
Kareeberg Municipality

**Performance Management Policy Framework
for Kareeberg Municipality**

2016- 2017

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1

Table of Contents

1.Introduction	5
2.Policy and Legislative Framework for Performance Management	5
2.1The White Paper on Local Government (1998)	5
2.2Batho Pele (1998)	5
2.2.1Consultation:	5
2.2.2Service standards:	5
2.2.3Access:	6
2.2.4Courtesy:	6
2.2.5Information:	6
2.2.6Openness and transparency:	6
2.2.7Redress:	6
2.2.8Value-for-money:	6
2.3The Municipal Systems Act (2000)	6
2.4Municipal Planning and Performance Management Regulations (2001)	7
3.Objectives of a Performance Management System for Renosterberg Municipality	7
3.1Facilitate increased accountability	7
3.2Facilitate learning and improvement	7
3.3Provide early warning signals	8
3.4Facilitate decision-making	8
4.Principles Governing Performance Management	8
4.1Simplicity	8
4.2Politically driven	8
4.3Incremental implementation	8
4.4Transparency and accountability	9
4.5Integration	9
4.6Objectivity	9
5.What do we Monitor and Review?	9
5.1What is a model?	9
5.2Why do we need a model?	9
5.2.1Balance	9
5.2.2Simplicity	10
5.2.3Mapping of Inter-relationships	10
5.2.4Alignment to the Integrated Development Planning (IDP) methodology	10
5.3The Scorecard	10
5.3.1Customer / Service Delivery	10
5.3.2Finance and Resource Management	11
5.3.3Internal Business Process / Governance	11
5.3.4Learning and growth	11
5.4Scorecards at different levels	12
5.4.1The Strategic Scorecard	12
	2

5.4.2 Service Scorecards	13
5.5 Scorecard concepts	13
5.6 Criteria for Good Indicators	14
5.6.1 Focused and Specific	14
5.6.2 Measurable	14
5.6.3 Valid and Relevant	14
5.6.4 Reliable	14
5.6.5 Simple	14
5.6.6 Minimise perverse consequences	14
5.6.7 Data Availability	14
6. The Process of Managing Performance	14
6.1 Co-ordination	15
6.2 Role of Stakeholders	15
6.3 Performance Planning	16
6.4 Measurement and Analysis	17
6.5 Performance Reporting & Reviews	17
6.5.1 Departmental Reviews	18
6.5.2 Management Team Reviews	18
6.5.3 Portfolio Committee Reviews	19
6.5.4 Management Committee (Council) Reviews	19
6.5.5 Council Reviews	19
6.5.6 Public Reviews	20
6.6 Assessment Table	21
6.7 Table for the Awarding of Performance Bonuses	24
6.8 Auditing and Quality Control	24
6.8.1 Quality Control and Co-ordination	24
6.8.2 Performance Investigations	24
6.8.3 Internal Audit	24
6.8.4 Audit Committee	25
7. Evaluation and Improvement of the Performance Management System	26
7.1 Legislative Requirements	27
Chapter 6 of the Municipal Systems Act (2000) requires:-	27
8. GOVERNMENT NOTICE	31
NO. R. 1 August 2006	31
8.1 LOCAL GOVERNMENT: MUNICIPAL PERFORMANCE REGULATIONS FOR MUNICIPAL MANAGERS AND MANAGERS DIRECTLY ACCOUNTABLE TO MUNICIPAL MANAGERS, 2006	31
9. GOVERNMENT NOTICE: No. R. 796 of 24 August 2001	63
9.1 LOCAL GOVERNMENT: MUNICIPAL PLANNING AND PERFORMANCE MANAGEMENT REGULATIONS, 2001	64

Index of Figures

FIGURE 1: STRUCTURE OF THE MUNICIPAL SCORECARD	12
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FIGURE 2: TWO LEVELS OF SCORECARDS	12
FIGURE 3: THE ANNUAL PROCESS OF REPORTING AND REVIEW	18

1. Introduction

This framework is a policy document that will set out:

- The requirements a performance management system will need to fulfil,
- The principles that will inform its development and use,
A model that describes what areas of performance will be managed, in Kareeberg Municipality,
- The process by which the system will work, and the delegation of responsibilities for different roles in the process,
- A plan for the development and implementation of the system.

This document is intended to be adopted by the municipal council as its performance management system.

2. Policy and Legislative Framework for Performance Management

2.1 The White Paper on Local Government (1998)

The White Paper on Local Government (1998) suggested that local government should introduce the idea of *performance management systems*. The white paper noted that,

"Involving communities in developing some municipal key performance indicators increases the accountability of the municipality. Some communities may prioritise the amount of time it takes a municipality to answer a query, others will prioritise the cleanliness of an area or the provision of water to a certain number of households. Whatever the priorities, by involving communities in setting key performance indicators and reporting back to communities on performance, accountability is increased, and public trust in the local government system enhanced" (The White Paper on Local Government, 1998).

2.2 Batho Pele (1998)

Similarly, the White Paper on Transforming Public Service Delivery (Batho Pele) puts forward eight principles for good public service:

2.2.1 Consultation:

Citizens should be consulted about the level and quality of public service they receive, and, where possible, should be given a choice about the services which are provided.

2.2.2 Service standards:

Citizens should know what standard of service to expect.

2.2.3 Access:

All citizens should have equal access to the services to which they are entitled.

2.2.4 Courtesy:

Citizens should be treated with courtesy and consideration.

2.2.5 Information:

Citizens should be given full and accurate information about the public services they are entitled to receive.

2.2.6 Openness and transparency:

Citizens should know how departments are run, how resources are spent, and who is in charge of particular services.

