

**BOJANALA PLATINUM DISTRICT MUNICIPALITY**



**PERFORMANCE MANAGEMENT SYSTEM FRAMEWORK  
2006/07**

## TABLE OF CONTENTS

	Page
Introduction.....	1
Management and Operation of the System.....	2
Planning.....	2
Communication Participation.....	2
Operation.....	2
Measurement KPI and Targets.....	2
General Key Performance Indicators.....	2
Satisfaction Surveys.....	2
Monitoring.....	3
Auditing.....	3
Internal Audit.....	3
Performance Audit Committee.....	3
Review.....	3
Reporting Lines and Frequency.....	4
Employees Performance Appraisal System.....	5
Role of Stakeholders.....	6 - 11
Integrating the IDP, Performance Management and the Budget.....	12
Components.....	12
Vision.....	12
IDP Priorities and Objectives.....	12
Balanced Scorecard.....	12
IDP Objectives.....	13
Measures and Targets.....	13

## Introduction

This policy document responds to the requirements of Chapter **6 section 38(a) of the Municipal Systems Act, 2000**, which requires a municipality to establish a *performance management system* that is:

- Commensurate with its resources;
- Best suited to its circumstances; and
- In line with the priorities, indicators and targets contained in its integrated development plan.

The municipality is also required by the Act to:

- Promote a culture of performance management among its political structures, political office bearers and councillors and in its administration; and
- Administer its affairs in an economical, effective, efficient and accountable manner.

**The Municipal Planning and Performance Management Regulations, 2001**, further instructs a municipality to ensure that its performance management system:

- Complies with the requirements of the Act.
- Demonstrates how the system 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.
- Determines the frequency of reporting and the lines of accountability for performance.
- Relates to the municipality's employee performance management processes.
- Provides for the procedure by which the system is linked to the municipality's integrated development planning processes.
- Is adopted before or at the same time as the commencement of by the municipality of the process of setting key performance indicators and targets in accordance with its integrated development plan.

The implementation of a performance management system framework should allow the municipality to collect, process, organise, analyse, audit, reflect and report on performance information. It should also allow the municipality to take practical steps to improve its performance.

This framework, together with the KPIs and performance targets in the Service Delivery and Budget Implementation Plan, Performance Agreements of senior managers, regular reporting through monthly budget statements to the Executive Mayor and quarterly reports to council, periodical review and improvement of the system, constitute the performance management system of the municipality.

**MANAGEMENT AND OPERATION OF THE SYSTEM**

The Executive Mayor manages the development of the performance management system. The system is submitted to the municipal council for adoption and the Executive Mayor assigns the management responsibility for the system to the Municipal Manager in terms of section 39 of the Municipal Systems Act, 2000.

**Planning**

During the planning phase of the IDP, either at the beginning of the term of council or during the IDP annual review, the municipal council and the Executive Mayor must, as prescribed in its IDP process plan and approve:

- The PMS framework.
- The Top –Layer SDBIP, which outlines IDP priorities, objectives, corporate key performance indicators, corporate performance targets and budget summaries indicating monthly projections of revenue and expenditure.
- The municipal strategic balanced scorecard which outlines IDP priorities and objectives
- A technical Service Delivery and Budget Implementation Plan
- Performance Agreements of senior managers

**Community Participation**

The municipality must involve the community in the development of the performance management system, setting of KPIs and performance targets in accordance with section 9 and 15 of the Local Government: Municipal Planning and Performance Management Regulations, 2001.

**Operation**

The Operation of the system occurs during implementation of the Service Delivery and Budget Implementation Plan, when programmes are implemented and budgets expended. Performance is then measured against key performance indicators and performance targets set for departments in the SDBIP and how these progressively contribute to the achievement of corporate targets of the municipality as contained in the Top-Layer SDBIP.

**Measurement KPI and Targets**

Measurement occurs when value is ascribed to costs, resources and time used to produce outputs using input indicators. It indicates the extent to which municipalities' activities and processes produced outputs in accordance with the identified output indicators. It measures the total improvement brought about by outputs in accordance with outcome indicators.

**General Key Performance Indicators**

Municipalities are also expected in their SDBIP to set objectives to respond to the 7 National General Key Performance Indicators as prescribed by the Local Government: Municipal Planning and Performance Management Regulations, 2001 by integrating them in their IDP objectives.

