LEVEL	PROCESS	FREQUENCY
Performance of Strategy Implementation	<ul style="list-style-type: none"> □ Determine strategy in IDP and align with Performance Management and Budget processes □ Clarify roles and responsibilities □ Develop departmental business plans to support strategy □ Develop KPI's and targets □ Determine individuals responsible for measurement □ Determine measurement source 	Annually
Individual (Staff) Performance Management	<ul style="list-style-type: none"> □ Confirm organisational structure and job descriptions □ Determine roles of individuals in performance of organisation □ Develop individual business plans with KPI's and targets to support departmental business plan 	Annually

13.2 Performance monitoring

Performance monitoring is an ongoing process by which a Manager accountable for a specific indicator as set out in the institutional scorecard (or a service delivery target contained in an annual SDBIP) continuously monitors current performance against targets set. The aim of the monitoring process is to take appropriate and immediate interim (or preliminary) action where the indication is that a target is not going to be met by the time that the formal process of performance measurement, analysis, reporting and review is due.

In the instance of Matatiele it is recommended that the institutional scorecard of the Municipality be reported on a quarterly basis to the Mayoral Committee. Performance monitoring requires that in between the relevant formal cycle of performance measurement appropriate action be taken, should it become evident that a specific performance target is not going to be met.

It is therefore proposed that at least on a weekly basis Managers track performance trends against targets for those indicators that lie within the area of accountability of their respective Departments as a means to early identify performance related problems and take appropriate remedial action.

It is further recommended that each Manager delegate to the direct line manager the responsibility to monitor the performance for his/her sector. Such line managers are, after all, best placed given their understanding of their sector to monitor on a regular basis whether targets are being met currently or will be met in future, what the contributing factors are to the level of performance and what interim remedial action needs to be undertaken.

Monitoring and Evaluation

ORGANISATIONAL LEVEL	PROCESS	FREQUENCY
Institutional Service Delivery Capacity	<input type="checkbox"/> Review service delivery mechanism (Section 78 investigation) <input type="checkbox"/> Diagnostic workshops <input type="checkbox"/> Customer surveys <input type="checkbox"/> Employee satisfaction surveys <input type="checkbox"/> Measuring against National Indicators <input type="checkbox"/> Measure against benchmarks, past performance and other municipalities <input type="checkbox"/> Identify shortcomings/resource needs	<input type="checkbox"/> Quarterly <input type="checkbox"/> Annually <input type="checkbox"/> Bi-annual <input type="checkbox"/> Annual <input type="checkbox"/> Annual <input type="checkbox"/> Annual <input type="checkbox"/> Annual
Performance of Strategy Implementation	<input type="checkbox"/> Measuring against organisational objectives (KPA's) <input type="checkbox"/> Measuring against departmental KPI's and targets <input type="checkbox"/> Measuring against National Indicators <input type="checkbox"/> Measuring against IDP KPI's	<input type="checkbox"/> Quarterly <input type="checkbox"/> Monthly <input type="checkbox"/> Annually <input type="checkbox"/> Monthly
Individual(Staff) Performance	<input type="checkbox"/> Measure against individual performance plans <input type="checkbox"/> Identify skills gaps	<input type="checkbox"/> Quarterly <input type="checkbox"/> Annually

An official will be responsible for each indicator, and as mentioned before usually the respective line manager. While this official will not necessarily be accountable for performance on this indicator, they will be responsible for conducting measurements of that indicator, analysing and reporting these for reviews.

Analysis requires that line managers compare current performance with targets, past performance and possibly the performance of other municipalities, where data is available, to determine whether or not performance is poor. They should also analyse the reasons for performance levels and suggest corrective action where necessary.

Municipal-wide outcome indicators and satisfaction surveys may need to be co-ordinated centrally. It is proposed that the IDP and Performance Management office be tasked with this responsibility.

It is further proposed that the following annual surveys be undertaken by the relevant departments to provide data for indicators organisationally and for the different service scorecards:

- ☐ A Quality of Life Survey(IDP/PMS function)
- ☐ An Employee Satisfaction Survey (HR)
- ☐ A Customer Satisfaction Survey(HR)

Prior to reviews taking place by the Management Team, Executive Committee and Council, performance reporting will need to be tracked and co-ordinated. It is proposed that the IDP/ Performance Management office be responsible for this process.