2.2.7 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.

2.2.8 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. For example, local businesses or non-governmental organisations may assist with funding a helpline, providing information about specific services, identifying service gaps or conducting a customer survey" - The White Paper on Local Government (1998).

2.3 The Municipal Systems Act (2000)

Government has taken this idea forward in the Municipal Systems Act (2000) which requires all municipalities to:

- Develop a performance management system
- Set *targets*, monitor and *review performance* based on indicators linked to their IDP
- Publish an *annual report* on performance for the councillors, staff, the public and other spheres of government

- Incorporate and report on a set of *general indicators* prescribed nationally by the minister responsible for local government
- Conduct an *internal audit* on performance before tabling the report.
- Have their annual performance report audited by the Auditor-General
- *Involve the community* in setting indicators and targets and reviewing municipal performance

The Department of Provincial and Local Government has published national guidelines on performance management systems, and Kareeberg Municipality is participating in a pilot project to establish this system.

2.4 Municipal Planning and Performance Management Regulations (2001)

The Municipal Planning and Performance Management Regulations set out in detail requirements for municipal PM systems. However the regulations do not sufficiently constitute a framework that fully proposes how the system will work. Each component of the proposed framework in this document is strongly informed by the regulations. The regulations have been attached as Appendix VI.

3. Objectives of a Performance Management System for Kareeberg Municipality

Beyond the fulfilling of legislative requirements, Kareeberg Municipality requires a performance management system that will be constituted as the primary mechanism to monitor, review and improve the implementation of the municipality's IDP.

In doing so, it should fulfil the following functions:

3.1 Facilitate increased accountability

The performance management system should provide a mechanism for ensuring increased accountability between

- The citizens of Kareeberg Municipality and the municipal council,
- The political and administrative components of the municipality,
- Each department and the executive office.

3.2 Facilitate learning and improvement

While ensuring that accountability is maximised, the performance management system must also provide a mechanism for learning and improvement. It should allow for 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.

3.3 Provide early warning signals

The performance management system should provide managers, the Municipal Manager, Portfolio Committees and the Council with early warning of risks to full implementation of the IDP. It is important that the system ensure decision-makers are timeously informed of risks, so that they can facilitate intervention, if necessary.

3.4 Facilitate decision-making

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

The functions listed above are not exhaustive, but summarise the intended benefits of the performance management system to be developed and implemented. These intended functions should be used to evaluate the performance management system, periodically.

4. Principles Governing Performance Management

The following principles are proposed to inform and guide the development and implementation of the Kareeberg Municipality performance management system:

4.1 Simplicity

The system must be a simple user-friendly system that enables the municipality to operate it within its existing resource capacity and involve external stakeholders.

4.2 Politically driven

Legislation clearly tasks the Council as the owner of the performance management system. The Council will need to drive both the implementation and improvement of the system, and may delegate responsibilities in this regard.

4.3 Incremental implementation

It is important that while a holistic performance management system will be proposed, the municipality could adopt a phased approach to implementation, dependent on the capacity and resources of the municipality. It is also important to note that municipal performance management is a new concept without definitive solutions. The performance management system will need to be constantly improved based on its workability.

4.4 Transparency and accountability

The process of managing performance should be inclusive open and transparent. Citizens should know how departments are run, how resources are spent, and who is in charge of particular services. Similarly all information on the performance of departments should be available for other managers, employees, the public and specific interest groups.

4.5 Integration

The performance management system should be integrated into other management processes in the municipality, such that it becomes a tool for more efficient and effective management rather than an additional reporting burden. It should be seen as a central tool for ongoing management functions.

4.6 Objectivity

Performance management must be founded on objectivity and credibility. Both the processes of managing performance and the information on which it relies need to be objective and credible.

5. What do we Monitor and Review?

International experience in both the private and public sectors has shown that traditional approaches to measuring performance that have been heavily reliant on financial measures are severely lacking. It has become well accepted that in order to assess an organisation's performance, a balanced view is required, incorporating a multi-perspective assessment of how the organisation is performing as seen by differing categories of stakeholders. To ensure this balanced multi-perspective examination of performance, it is proposed that a model be adopted for the performance of the organisation.

5.1 What is a model?

A model for performance management provides a framework for what aspects of performance get measured and managed.

5.2 Why do we need a model?

Models have proved useful in performance management for the following reasons. They provide:

5.2.1 Balance

A good model will ensure balance in how the organisation measures and manages its performance. It should not bias performance measurement by relying on one facet of performance, but represent a multi-perspective holistic assessment of municipal performance.

5.2.2 Simplicity

A good model should organise simply, what would otherwise be a long list of indicators attempting to comprehensively cover performance, into a set of categories sufficiently covering all key areas of performance. Models differ most significantly in what they assert are the key aspects of performance.

5.2.3 Mapping of Inter-relationships

A good model will map out the inter-relationships between different areas of performance. These inter-relationships relate to the extent to which poor performance in one category would lead to poor performance in other related areas and the converse. These inter-relationships help in both the planning stage and the review stage, particularly in the diagnosis of causes of poor performance.

5.2.4 Alignment to the Integrated Development Planning (IDP) methodology

A good model will align the processes of performance management to the IDP processes of the organisation. It will ensure that IDP translated into performance plans that will be monitored and reviewed. The categories of key performance areas provided by a model should relate directly to the identified priority areas of the IDP.

5.3 The Scorecard

The Scorecard is a strategic measurement framework that goes beyond traditional strategic planning and emphasizes the need for the strategy to be consciously managed and measures. Traditionally, the tendency has been for organizations to focus primarily on finance and financial measures. This did not do justice to the overall role and value of the institution.