**Satisfaction Surveys**

In order to determine the overall outcome of municipal performance, an annual community satisfaction survey should be conducted and its results be used to measure community satisfaction inform the municipality performance and to also constantly inform the annual planning process.

Determining the overall municipal achievement the following surveys should be conducted:

- A community satisfaction survey.
- An employee satisfaction survey.

**Monitoring**

Monitoring is a continuous process of measuring, assessing, analysing and evaluating the performance of the organisation with regard to the SDBIP and corporate KPIs and targets. Mechanisms, systems and processes for monitoring should provide for reporting at least once a quarter to the municipal council, it should enable detection of early indication of underperformance and provide for corrective measures to be taken in cases of underperformance.

**Auditing**

The Municipal Planning and Performance Management Regulations, 2001, requires municipalities to develop and implement mechanisms, systems and processes for auditing the results of performance measurements as part of its auditing processes. This is meant to ensure that performance information collected by the municipality is verifiable, reliable and correct.

**Internal audit**

The Regulations and the MFMA provides for the establishment of an internal audit function. Internal auditing must include assessment of the following:

- The functionality of the municipality's performance management system.
- Whether the performance management system complies with the relevant provisions of the Municipal Systems Act, 2000.
- The extent to which the municipality's performance measurements are reliable in measuring performance.
- On a continuous basis, audit the performance measurements of the municipality.
- Submit quarterly reports on their audits to the municipal manager and the Audit Committee.

Additional functions of the Internal Auditor relating to financial and other systems of the municipality are outlined in the Municipal Finance Management Act and Internal Audit Charter.

**Performance Audit Committee**

The Audit Committee established in terms of the MFMA will perform the function of performance audit. The functions of the Audit Committee must be formulated in a manner that takes into account the instructions of the Planning and Performance management Regulations.

**Review**

Performance review, in which a comprehensive evaluation of the municipal performance will be conducted, takes place during the mid year Budget and Performance Assessment in January and at the end of each financial year when the annual performance report is prepared.

The annual review is informed by the results of the community satisfaction survey and reports, which are audited by the Audit Committee and measures that were taken during the year to improve performance.

The results of the review process will be used to develop corrective measures to improve performance and inform the subsequent stages of planning.

Review includes assessment of the adequacy of all components of the system. It identifies the strengths, weaknesses, opportunities and threats of the municipality in meeting targets set in the Service Delivery and Budget Implementation Plan. It also measures the economy, efficiency, effectiveness in the utilization of resources and the impact government programmes are having on the lives of the people in the community. Performance improvement and adjustment is based on the results of the review.

**Reporting lines and frequency of reporting**

Heads of Departments report to the Municipal Manager on a monthly basis at the end of each month. The reports must reflect whether key performance indicators and performance targets of the Service Delivery and Budget Implementation Plans are achieved.

The reasons for under performance must be clearly spelt out, as well as measures to address under performance.

Copies of these reports are made available to the internal audit unit which make comments and report to the Municipal Manager. These reports are tabled at a management meeting before they are tabled at the various political committees established to assist the Executive Mayor.

Council Committees discuss these reports and make recommendations to the Executive Mayor.

The Audit Committee receives reports from the internal audit unit through the Municipal Manager and makes recommendations to Council quarterly.

Council receives performance reports from the Executive mayor, accompanied by the Audit committee report at the end of every quarter.

Council reports twice per annum to the community through mechanisms determined by it through its community participation and communication policy.

Council also reports annually to the Office of the Auditor General and the MEC responsible for local government in the province. The MEC consolidates all municipal annual reports in the province and reports to the Minister responsible for Provincial and Local Government who in turn will present a report on the state of local government to the national assembly.

A key feature of the minister's report is the performance of the municipalities on the objectives prescribed by the General Key Performance Indicators in the Planning and Performance Management Regulations, 2001.

The municipal council will also adopt the annual objectives and priorities of its entities. This will include approval of the Top-SDBIP, the budget and adjustments to the Top-Layer SDBIP and the budget.

**Municipal Entities**

The CEO of the entity will be expected to develop and implement a performance management system that will enable the CEO to report monthly, quarterly, half-yearly (mid-term assessment review) and annually to the Executive Mayor and the municipal council through the municipal manager. The attached Water Trust budget and Performance Planning Management Cycle indicate the roles of different role players.