It will also be useful to provide an overall analysis of municipal performance with respect to the strategic objectives and services, at least for quarterly and annual reviews. Such an analysis could pick up trends in performance over time and over all departments. It is proposed that the IDP/ Performance Management office be responsible for this.

13.3 Performance Measurement

Performance measurement refers to the formal process of collecting and capturing performance data to enable reporting to take place for each key performance indicator and against the target set for such indicator. Given the fact that initially at least the Municipality will have to rely on a manual process to manage its performance provision has been made in the institutional scorecard for the name of an official responsible for reporting on each indicator (please note that this might not necessarily be the same official accountable for performance on an 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 on the institutional scorecard and report the result to his/her Manager making use of the said scorecard. It should be noted at this stage that for each of the scorecards of the Municipality two formats exist namely a planning and reporting format. The planning format is used to plan and capture the performance targets for each indicator whilst the reporting format is used to capture actual performance against targets and to report to the Mayoral Committee.

This will require that the Municipality sets in place a proper information management system (electronically or otherwise) so that the internal audit section is able to access information regularly and to verify its correctness.

13.4 Performance Analysis

Performance analysis involves the process of making sense of measurements. It requires interpretation of the measurements as conducted in terms of the previous step to determine whether targets have been met and exceeded and to project whether future targets will be met or not. Where targets have not been met performance analysis requires that the reasons therefore 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.

In practice the aforementioned entails that the Manager responsible for each indicator will have to, after capturing the performance data against targets on the institutional scorecard, analyse the underlying reasons why a target has/has not been met and capture a summary of his/her findings on the institutional scorecard. The Manager will thereafter have to compile a draft recommendation in terms of the corrective action proposed in instances where a target has not been achieved and also capture this on the institutional scorecard. Provision has been made on the reporting format of the institutional scorecard to capture both the 'reason for the performance status' (in other words the results of the analysis undertaken) and the 'corrective action' proposed.

The institutional scorecard as completed must then be submitted to a formal meeting of the senior management team for further analysis and consideration of the draft recommendations as captured by the relevant Managers.

This level of analysis should examine performance across the organisation in terms of all its priorities with the aim to reveal and capture whether any broader organisational factors are limiting the ability to meet any performance targets in addition to those aspects already captured by the relevant Manager.

The analysis of the institutional scorecard by senior management should also ensure that quality performance reports are submitted to the Mayoral Committee and that adequate response strategies are proposed in cases of poor performance. Only once senior management has considered the institutional scorecard, agreed to the analyses undertaken and captured therein and have reached consensus on the corrective action as proposed, should the institutional scorecard be submitted to the Mayoral Committee for consideration and review.

13.5 Performance Reporting and Review

The next two steps in the process of performance management namely that of performance reporting and performance review will be dealt with at the same time. This section is further divided into different sections dealing with the requirements for quarterly versus annual reporting and reviews respectively and lastly a summary is provided of the various reporting requirements.

13.5.1 In-year Performance Reporting and Review

The submission of the institutional scorecard to the Mayoral Committee for consideration and review of the performance of the Municipality 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 namely 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.

As indicated earlier it is recommended that the institutional scorecard be submitted to the Mayoral Committee for consideration and review on a quarterly basis. The reporting should therefore take place in October (for the period July to end of September - Quarter 1 of the financial year), January (for the period October to the end of December - Quarter 2), April (for the period January to the end of March - Quarter 3) and July (for the period April to the end of June - Quarter 4).

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 its SDBIP.

Performance review is the process where the leadership of an organisation, after the performance of the organisation have been measured and reported to it, reviews the results and decided on appropriate action. The Mayoral Committee in reviewing the institutional scorecard submitted to it on a quarterly basis will have to ensure that targets committed to in the scorecard have been met, where they have not, that satisfactory and sufficient reasons have been provided by senior management and that the corrective action being proposed is sufficient to address the reasons for poor performance. If satisfied with the corrective action as proposed these must to be adopted as formal resolutions of the Mayoral Committee, minuted and actioned accordingly.