Kaplan and Norton, the developers of the Scorecard approach, found that it was important to focus on additional perspectives, other than finance. In addition, they found that a narrow focus on finance was in fact the reason that a number of organizations were failing to grow and be competitive, Scorecard is based on four key perspectives, namely:

- Customer/ Service Delivery
- Finance and Resource Management
- Internal business Processes
- Learning and growth

5.3.1 Customer / Service Delivery

This perspective should tell us how the municipality is performing with respect to delivery of services and its products. This relates to the governance processes of the municipality as a whole.

In this perspective the municipality will have to assess whether the desired development and service impact in the municipal area is being achieved. This perspective will constitute the development priorities and indicators that tell council whether the desired service delivery outcomes are being achieved. It

is expected that the needs of the citizens, municipal priorities and indicators will often lie within the shared accounted of:-

- The municipality;
- Difference Spheres of Government and ;
- Civil Society.

The measurement of service delivery outcomes will be useful in telling whether Council policies strategies are having a desired development impact.

5.3.2 Finance and Resource Management

This perspective should tell us how the municipality is performing with respect to the management of its financial and organizational resources:

- Financial Resources
- Human Resources
- Information
- Organizational Infrastructure

This relates to the inputs of the municipality as a whole. It looks at service delivery and the affordability of those services.

5.3.3 Internal Business Process / Governance

This perspective should tell us how a municipality is performing with respect to its engagement and relationship with its stakeholders in the process of governance. This perspective should include, amongst others:

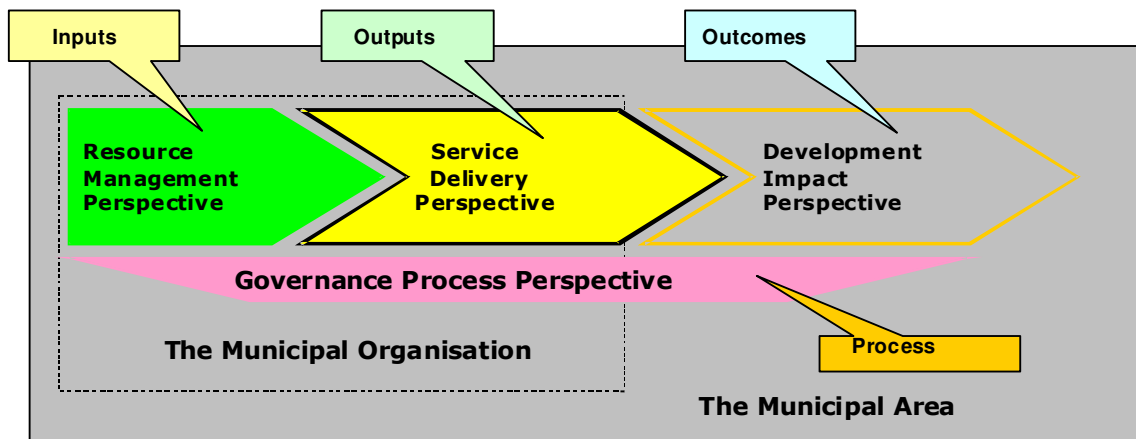
- Public participation
- Citizen satisfaction
- Access to Information

5.3.4 Learning and growth

This perspective should tell us how the municipality is performing with respect to maintain technology and training people for continuous growth and development. This relates to:-

- Human Resource
- Information
- Organisational Structure

Figure 1: Structure of the Municipal Scorecard

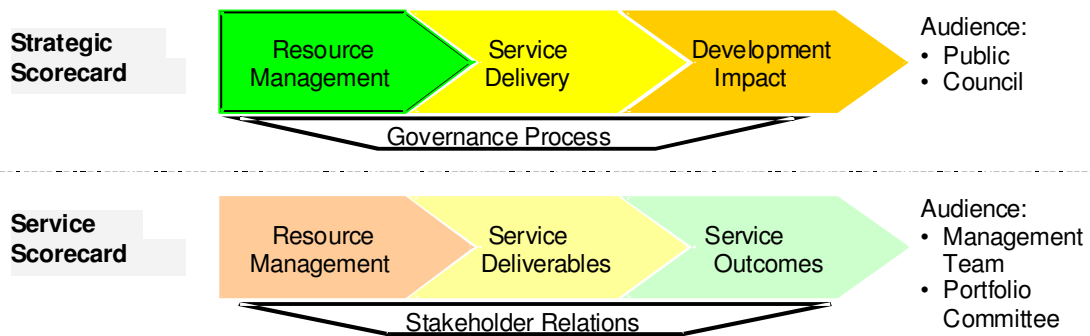


Source : Palmer Development Group (2001)

5.4 Scorecards at different levels

It is proposed that there be two levels of scorecards for Kareeberg Municipality as depicted in the figure below.

Figure 2: Two levels of scorecard



5.4.1 The Strategic Scorecard

The strategic scorecard will provide an overall picture of performance for the municipality as a whole, reflecting performance on its strategic priorities. It will be used, after review by the Municipal Manager and HODs, as a basis for

reporting to the Council and the public. It is proposed that it be reported to Council quarterly, to Council bi-annually and the Public annually for review.

5.4.2 Service Scorecards

The service scorecards will capture the performance of each defined service. Unlike the strategic scorecard, which reflects on the strategic priorities of the municipality, a service scorecard will provide a comprehensive picture of the performance of that service. It will consist of objectives, indicators and targets derived from the service plan and service strategies. It will be crucial that service scorecards should not duplicate current reporting, but be integrated into as a core component and simplify all regular reporting from departments to the municipal manager and portfolio committees.