**Employees  
Performance  
Appraisal  
System**

Section 57 Employees annually enter into Performance Agreements with the Council. The municipal Manager signs the agreement with the Executive Mayor, while the rest of the section 57 employees sign agreements with the municipal manager. The Performance Agreements are based on the municipality's Top-Layer SDBIP and the Technical. Unit Managers may also enter into Performance Agreements with their respective HoDs.

A performance appraisal system of HoDs and Unit Managers must be outlined in the agreement and must provide for quarterly and annual performance appraisal. Appraisal system that covers the rest of other employees, which cascades the strategic focus of the municipality, should be developed.

**Roles of  
stakeholders**

The municipality must establish conditions for the participation of all stakeholders as legislated in the Municipal Systems Act of 2000 and the Municipal Planning and Performance Management Regulations of 2001.

**The roles of the various stakeholders are captured by the table on the following pages:**

**ROLES AND RESPONSIBILITIES OF STAKEHOLDERS IN THE OPERATION AND MANAGEMENT OF THE PERFORMANCE MANAGEMENT SYSTEM**

**1. Municipal Council’s political oversight roles and responsibilities.**

Planning	Monitoring		
	Review	Reporting	Performance Audit
<ol style="list-style-type: none"> <li>1. Adopts priorities and objectives of the Integrated Development Plan.</li> <li>2. Adopts the PMS framework.</li> <li>3. Adopts the municipal strategic scorecard that includes priorities and objectives of the IDP.</li> <li>4. Assigns the responsibility for the management of the PMS to the Executive Mayor.</li> <li>5. Adopts priorities, key performance indicators and target of the water trust.</li> <li>6. Establish an over-sight committee for the purpose of the annual report.</li> </ol>	<ol style="list-style-type: none"> <li>1. Approves the annual review programme of the IDP.</li> <li>2. Approves the Top level SDBIP.</li> <li>3. Approves changes to the SDBIP and adjustment Budget.</li> <li>4. Approves any changes to the priorities, objectives, key performance indicators and performance targets of the municipality.</li> <li>5. Approves the Top-Level SDBIP of the Water Trust.</li> <li>6. Approves changes to the priorities, performance indicators and targets of the water trust.</li> <li>7. Approves adjustments to the Water Trust budget.</li> <li>8. Approves the adjustment budget of the Water Trust.</li> <li>9. Consider the oversight report from the oversight committee.</li> </ol>	<ol style="list-style-type: none"> <li>1. Receives externally audited performance reports from the Executive Mayor twice a year.</li> <li>2. Reports the municipality performance to the community at least twice a year.</li> <li>3. Approves recommendations for the improvement of the performance management system.</li> <li>4. Annually receives the appraisal of the Municipal Manager and Directors performance.</li> <li>5. Submits the municipal annual report to the Auditor General and the MEC.</li> <li>6. Receives the Mid-Term report and the annual report of the Water Trust.</li> <li>7. Council adopts the over-sight report.</li> </ol>	<ol style="list-style-type: none"> <li>1. Approves the municipal annual audit plan and any substantial changes to it.</li> <li>2. Can receive performance reports directly from the Audit Committee.</li> <li>3. Approves the implementation of the recommendations of the Performance Audit Committee with regard to both improvement in the performance of the municipality or improvement of the performance management system itself.</li> <li>4. Receives performance audit report from the Auditor General and approves implementation of its recommendations.</li> <li>5. Receives the audit report of the Water Trust for the Office of the Auditor-General.</li> <li>6. Receives the annual performance report of the CEO and Senior Management of the water Trust.</li> </ol>