Performance Review

ORGANISATIONAL LEVEL	PROCESS	FREQUENCY
Institutional Service Delivery Capacity	<input type="checkbox"/> Review institutional capacity for service delivery	<input type="checkbox"/> Annually
	<input type="checkbox"/> Review Institutional scorecard	<input type="checkbox"/> Quarterly
Operational Strategy Implementation	<input type="checkbox"/> Departmental reviews	<input type="checkbox"/> Monthly
	<input type="checkbox"/> Review IDP and strategy	<input type="checkbox"/> Annually
Individual(Staff) Performance	<input type="checkbox"/> Review individual performance	<input type="checkbox"/> Quarterly

13.5.2 Annual performance reporting and review

On an annual basis a comprehensive report on the performance of the Municipality 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 (sec 121). In summary it requires that:

- All municipalities for each financial year compile an annual report
- The annual report be tabled within seven months after the end of the financial year
- The annual report immediately after it has been tabled be made public and that the local community be invited to submit representations thereon
- The municipal Council 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 oversight report as adopted be made public
- The annual report as tabled and the Council's oversight report 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 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. It is however proposed that in an effort to assist the public in the process and subject to the availability of funding, a user-friendly citizens' report be produced in addition to the annual report for public consumption. The citizens' report should be a simple, easily readable and attractive document that translates the annual report for public consumption.

It is also proposed that annually a public campaign be embarked upon to involve the citizens of the Municipality in the review of municipal performance over and above the legal requirements of the Municipal Systems Act and the MFMA. 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 and/or development committees to disseminate the annual report and invite comments.
- Hosting a number of public meetings and roadshows 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.
- Posting the annual report on the council website and inviting input

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

Lastly it should be mentioned that the performance report of a municipality is only one element of the annual report and to ensure that the outcome thereof timeously inform the next cycle of performance planning in terms of an IDP compilation/review process, it is recommended that the annual performance report be compiled and completed as soon after the end of a financial year as possible but ideally not later than two months after financial-year end.

Performance Reporting

ORGANISATIONAL LEVEL	PROCESS	FREQUENCY
Institutional Service Delivery Capacity	<input type="checkbox"/> Report on institutional capacity for service delivery	<input type="checkbox"/> Annually
Performance of Strategy Implementation	<input type="checkbox"/> Report to Council on municipal performance against IDP based targets <input type="checkbox"/> Formal report to Council and stakeholders on municipal performance against the reaching of IDP based targets <input type="checkbox"/> Citizens report on municipal performance against the reaching of IDP based targets	<input type="checkbox"/> Monthly <input type="checkbox"/> Annually <input type="checkbox"/> Annually
Individual (Staff) Performance	<input type="checkbox"/> Reports on individual performance <input type="checkbox"/> Recognition for performance	<input type="checkbox"/> Six Monthly <input type="checkbox"/> Annually

13.5.3 Summary of various performance reporting requirements

The following table, derived from both the legislative framework for performance management and this PMS framework, summarises for ease of reference and understanding the various reporting deadlines as it applies to the Municipality:

Report	Frequency	Submitted for consideration and/or review to	Remarks
1. Departmental SDBIPs	Continuous	Manager of Department	See MFMA Circular 13 of National Treasury for further information
2. Monthly budget statements	Monthly	Mayor	See sections 71 and 54 of the MFMA
3. Institutional Scorecard	Quarterly	Mayoral Committee	This PMS framework (see section 9.5.1 above)
4. SDBIP mid-year budget and performance assessment	Annually during January of each year	Mayor (in consultation with Exco)	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 (see 6 below)
6. Annual report	Annually	Council	See chapter 12, sec 121 of the MFMA

14. EARLY WARNING MECHANISMS

One of the key functions of a PMS is to serve as an early warning system to indicate so-called “gaps” in the levels of service delivery to the community. It is therefore imperative that especially the processes of regular monitoring, measurements and reviews are executed to timeously identify those areas within which performance levels are to be found below satisfactory.

The next section gives an indication of the frequency of reviews to be performed by the relevant entities.

Performance Review

ORGANISATIONAL LEVEL	PROCESS	FREQUENCY
Institutional Service Delivery Capacity	<input type="checkbox"/> Review institutional capacity for service delivery	<input type="checkbox"/> Annually
Performance of Strategy Implementation	<input type="checkbox"/> Departmental reviews <input type="checkbox"/> Review IDP and strategy	<input type="checkbox"/> Monthly <input type="checkbox"/> Annually
Staff Performance	<input type="checkbox"/> Review individual performance	<input type="checkbox"/> Six monthly

14.1 Departmental Reviews

It is intended that departments review their performance at least monthly. Decision-makers should be immediately warned of any emerging failures to service delivery such that they can intervene if necessary. It is important that departments use these reviews as an opportunity for reflection on their goals and programmes and whether these are being achieved. Minutes of these reviews should be forwarded to the performance management team. Changes in indicators and targets may be proposed at this meeting but can only be approved by the relevant portfolio committee, in consultation with the IDP/Performance Management Office.