Service Scorecards will be comprised of the following components:

- Service Outcomes, which set out the developmental outcomes that the service is to impact on,
- Service Deliverables, which set out the products and services that the service will deliver,
- Resource Management, which sets out how the service will manage its Human and Financial resources, Information and Organisational Infrastructure
- Stakeholder Relations, which sets out how the service will improve its relationship with its key stakeholders

Performance in the form of a service scorecard will be reported to the Municipal Manager and relevant portfolio committee for review. It is suggested that this happen monthly.

5.5 Scorecard concepts

The strategic and service scorecards should be presented in a consistent format so that they are easy to use and understand. Several concepts that are used are defined below:

Objectives: are statements about what a service wants to achieve.

Indicators: are measures which tell us whether we are making progress towards achieving our objectives.

A baseline measure: is the value of the indicator before the start of the programme or prior to the period over which performance is to be reviewed.

A target: is the value of the indicator that we want to achieve by a specified time.

The measurement source and frequency: should indicate where the data emanates from, and how frequently it can be measured and reported. This information will assist the auditing process.

These have been used as the basis of the plans for the strategic and service scorecards.

5.6 Criteria for Good Indicators

5.6.1 Focused and Specific

Indicators should be clearly focused and stated unambiguously.

5.6.2 Measurable

An indicator should by definition contain a unit of measurement meaning it should be easy to measure and can be easily calculated from available data.

5.6.3 Valid and Relevant

Validity is the degree to which an indicator measures what is intended to be measured. The KPI's must only measure the business of the municipality. 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.

5.6.4 Reliable

Reliability is the degree to which repeated measures, under exactly the same conditions will produce the same result. The user must be able to rely on the accuracy of the KPI

5.6.5 Simple

Good indicators will be simple, easy to communicate such that their relevance is apparent. KPI's must be simple to understand

5.6.6 Minimise perverse consequences

Poorly chosen indicators, while nobly intended, can have perverse consequences in the behaviours it incentivises.

5.6.7 Data Availability

Good indicators will also rely on data that is, or intended to be, available on a regular basis.

6. The Process of Managing Performance

The annual process of managing performance of the Kareeberg Municipality will involve the following components:

- Performance Planning
- Measurement, Analysis and Reporting
- Performance Reviews

- Performance Auditing

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.

6.1 Co-ordination

Co-ordination of the implementation of the planning, measurement, reporting and review process will require a multi-disciplinary team, representative of the organisation and its key processes. A performance management team need to be established including the:

- Municipal Manager
- IDP/ PMS Manager
- All directors/Senior Managers
- All Managers/

6.2 Role of Stakeholders

Stakeholders	Performance Planning	Measurement and Analysis	Performance Reporting & Reviews
<i>Citizens and Communities</i>	<ul style="list-style-type: none"> • Be consulted on needs • Develop the long term vision for the area • Influence the identification of priorities • Influence the choice of indicators and setting of targets 		<ul style="list-style-type: none"> • Be given the opportunity to review municipal performance and suggest new indicators and targets
<i>Council</i>	<ul style="list-style-type: none"> • Facilitate the development of a long-term vision. • Develop strategies to achieve vision • Identify priorities • Adopt indicators and set targets 		<ul style="list-style-type: none"> • Review municipal performance bi-annually

Stakeholders	Performance Planning	Measurement and Analysis	Performance Reporting & Reviews
<i>Council</i>	<ul style="list-style-type: none"> Play the leading role in giving strategic direction and developing strategies and policies for the organisation Manage the development of an IDP Approve and adopt indicators and set targets Communicate the plan to other stakeholders 		<ul style="list-style-type: none"> Conduct the major reviews of municipal performance, determining where goals had or had not been met, what the causal reasons were and to adopt response strategies
<i>Municipal Manager HODs</i> +	Assist the Council in <ul style="list-style-type: none"> providing strategic direction and developing strategies and policies for the organisation Manage the development of the IDP Ensure that the plan is integrated Identify and propose indicators and targets Communicate the plan to other stakeholders 	<ul style="list-style-type: none"> Regularly monitor the implementation of the IDP, identifying risks early Ensure that regular monitoring (measurement, analysis and reporting) is happening in the organisation Intervene in performance problems on a daily operational basis 	<ul style="list-style-type: none"> Conduct regular reviews of performance Ensure that performance reviews at the political level are organised Ensure the availability of information Propose response strategies to the Council
<i>Managers/ Assistant Directors</i>	<ul style="list-style-type: none"> Develop service plans for integration with other sectors within the strategy of the organisation 	<ul style="list-style-type: none"> Measure performance according to agreed indicators, analyse and report regularly Manage implementation and intervene where necessary Inform decision-makers of risks to service delivery timeously 	<ul style="list-style-type: none"> Conduct reviews of service performance against plan before other reviews

6.3

6.4 Performance Planning

Because performance is to be managed in terms of the Integrated Development Plan, 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.