**2. Roles and responsibilities of the Executive Mayor**

Planning	Monitoring		
	Review	Reporting	Performance Audit
<ol style="list-style-type: none"> <li>1. Submits priorities and objectives of the Integrated Development Plan to Council for approval.</li> <li>2. Submits the PMS framework for approval.</li> <li>3. Submits the municipal strategic scorecard to Council for approval.</li> <li>4. Approves the Service Delivery and Budget Implementation Plans.</li> <li>5. Enters into a performance agreement with the Municipal manager on behalf of Council.</li> <li>6. Assigns the responsibility for the management of the PMS to the Municipal Manager.</li> <li>7. Tables the budget and Top-Level SDBIP to Council for approval.</li> <li>8. Tables the budget of the Water Trust and the latter’s Top-Level SDBIP to council for approval.</li> </ol>	<ol style="list-style-type: none"> <li>1. Proposes to Council, the annual review programme of the IDP, including the review of key performance indicators and performance targets.</li> <li>2. Proposes the annual performance improvement measures of the municipality as part of the new municipal strategic scorecard.</li> <li>3. Proposes changes to the priorities, objectives, key performance indicators and performance targets of the municipality.</li> <li>4. Quarterly evaluates the performance of the municipality against adopted KPIs and targets.</li> <li>5. Quarterly reviews the performance of departments to improve the economy, efficiency and effectiveness of the municipality.</li> <li>6. Quarterly and annually evaluates the performance of the Municipal Manager.</li> </ol>	<ol style="list-style-type: none"> <li>1. Receives monthly budget statement.</li> <li>2. Receives performance reports quarterly from the internal auditor.</li> <li>3. Receives performance reports twice a year from the Audit Committee.</li> <li>4. Receives monthly and quarterly reports from the Municipal Manager on the performance of Directors and the rest of the staff.</li> <li>5. Report to council on the mid-term review and the annual report on the performance of the municipality.</li> <li>6. Reports to Council on the recommendations for the improvement of the performance management system.</li> <li>7. Revises the mid-term assessment review report of the Water Trust and submit it to Council.</li> <li>8. Receives annual report of the Water Trust.</li> </ol>	<ol style="list-style-type: none"> <li>1. Submits the municipal annual audit plan and any substantial changes to it to Council for approval.</li> <li>2. Approves the implementation of the recommendations of the internal auditor with regard to both improvement in the performance of the municipality or improvement of the performance management system itself.</li> <li>3. Receives performance audit report from the Auditor General and makes recommendations to Council.</li> <li>4. Receives the Water Trust Audit report from the Auditor General and makes recommendations to council.</li> </ol>

**3. Roles and responsibilities of the Municipal Manager.**

Planning	Implementation	Monitoring		
		Review	Reporting	Performance Audit
<ol style="list-style-type: none"> <li>1. Coordinates the process of needs identification and prioritization among all stakeholders, including community structures.</li> <li>2. Coordinates the formulation and revision of the PMS framework.</li> <li>3. Coordinates the formulation and revision of the municipal strategic scorecard.</li> <li>4. Leads the process of the formulation and revision of the Service Delivery and Budget Implementation Plans.</li> <li>5. Enters into a performance agreement with Directors on behalf of Council.</li> </ol>	<ol style="list-style-type: none"> <li>1. Manages the overall implementation of the IDP.</li> <li>2. Ensures that all role players implement the provisions of the PMS framework.</li> <li>3. Ensures that the Departmental scorecards and departmental annual programmes serve the strategic scorecard of the municipality.</li> <li>4. Ensures that annual programmes are implemented according to the targets and timeframes agreed to.</li> <li>5. Implements performance improvement measures approved by the Executive Mayor and the Council.</li> <li>6. Ensures that performance objectives in the Directors' performance agreements are achieved.</li> </ol>	<ol style="list-style-type: none"> <li>1. Formulation of the annual review programme of the IDP, including the review of key performance indicators and performance targets for the consideration of Council Committees and the Executive Mayor.</li> <li>2. Formulation of the annual performance improvement measures of the municipality as part of the new municipal strategic scorecard.</li> <li>3. Quarterly reviews the performance of departments to improve the economy, efficiency and effectiveness of the municipality.</li> <li>4. Quarterly and annually evaluates the performance of Directors.</li> </ol>	<ol style="list-style-type: none"> <li>1. Receives performance reports quarterly from the internal auditor.</li> <li>2. Receives performance reports twice a year from the Performance Audit Committee.</li> <li>3. Receives monthly departmental performance reports.</li> <li>4. Reports once in two months to council committees and the Executive Mayor on the performance of Departments.</li> <li>5. Reports on the implementation of improvement measures adopted by Mayor and Council.</li> <li>6. Annually reports on the performance of Directors.</li> <li>7. Submit the municipal annual report to the Executive Mayor.</li> <li>8. Receives the SDBIP of the Water Trust.</li> <li>9. Receives the Monthly budget statement of the Water Trust.</li> <li>10. Receives quarterly budget and performance report of the Water Trust.</li> </ol>	<ol style="list-style-type: none"> <li>1. Formulates the municipal annual audit plan.</li> <li>2. Formulates a response to the recommendations of the internal auditor and the Audit Committee.</li> <li>3. Formulates a response to performance audit report of the Auditor General and makes recommendations to the Executive Mayor</li> </ol>