14.2 Management Team Reviews

Departments will then need to report on their performance in the required format to the municipal manager and the heads of departments. Additional indicators that occur in the strategic and operational plans will also be reviewed. The formulation of a strategic scorecard and the process of review will be co-ordinated by the Performance Management team.

The executive management team will need to reflect on whether targets are being achieved, what are the reasons for targets not being achieved where applicable and corrective action that may be necessary. Where targets need to be changed, the management team can endorse these, for approval by the Portfolio Committee. The management team can delegate tasks to the performance management team in developing an analysis of performance prior to management team reviews.

14.3 Portfolio Committee Reviews

Each portfolio committee will be required to review the performance of their respective services against their service scorecard. The portfolio committee should appraise the performance of the service against committed targets. Where targets are not being met, portfolio committees should ensure that the reasons for poor performance are satisfactory and sufficient, and the corrective strategies proposed are sufficient to address the reasons for poor performance. Changes in indicators and targets that do not appear in the strategic scorecard may be proposed to and can only be approved by the relevant portfolio committee. Changes in indicators and targets that fall within the strategic scorecard will need to be approved by the Executive Committee.

14.4 EXCO Reviews

On a quarterly basis, the Executive Mayoral Committee should engage in an intensive review of municipal performance against both the service scorecards and the strategic scorecard, as reported by the municipal manager.

Many of the indicators in the strategic scorecard will only be measurable on an annual basis. The quarterly reviews should thus culminate in a comprehensive annual review of performance in terms of both scorecards. The review should reflect on the performance of services and the strategic scorecard. The Executive Committee will need to ensure that targets committed to in the strategic scorecard are being met, where they are not, that satisfactory and sufficient reasons are provided and that the corrective action being proposed is sufficient to address the reasons for poor performance. The review should also focus on reviewing the systematic compliance to the performance management system, by departments, portfolio committees and the Municipal Manager.

15. COMMUNITY PARTICIPATION AND CONSULTATION

Chapter 4 of the Municipal Systems Act deals with public participation and the involvement of communities and community organisations in local government affairs.

15.1 A Framework for Community Participation and Involvement

The Systems Act stresses that municipalities must develop a culture of municipal governance that complements formal representative government with a system of participatory governance. The Act places special emphasis, *inter alia*, on participation in the IDP process and the evaluation of performance through performance management.

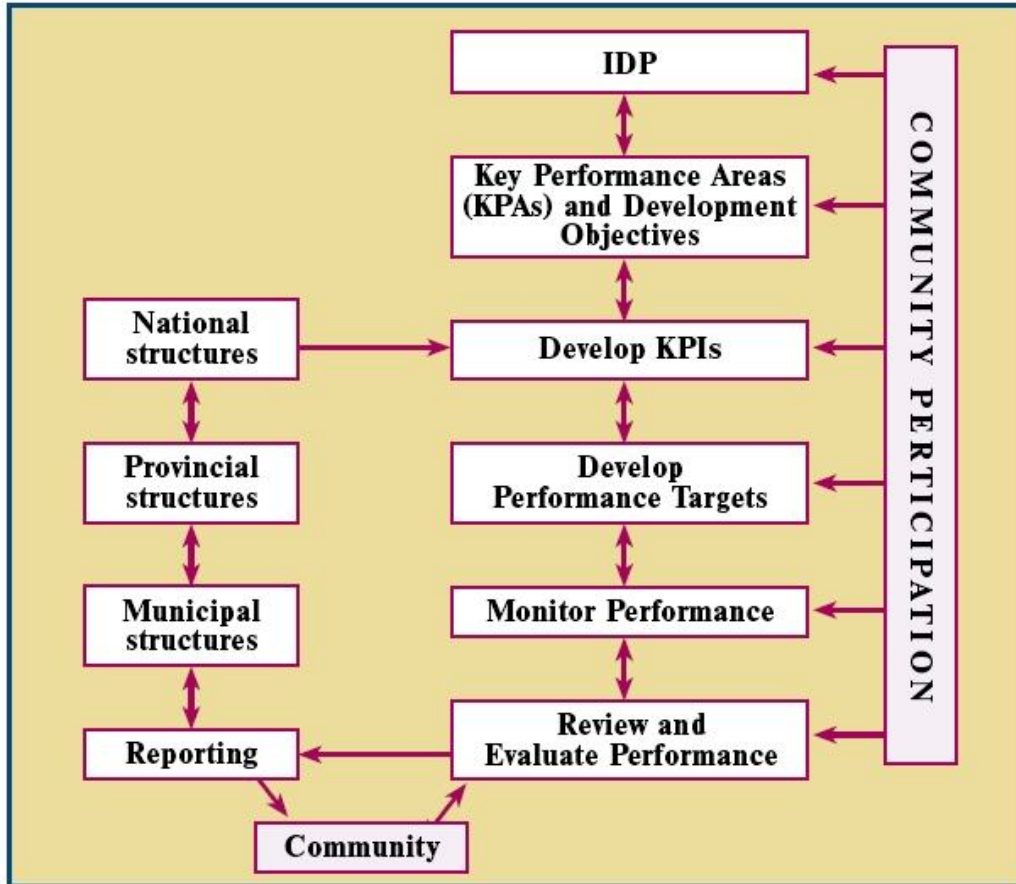
Section 42 of the Municipal Systems Act determines as follows:

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

In most municipalities, community involvement has already taken place with the IDP process and certain structures were created for that purpose such as IDP Forums, Representative Forums and Ward Committees. These structures were extensively involved in establishing service delivery baselines for the determination of IDP objectives. The community involvement that is now envisaged is a continuation of that same process and the same structures should therefore be used. The emphasis in the consultation process, within these structures, now shifts to verifying the baseline data, prioritising IDP projects, setting indicators and monitoring and reviewing delivery.

As can be deduced from the following diagram, community participation is a continuous process, commencing with the identification of IDP priorities, going through various phases as indicated in the diagram, and ending with reviewing and evaluating reported performance.

Diagram 8: Consultative Performance Management Framework for Municipalities



Community participation as reflected in the framework of the above diagram is carried out under the following steps:

- Carry out / complete the IDP review process addressing, *inter alia*, the following:
 - Make a summary of your IDP reflecting all key performance areas, development objectives, key performance indicators and projects.
 - Analyse this summary document in the light of current resources and socio-economic and political realities in the municipal area.
 - Using the analysis, revise the IDP and prioritise the projects.
- Present the revised IDP and prioritised projects to the community by making use of the consultation structures mentioned previously.

- Finalise the revised IDP with prioritised projects in view of the comments received during the consultation process.
- Present the draft set of indicators to the community by once again making use of the consultation structures.
- Implement the projects and report progress on a regular basis through the appropriate structures.
- At the end of the year it will be necessary to present a performance report to the communities reflecting actual performance against targeted performance, together with an indication of what steps are to be taken to improve on current performance. At this point members of the public are invited to comment and then the whole process starts again.

15.2 Community Participation Plan

In terms of developing its performance management system it is proposed that external stakeholders be involved and consulted in the process by (1) workshopping the concept of performance management with such stakeholders at the IDP Rep Forum, (2) obtaining the input of the IDP Representative Forum on the Key Performance Indicators and Targets as proposed by Council, (3) the formal process of advertising the performance management system and (4) the holding of a number of roadshows during the period that the systems is open for public input.

As far as internal stakeholders are concerned the adopted PMS process plan envisages formalised training on PMS for most of the employees of the Municipality. Change management workshops on PMS will in addition be conducted for Exco Councillors and senior and middle managers of the Municipality.

15.3 Involving the Community in the Process of Monitoring, Reviewing and Evaluating

Municipal Performance

Citizens and communities should be afforded the opportunity to review the performance of the municipality and their public representatives, in the period between elections. It is required legislatively that the public be involved in reviewing municipal performance at least annually. As this is a new component to local government and performance management, some ideas for a campaign to allow the public to review municipal performance are listed in the COGTA PMS Guide. They are:

- Making use of toll-free numbers, e-mails, postal addresses and feedback boxes to obtain public input on municipal performance;
- Conducting a series of public hearings on municipal performance;
- Designing and implementing an ongoing public campaign to educate the public on their role in reviewing municipal performance;
- Involving appropriate stakeholders in the auditing of performance measures and reviewing municipal performance.