6.5 Measurement and Analysis

For each indicator the scorecard will require a responsible official, usually the respective line manager, to be designated. 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 performance management office to provide data for indicators organisationally and for the different service scorecards:

- An annual citizen satisfaction survey conducted for households and business in Kareeberg Municipality
- An employee satisfaction survey that is conducted internally

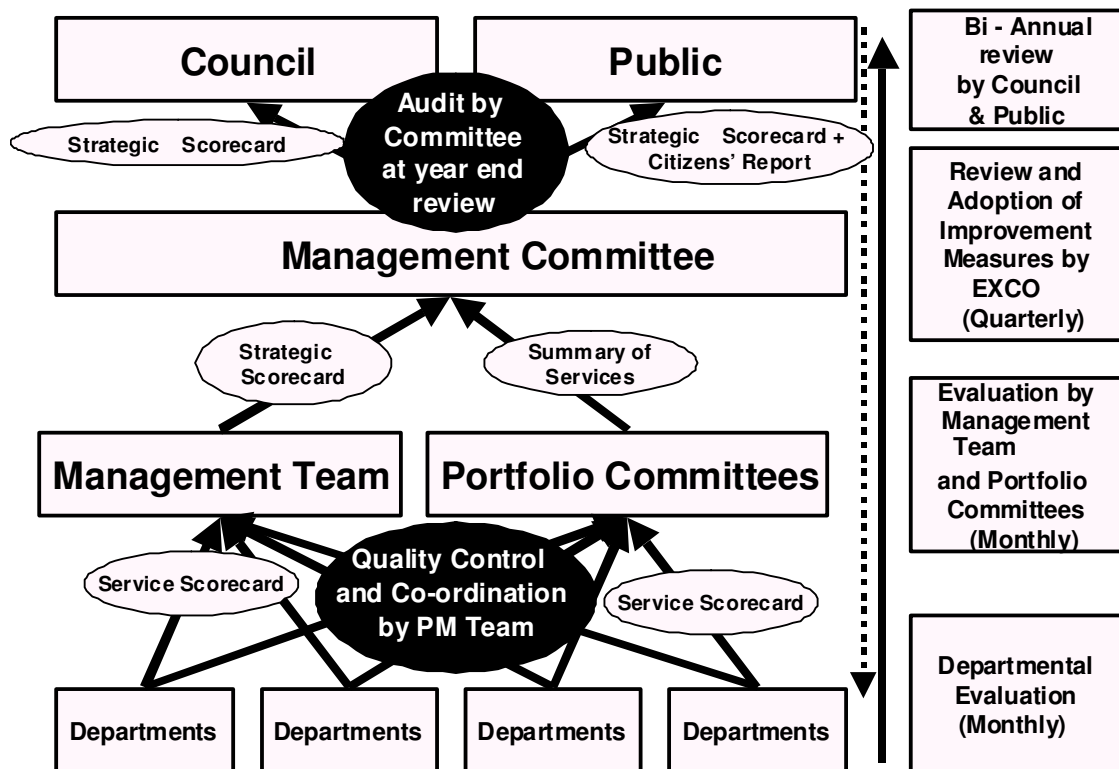
Prior to reviews taking place by the Management Team and Council, performance reporting will need to be tracked and co-ordinated. It is proposed that the IDP/PM office be responsible for this process.

It will also be useful to provide an overall analysis of municipal performance with respect to the strategic scorecards and service scorecards, 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/PM office be responsible for this.

6.6 Performance Reporting & Reviews

The figure below aims to provide a picture of the annual process of reporting and reviews.

Figure 3: The annual process of reporting and review



6.6.1 Departmental Reviews

It is intended that departments review their performance at least monthly, using their service scorecards. 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 Municipal Manager's Office.

6.6.2 Management Team Reviews

Departments will then need to report on their performance in the service scorecard format to the municipal manager and the heads of departments. Additional indicators that occur in the strategic scorecard will also be reviewed. The formulation of the 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.

6.6.3 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, in consultation with the Municipal Manager's Office. Changes in indicators and targets that fall within the strategic scorecard will need to be approved by the Council.

6.6.4 Management Committee Reviews

On a quarterly basis, the PMS 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 Council 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.

6.6.4.1 Incentives for Excellent Performance

It will be important that the Council not only pay attention to poor performance but also to good performance. It is expected that the Council 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, that rewards 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.

6.6.5 Council Reviews

At least annually, the Performance Management Committee will be required to report to council on municipal performance. It is proposed that this reporting take place using the strategic scorecard in an annual report. The Municipal Systems Act requires that the annual report should at least constitute a

performance report (the strategic scorecard), financial statements and an audit report.

6.6.6 Public Reviews

The Municipal Systems Act requires the public to be given the opportunity to review municipal performance.

It is proposed that in addition to the annual report mentioned above, a user-friendly citizens' report should be produced for public consumption. The citizens' report should be a simple, easily readable and attractive document that translates the strategic scorecard for public consumption.

It is also proposed that a public campaign be annually embarked on to involve citizens in the review of municipal performance. Such a campaign could involve the following methodologies:

- Various forms of media including radio, newspapers and billboards can be used to convey the citizens' report. The public should be invited to submit comment via telephone, fax, email and public hearings to be held in a variety of locations.
- The public reviews should be concluded by a review by the IDP Representative Forum.

6.7 Assessment Table

Assessment of the Administration will take place quarterly, but there will be two informal and two formal sessions. The two formal sessions will be evaluated by the Evaluation Panel as per the regulations and will be after the second and the fourth quarters. The informal sessions will be between the mayor and the municipal manager in the case of the municipal manager and the municipal manager and the respective direct report in case of the direct report. The participant will be liable to prepare a portfolio of evidence which needs to supply proof of reaching the respective target in the scorecard signed by the participant.