**4. Roles and responsibilities of Council Committees**

Planning	Monitoring		
	Review	Reporting	Performance Audit
<ol style="list-style-type: none"> <li>1. Advise the Executive Mayor on priorities and objectives of the Integrated Development Plan.</li> <li>2. Deliberates and advice on the municipal strategic scorecard.</li> <li>3. Participates in the formulation of the Top Level Service Delivery and Budget Implementation Plan.</li> <li>4. Ensures that concerns of community structures are taken into account in discharging their responsibilities.</li> </ol>	<ol style="list-style-type: none"> <li>1. Participate in the formulation of the annual review programme of the IDP, including the review of key performance indicators and performance targets.</li> <li>2. Participate in the formulation of proposals for the annual performance improvement measures of the municipality as part of the new municipal strategic scorecard.</li> <li>3. Quarterly evaluates the performance of their portfolios against adopted KPIs and targets.</li> <li>4. Quarterly reviews the performance of their portfolios to improve the economy, efficiency and effectiveness of the municipality.</li> </ol>	<ol style="list-style-type: none"> <li>1. Receives Audit Committee performance reports from the municipal manager and make recommendations to the Executive Mayor.</li> <li>2. Receives quarterly reports from the Directors responsible for their portfolios before they are tabled at the Mayoral Committee.</li> <li>3. Reports to the Executive Mayor on the recommendations for the improvement of the performance management system.</li> </ol>	<ol style="list-style-type: none"> <li>1. Participate in the formulation of the annual audit plan.</li> <li>2. Advices the Executive Mayor on the implementation of the recommendations of the internal auditor with regard to both the improvement in the performance of the municipality and improvement of the performance management system itself.</li> </ol>

**5. Roles and responsibilities of Heads of Departments**

Planning	Implementation	Monitoring		
		Review	Reporting	Performance Audit
<ol style="list-style-type: none"> <li>1. Participates in the identification of IDP priorities and the whole IDP process.</li> <li>2. Participates in the formulation and revision of the municipal strategic scorecard.</li> <li>3. Participates in the formulation of the Top level SDBIP.</li> <li>4. Develop Technical SDBIP.</li> <li>5. Manages subordinates' performance measurement system.</li> <li>6. Regularly reports to the Municipal manager.</li> <li>7. Enters into a performance agreement with the Municipal Manager.</li> </ol>	<ol style="list-style-type: none"> <li>1. Manages the implementation of the Departmental SDBIP.</li> <li>2. Ensures that annual programmes are implemented according to the targets and timeframes agreed to.</li> <li>3. Implements performance improvement measures approved by the Executive Mayor and the Council.</li> <li>4. Manages the implementation of subordinates' performance measurement system.</li> <li>5. Ensures that performance objectives in the performance agreements are achieved.</li> </ol>	<ol style="list-style-type: none"> <li>1. Participates in the formulation of the annual review programme of the IDP, including the review of key performance indicators and performance targets for the consideration of Council Committees and the Executive Mayor.</li> <li>2. Annually reviews the performance of the department to improve the economy, efficiency and effectiveness of the departments.</li> <li>3. Quarterly and annually evaluates the performance of the department.</li> <li>4. Participates in Mid-Term Review.</li> </ol>	<ol style="list-style-type: none"> <li>1. Submit monthly and quarterly departmental performance reports.</li> <li>2. Comments on the monthly reports in terms of any material variance.</li> <li>3. Reports on the implementation of improvement measures adopted by the Executive Mayor and Council.</li> <li>4. Annually reports on the performance of the department.</li> </ol>	<ol style="list-style-type: none"> <li>1. Participates in the formulation of the response to the recommendations of the internal auditor and the Performance Audit Committee.</li> <li>2. Participates in the formulation of the response to performance audit report of the Auditor General and makes recommendations to the municipal manager.</li> </ol>