16. MEASURING EXTERNAL SERVICE PROVIDERS

Chapter 1 of the Systems Act of 2000 defines a “service delivery agreement” as an agreement between a municipality and an institution or person mentioned in section 76(b) in terms of which a municipal service is provided by that institution or person, either for its own account or on behalf of the municipality.

“Service provider” means a person or institution or any combination of persons and institutions which provide a municipal service. Sec 76(b) stipulates that a municipality may provide a municipal service in its area or part of its area through an external mechanism by entering into a service delivery agreement with

- (i) a municipal entity
- (ii) another municipality
- (iii) an organ of the state, including:
 - (aa) a water committee established in terms of the Water Services Act, 1997 (Act No, 108 of 1997);
 - (bb) a licensed service provider registered or recognized in terms of national legislation: and
 - (cc) a traditional authority;
- (iv) a community based organization or other non-governmental organization legally competent to enter into such an agreement: or
- (v) any other institution, entity or person legally competent to operate a business activity. The Act as described above is broad in terms of classifying external service providers and as a result it is recommended within this framework to categorise the external service providers into a cluster of only five key ones.

The purpose of limiting the number of external service providers in terms of service level agreements (which include performance agreements) is to avoid having agreements with every minor entity which provides a service to the municipality. The municipality should with the five key major service providers institute a performance agreement informed by a SLA. The performance agreement with the external service provider must include the same performance management dimensions as would have been measured was the service delivered by an internal mechanism e.g. KPAs, performance objectives, key performance indicators, targets, baselines (if appropriate) and measures.

17. THE AUDITING OF PERFORMANCE MEASURES

The MFMA requires that the Municipality must establish an internal audit section which service could be outsourced depending on its resources and specific requirements. Section 45 of the Municipal Systems Act stipulates that the results of the Municipality's performance measures must be audited by the said internal audit section as part of the internal auditing process and annually by the Auditor-General.

17.1 The role of the Internal Audit Unit

The internal audit unit will on a continuous basis audit the results of performance measurements as part of its internal auditing processes. This will include an assessment of the following:

- (i) The functionality of the performance management system.
- (ii) Whether the performance management system complies with legislation.
- (iii) The extent to which the performance measurements are reliable in measuring the performance of the municipality

The aforementioned aspects are defined hereunder:

Functionality

To function is defined as a proper or expected activity or duty or to perform or operate as expected (Chambers Handy Dictionary). The internal audit unit will therefore on a regular basis audit whether the PMS is functioning as developed and described in this framework.

Compliance

To comply is defined as to act in the way that someone else has commanded or wished (Chambers Handy Dictionary). The Internal Audit unit will on an annual basis, report the extent to which the PMS complies with the legal requirements.

Reliability

To rely is defined as to trust or depend (upon) with confidence. Reliability in the context of PMS refers to the extent to which any performance measures reported upon can be seen as being reliable. The Internal Audit unit will on an annual basis, report the extent to which the measurements performed are considered reliable.

The internal audit unit will submit quarterly reports on the audits undertaken to the Municipal Manager and the Audit Committee.

All auditing will comply with the Standards for the Professional Practice of Internal Auditing

17.2 Audit Committee

Matatiele Municipality will establish an audit committee incorporating a performance audit committee consisting of a minimum of three members.

The Audit Committee will:

- 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
- at least twice during a financial year submit a report to the Council

The Audit Committee is empowered to

- Communicate directly with the council, municipal manager or the internal, and external auditors of the municipality;
- Access any municipal records containing information that may be 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.

17.3 Performance Investigations

The Audit Committee is empowered to commission in-depth performance investigations where there is either continued poor performance, a lack of reliability in the information being provided or on an ad-hoc basis.

The performance investigations may assess:

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

While the internal audit unit may be used to conduct these investigations, external service providers, including academic institutions, who are experts in the area to be audited, may be used.

17.4 Auditing and Quality Control

Auditing and Quality Control

ORGANISATIONAL LEVEL	PROCESS	FREQUENCY
Institutional Service Delivery Capacity	<input type="checkbox"/> Establish audit committee	<input type="checkbox"/> Annually
	<input type="checkbox"/> Internal Audit to measure reliability of performance measurements	<input type="checkbox"/> Ongoing
	<input type="checkbox"/> Internal Audit to determine functionality of the PMS	<input type="checkbox"/> Ongoing
	<input type="checkbox"/> Internal Audit to determine adherence of the system to the Municipal Systems Act	<input type="checkbox"/> Ongoing
	<input type="checkbox"/> Internal Audit to determine extent to which performance measurements are reliable	<input type="checkbox"/> Ongoing
	<input type="checkbox"/> Reports by Internal Audit	<input type="checkbox"/> Quarterly, but at least twice yearly
	<input type="checkbox"/> Performance gap investigations by internal or external service providers	<input type="checkbox"/> Ad hoc
Performance of Strategy Implementation	<input type="checkbox"/> Review PMS	<input type="checkbox"/> Annually
	<input type="checkbox"/> Assess sufficiency of indicators	<input type="checkbox"/> Annually