Assessment report for both the mid-year evaluation and the year end assessment must be submitted by the Evaluation Panels to the portfolio committee dealing with performance management 7 days after completion of the last evaluation

Level	Terminology	Description	Points Awarded	Assessing Score	Percentage to Bonus Relationship
5	Outstanding performance	Performance far exceeds the standard expected of an employee at this level. The appraisal indicates that the Employee has achieved above fully effective results against all performance criteria and indicators as specified in the PA and Performance plan and maintained this in all areas of responsibility throughout the year.	5	150% Plus	A maximum bonus is allowed between 10 and 14% of a person's all inclusive yearly remuneration package. (the percentage will be approved by the Municipal Council's Council decision before payment)

Level	Terminology	Description	Points Awarded	Assessing Score	Percentage to Bonus Relationship
4	Performance significantly above expectations	Performance is significantly higher than the standard expected in the job. The appraisal indicates that the Employee has achieved above fully effective results against more than half of the performance criteria and indicators and fully achieved all others throughout the year.	4	130-149%	A maximum bonus is allowed between 5 and 9% of a person's all inclusive yearly remuneration package. (the percentage will be approved by the Municipal Council's Council decision before payment)
3	Fully effective	Performance fully meets the standards expected in all areas of the job. The appraisal indicates that the Employee has fully achieved effective results against all significant performance criteria and indicators as specified in the PA and Performance Plan.	3	100-129%	No Bonus
2	Performance not fully effective	Performance is below the standard required for the job in key areas. Performance meets some of the standards expected for the job. The review/assessment indicates that the employee has achieved below fully effective results against more than half the key performance criteria and indicators as specified in the PA and Performance Plan.	2	70-99%	No Bonus

Level	Terminology	Description	Points Awarded	Assessing Score	Percentage to Bonus Relationship
1	Unacceptable performance	Performance does not meet the standard expected for the job. The review/assessment indicates that the employee has achieved below fully effective results against almost all of the performance criteria and indicators as specified in the PA and Performance Plan. The employee has failed to demonstrate the commitment or ability to bring performance up to the level expected in the job despite management efforts to encourage improvement.	1	Less than 70%	No Bonus

6.8 Table for the Awarding of Performance Bonuses

<i>Percentages as per Regulation</i>	<i>Percentage Achieved (%)</i>	<i>Bonus Percentage (%)</i>
5-9%	130	5
	135	6
	140	7
	145	8
	149	9
10-14%	150	10
	152	11
	155	12
	157	13
	+160	14

6.9

6.10 Auditing and Quality Control

All auditing should comply with Section 14 of the Municipal Planning and Performance Management Regulations (2001).

6.10.1 Quality Control and Co-ordination

The performance management team will be required on an ongoing basis to co-ordinate and ensure good quality of reporting and reviews. It will be their role to ensure conformity to reporting formats and check the reliability of reported information, where possible.

6.10.2 Performance Investigations

The Council or Audit Committee should be able to commission in-depth performance investigations where there is either continued poor performance, a lack of reliability in the information being provided or on a random ad-hoc basis. Performance investigations should 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 function may be used to conduct these investigations, it is preferable that external service providers, preferably academic institutions, who are experts in the area to be audited, should be used. Clear terms of reference will need to be adopted by the Council.

6.10.3 Internal Audit

The municipality's internal audit function will need to be continuously involved in auditing the performance reports of services and the strategic scorecard. As required by the regulations, they will be required to produce an audit report on a quarterly basis, to be submitted to the Municipal Manager and Audit Committee. The capacity of the internal audit unit will need to be improved beyond the auditing of financial information.

The role of the audit committee will be to assess

- The functionality of the municipality's performance management system
- The adherence of the system to the Municipal Systems Act
- The extent to which performance measurements are reliable

6.10.4 Audit Committee

The regulations require that the municipal council establish an audit committee, where the majority of members are not councillors or employees of the municipality. Council shall also appoint a chairperson who is neither a councillor nor employee.

The operation of this audit committee is governed by section 14 (2-3) of the regulations. The municipality may choose to use an existing audit committee for this purpose.

According to the regulations, the performance audit committee must

- review the quarterly reports submitted to it by the internal audit unit
- review the municipality's performance management system and make recommendations in this regard to the council of that municipality
- assess whether the performance indicators are sufficient
- at least twice during a financial year submit an audit report to the municipal council

It is further proposed that the audit committee be tasked with assessing the reliability of information reported.

In order to fulfill their function a performance audit committee may, according to the regulations,

- communicate directly with the council, municipal manager or the internal; and external auditors of the municipality concerned;
- access any municipal records containing information that is needed to perform its duties or exercise its powers;

- request any relevant person to attend any of its meetings, and, if necessary, to provide information requested by the committee; and
- investigate any matter it deems necessary for the performance of its duties and the exercise of its powers.

The Performance Audit Committee need to be appointed by Council and must be trained on PMS. The audit committee should be comprised of seven members, two of which should be councillors who are not members of MAYCO and one from organised labour. The other four members of the audit committee should be external to the municipal organisation.

The composition of the audit committee should ensure that the following competencies are sufficiently catered for within the group:

- An understanding of performance management
- An understanding of finances
- An understanding of development, including rural development
- Credibility within Kareeberg Municipality communities and organs of civil society

7. Evaluation and Improvement of the Performance Management System

The Municipal Systems Act 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 Council for discussion and approval. The evaluation should assess:

- The adherence of the performance management system to the Municipal Systems Act.
- The fulfilment 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 fulfil the objectives of the system and address the emerging challenges from a constantly changing environment.

7.1 Legislative Requirements

7.2 Chapter 6 of the Municipal Systems Act (2000) requires:-

Establishment of performance management system

38. A municipality must—

(a) Establish a performance management system that is—

- (i) Commensurate with its resources;
- (ii) Best suited to its circumstances; and
- (iii) In line with the priorities, objectives, indicators and targets contained in its integrated development plan;

(b) Promote a culture of performance management among its political structures, political office bearers and councilors and in its administration; and

(c) Administer its affairs in an economical, effective, efficient and accountable manner.