**6. Roles and responsibilities of staff**

Planning	Implementation	Review	Reporting
<ol style="list-style-type: none"> <li>1. Participates in the development of the Technical SDBIP.</li> <li>2. Participates in the development of their own performance measurement.</li> </ol>	<ol style="list-style-type: none"> <li>1. Executes individual work plans.</li> </ol>	<ol style="list-style-type: none"> <li>1. Participates in the review of departmental plans.</li> <li>2. Participates in the review of own performance.</li> </ol>	<ol style="list-style-type: none"> <li>1. Reports to line manager.</li> </ol>

**7. Roles and responsibilities of the Internal Audit Unit**

Planning	Monitoring	
	Review	Reporting
<ol style="list-style-type: none"> <li>Develop a risk and compliance base audit plan.</li> </ol>	<ol style="list-style-type: none"> <li>Measures the performance of departments according to KPIs and performance targets set in the municipal scorecard and departmental scorecards.</li> <li>Assess the functionality of the PMS.</li> <li>Ensures that the system complies with the Act.</li> <li>Audit the performance measures in the municipal scorecard and departmental scorecards.</li> <li>Conduct compliance based audit.</li> </ol>	<ol style="list-style-type: none"> <li>Submit quarterly reports to the Municipal Manager.</li> <li>Submit quarterly reports to the Performance Audit Committee.</li> </ol>

**8. Roles and Responsibilities of the Audit Committee**

Planning	Monitoring	
	Review	Reporting
<ol style="list-style-type: none"> <li>Participates in the formulation of the annual audit plan.</li> </ol>	<ol style="list-style-type: none"> <li>Review quarterly reports from the internal audit committee.</li> </ol>	<ol style="list-style-type: none"> <li>Reports quarterly to the municipal Council.</li> </ol>

**9. Roles and Responsibilities of the Community**

Planning	Monitoring	
	Review	Reporting
<ol style="list-style-type: none"> <li>Participate in the drafting and implementation of the municipality’s IDP through established forums</li> <li>Participates in the setting of KPIs and targets for the municipality every year</li> <li>Make representations on the draft annual budget</li> </ol>	<p>Participate in the annual review of performance through their involvement in the development of the Oversight Report.</p>	<ol style="list-style-type: none"> <li>Receive annual performance and budget reports from council</li> <li>Participate in the development of the Oversight report</li> </ol>

## Integrating the IDP, Performance Management and the Budget.

### Components

There are several components to the integration of IDP priorities, objectives, performance management and the budget.

### Vision

Council determines the vision of the municipality, the ultimate outcome desired from all its strategic efforts.

### IDP Priorities and objectives

Council also determines IDP priorities and objectives. They are based on community needs, the constitutional mandate of local government, national legislation and the General KPIs within the framework of the powers and functions of the municipality.

### Balanced Score Card

The balanced score card approach is used to link the municipalities mission and vision with its IDP priorities and objectives. These are further cascaded down through the SDBIP. The latter informs the budget process of the municipality.

With an emphasis on “balanced”, the Scorecard uses four perspectives to answer critical service delivery questions. This provides the balance that successful organisations seek in measuring performance.

Perspective	Definition	Leading Question
<b>Customer</b>	The municipality must focus on how to meet service needs in an efficient manner.	Is the organization delivering the services communities or its customers want?
<b>Financial</b>	The municipality must focus on how to meet service needs in an efficient manner.	Is the service delivered at a good price?
<b>Internal Business</b>	The municipality needs to focus on those critical operations that enable them to satisfy citizens.	Can the organisation improve upon a service by changing the way a service is delivered?
<b>Innovation, Learning and Growth</b>	The organization's ability to improve and meet citizen demands ties directly to the employees' ability to meet those demands	Is the organisation maintaining technology and employee training for continuous improvement?

**IDP Objectives**

Based on IDP priorities, the municipality chooses objectives for its Top-Layer SDBIP. Each objective is broadly defined so that it provides the context in which it is to be achieved. The relationship between IDP priorities, the four balanced perspectives constitute the blueprint for every department, service provider and individual employee activity.

**Measures and Targets**

There are a set of strategic measures and targets for each objective of the IDP.