18. REVIEW AND IMPROVEMENT OF THE PERFORMANCE MANAGEMENT SYSTEM

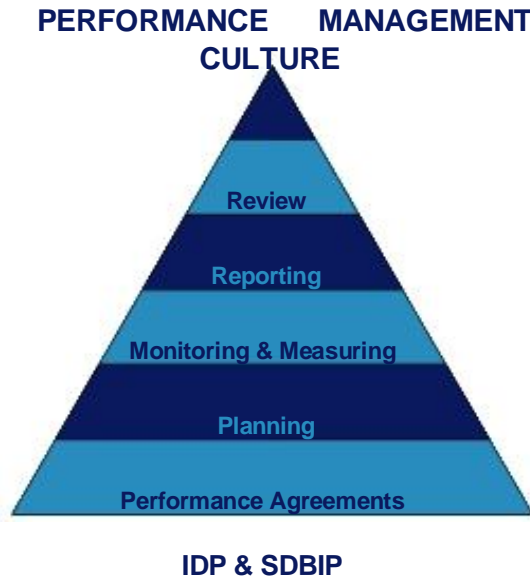
As stated earlier, one of the functions of the audit committee is to on at least an annual basis, review the PMS of the Municipality. It is envisaged that after the full cycle of the annual review and reporting is complete and the audit committee has met as required; the Internal Audit unit will compile a comprehensive assessment/review report on whether the Municipality's PMS meets the system objectives and principles as set out in this framework and whether the system complies with the Systems Act, PMS Regulations and the MFMA. This report then needs to be considered by the audit committee and any recommendations on amendments or improvements to be made to the PMS, submitted to the Council for consideration.

The Municipal Systems Act, sec 40 requires the Municipality also annually evaluate its PMS. The review undertaken by the audit committee and its recommendations could serve as input into this wider municipal review of the PMS and it is proposed that after the full cycle of the annual review is complete; the Municipal Manager will initiate an evaluation report, taking into account the input provided by departments and the audit committee. The report will then be discussed by the Management Team and finally submitted to the Municipal Council for discussion and approval.

19. PERFORMANCE MANAGEMENT CULTURE

A culture of performance management would imply that it is standard practice within the municipality to plan annually which objectives and targets need to be achieved complemented with regular intervals of monitoring and measurement of successful achievements (and failures) and eventually, reviewing the processes followed and the levels of service delivery achieved. This cyclical performance management process is not to be isolated at the strategic or top management level of the municipality only, but is to be cascaded to all levels within the institution e.g. organisational and individual levels.

Diagram 9: Performance Management Culture



The diagram illustrates this process of performance management which should result in a performance agreement for each individual employee. A PM culture will not only develop by having performance agreements for each staff member, but needs to be integrated as part of the management cycle of the municipality as a whole. Some examples are provided which serve as enablers to support a culture of performance management, these are:

- ☐ Sponsorship by senior management
- ☐ Consistent communication of multi-dimensional performance to staff
- ☐ Open and honest application of measures
- ☐ No blame/No game environment
- ☐ Integration and alignment of reward systems.

20. INCENTIVES FOR EXCEPTIONAL PERFORMANCE

It will be important that the Executive Committee not only pay attention to poor performance but also to good performance. It is expected that the Executive Committee will acknowledge good performance, where departments have successfully met targets in their service scorecards. It is also proposed that an Annual Mayoral Award for Excellent Performance be introduced to reward departments who have excelled in terms of their service scorecards. Such an award and the subsequent recognition can often be sufficient to motivate teams in the workplace.

21. CONCLUSION

In conclusion, it must once again be emphasised that there are no definitive solutions to managing municipal performance. The process of implementing a Performance Management System must be seen as a learning process, where all involved are continuously improving the way the system works to fulfill the objectives of the system and address the emerging challenges from a constantly changing environment.