Development of performance management system

39. The Council or Council of a municipality or, if the Municipality does not have an Council or Council, a committee of Councilors appointed by the municipal council must—

(a) Manage the development of the municipality's performance management system;

(b) Assign responsibilities in this regard to the municipal manager, and

(c) Submit the proposed system to the municipal council for adoption.

Monitoring and review of performance management system

40. A municipality must establish mechanisms to monitor and review its performance management system.

Core components

41. (1) A municipality must in terms of its performance management system and in accordance with any regulations and guidelines that may be prescribed—

(a) Set appropriate key performance indicators as a yardstick for measuring performance, including outcomes and impact, with regard to the municipalities development priorities and objectives set out in its integrated development plan;

(b) Set measurable performance targets with regard to each of those development priorities and objectives;

(c) With regard to each of those development priorities and objectives and against the key performance indicators and targets set in terms of paragraphs (a) and (b)—

(i) Monitor performance; and

(ii) Measure and review performance at least once per year;

(d) Take steps to improve performance with regard to those development priorities and objectives where performance targets are not met; and

(e) Establish a process of regular reporting to—

(i) The council, other political structures, political office bearers and staff of the municipality; and

- (ii) The public and appropriate organs of state.
- (2) The system applied by a municipality in compliance with subsection (1)(c) must be devised in such a way that it may serve as an early warning indicator of under-performance.

Community involvement

42. 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.

General key performance indicators

- 43.** (1) The Minister, after consultation with the MECs for local government and organized local government representing local government nationally, may—
- (a) By regulation prescribe general key performance indicators that are appropriate and that can be applied to local government generally; and
 - (b) When necessary, review and adjust those general key performance indicators.
- (2) Key performance indicators set by a municipality must include any general key performance indicators prescribed in terms of subsection (1), to the extent that these indicators are applicable to the municipality concerned.

Notification of key performance indicators and performance targets

44. A municipality, in a manner determined by its council, must make known, both internally and to the general public, the key performance indicators and performance targets set by it for purposes of its performance management system.

Audit of performance measurements

- 45.** The results of performance measurements in terms of section 41(1)(c) must be audited—
- (a) as part of the municipality's internal auditing processes; and
 - (b) annually by the Auditor-General.

Annual reports

- 46.** (1) A municipality must prepare for each financial year an annual report consisting of—
- (a) a performance report reflecting—
 - (i) the municipality's, and any service provider's, performance during that financial year, also in comparison with targets of and with performance in the previous financial year;
 - (ii) the development and service delivery priorities and the performance targets set by the municipality for the following financial year; and
 - (iii) measures that were or are to be taken to improve performance;

- (b) the financial statements for that financial year prepared in accordance with the standards of generally recognized accounting practice referred to in section 89 of the Public Finance Management Act, 1999 (Act No. 1 of 1999);
- (c) an audit report on the financial statements and the report on the audit performed in terms of section 45(b); and
- (d) any other reporting requirements in terms of other applicable legislation.
- (2) A municipality must table its annual report within one month of receiving the audit report referred to in subsection (1)(c).
- (3) (a) The municipal manager must—
- (i) by prior notice in the media, inform the local community of the meeting or meetings of the council at which the municipality's annual report is tabled or discussed, which meetings must be open to the public;
 - (ii) give written notice of such meetings to the Auditor-General and the MEC for local government in the province;
 - (iii) submit copies of the minutes of those meetings to the Auditor-General and the MEC for local government in the province;
- (b) Representatives of the Auditor-General and the MEC for local government in the province are entitled to attend and to speak at such meetings, and the municipal manager must be available to respond to questions related to the annual report.
- (4) The municipality must adopt its annual report, and within 14 days—
- (a) make copies of the report accessible to the public, interested organizations and the media, free of charge or at a reasonable price; and
 - (b) submit a copy of the report to—
 - (i) the MEC for local government in the province;
 - (ii) the Auditor-General; and
 - (iii) such other institutions as may be prescribed by regulation.

Reports by MEC

- 47.** (1) The MEC for local government must annually compile and submit to the provincial legislatures and the Minister a consolidated report on the performance of municipalities in the province.
- (2) The report must—
- (a) identify municipalities that under-performed during the year;
 - (b) propose remedial action to be taken; and
 - (c) be published in the *Provincial Gazette*.
- (3) The MEC for local government must submit a copy of the report to the National Council of Provinces.

Reports by Minister

- 48.** (1) The Minister must annually compile and submit to Parliament and the MECs for local government a consolidated report of local government performance in terms of general key performance indicators.
- (2) The report must be published in the *Gazette*.

Regulations and guidelines

- 49.** (1) The Minister may for the purposes of this Chapter make regulations or issue guidelines in terms of section 120 to provide for or regulate—

- (a) incentives to ensure that municipalities establish their performance management systems within the applicable prescribed period, and comply with the provisions of this Act concerning performance management systems;
 - (b) the setting of key performance indicators by a municipality with regard to its development objectives;
 - (c) the identification of appropriate general key performance indicators that can be applied to municipalities generally and that reflect the object and intent of section 23;
 - (d) the regular review by a municipality of its key performance indicators;
 - (e) the setting of a framework for performance targets by municipalities consistent with their development priorities, objectives and strategies set out in their integrated development plans;
 - (f) mechanisms, systems and processes for the monitoring and measurement of performance by a municipality with regard to its development objectives;
 - (g) the internal auditing of performance measurements;
 - (h) the assessment of those performance measurements by a municipality;
 - (i) the assessment of progress by a municipality with the implementation of its integrated development plan;
 - 55(j) the improvement of performance;
 - (k) any other matter that may facilitate—
 - (i) the implementation by municipalities of an efficient and effective system of performance management; or
 - (ii) the application of this Chapter.
- (2) When making regulations or issuing guidelines in terms of section 120 to provide for or to regulate the matters mentioned in subsection (1) of this section, the Minister must—
- (a) take into account the capacity of municipalities to comply with those matters; and
 - (b) differentiate between different kinds of municipalities according to their respective capacities.
- (3) The Minister, by notice in the *Gazette*, may phase in the application of the provisions of this Chapter which place a financial or administrative burden on municipalities.
- (4) A notice in terms of subsection (3) may—
- (a) determine different dates on which different provisions of this Chapter becomes applicable to municipalities;
 - (b) apply to all municipalities generally;
 - (c) differentiate between different kinds of municipalities which may, for the purpose of the phasing in of the relevant provisions, be defined in the notice in relation to categories or types of municipalities or in any other way; or
 - (d) apply to a specific kind of municipality only, as defined in the notice.

8. GOVERNMENT NOTICE

DEPARTMENT OF PROVINCIAL AND LOCAL GOVERNMENT

9. NO. R. 1 August 2006

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

Under section 120 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000), I, Fholisani Sydney Mufamadi, after consultation with the MEC's for local government and organised local government representing local government nationally, hereby make the regulations in the Schedule.

F. S. MUFAMADI
Minister for Provincial and Local Government

9.1.1.1 PREAMBLE

These regulations seek to set out how the performance of municipal managers will be uniformly directed, monitored and improved. The regulations address both the Employment Contract of a municipal manager and managers directly accountable to municipal managers, as well as the Performance Agreement that is entered into between respective municipalities, municipal managers and managers directly accountable to municipal managers. These instruments will, in combination, ensure a basis for performance and continuous improvement in local government.

The Employment Contract provides to specifically delineate the terms of employment for municipal managers, and managers directly accountable to municipal managers. Similarly, the Performance Agreement provides assurance to the municipal council of what can and should be expected from their municipal managers and managers directly accountable to municipal managers.

Finally, these instruments will be most effective when considered in the context of enabling the implementation of a municipality's Integrated Development Plan (IDP). As such, they should simultaneously create an enabling environment for enhanced performance and accountability.

SCHEDULE

CHAPTER 1

INTERPRETATION

Definitions

1. In these regulations a word or phrase to which a meaning has been assigned in the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000), has that meaning and, unless the context otherwise indicates-
“**employee**” means a person employed by a municipality as a municipal manager or as a manager directly accountable to a municipal manager;
“**employer**” means the municipality employing a person as a municipal manager or as a manager directly accountable to a municipal manager and as represented by the mayor, executive mayor or municipal manager as the case may be;
“**employment contract**” means a contract as contemplated in Section 57 of the Act;
“**performance agreement**” means an agreement as contemplated in Section 57 of the Act; and
“**the Act**” means the Local Government: Municipal Systems Act, 2000.

CHAPTER 2

EMPLOYMENT CONTRACTS FOR MUNICIPAL MANAGERS AND MANAGERS DIRECTLY ACCOUNTABLE TO MUNICIPAL MANAGERS

General principles

2. (1) In accordance with section 57 of the Act a person may only be appointed as a municipal manager or a manager directly accountable to a municipal manager in terms of a written employment contract complying with the provisions of section 57 of the Act.

(2) The employment contract must include, subject to applicable labour legislation:

- (a) details of duties;
- (b) remuneration;
- (c) benefits; and
- (d) other terms and conditions of employment.

(3) The employment contract for a municipal manager must -

- (a) be for a fixed term of employment not exceeding a period ending two years after the election of the next council of the municipality;
- (b) include a provision for cancellation of the employment contract, in the case of non-compliance with the employment contract, or where applicable, the performance agreement, or due to medical incapacity;
- (c) stipulate the terms of the renewal of the employment contract, but only by agreement between the parties; and
- (d) reflect the values and principles referred to in section 50 of the Act, the Code of Conduct set out in Schedule 2 of the Act, and the management standards and practices contained in section 51 of the Act.

(4) A municipality may extend the application of sub-regulation 3 to any manager directly accountable to the municipal manager as provided for in section 57(7) of the Act.

Parties

3. (1) The employment contract should clearly identify the municipality concerned by means of referring to its official name and should reflect the address of the municipality's principal place of business.

(2) The parties to the employment contract, in the case of the municipal manager, are the municipality as represented by the mayor or executive mayor and the person to be appointed through the employment contract, referred to as the employee.

(3) In respect of managers directly accountable to the municipal manager, the parties to the employment contract are the municipality as represented by the municipal manager and the person accountable to the municipal manager, referred to as the employee.

Establishment of contract

4. (1) The employment contract must be subject to the terms and conditions of the Act, in particular the responsibilities in terms of section 55 of the Act, as well as the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) and any other legislation imposing obligations on the municipal manager.

(2) In the case of the municipal manager, and managers directly accountable to the municipal manager and to which sub-regulation 2(4) applies, the employment contract must provide for a commencement date and termination date.

(3) Subject to sub-regulation 2(3)(c), there should be no expectation that the employment contract will be renewed or extended beyond the term referred to in sub-regulation (2).

(4) Employment in terms of the employment contract must further be subject to compliance with the following terms and conditions-

- (a) the signing of a separate performance agreement within ninety (90) calendar days after assumption of duty and annually within one month after the commencement of the new financial year;
- (b) the submission of original certificates or certified copies thereof of the employee's academic and professional qualifications and proof of previous employment prior to the signing of the employment contract;
- (c) the Code of Conduct as stipulated in Schedule 2 of the Act, which must form an appendix to the contract; and
- (d) disclosure of financial interests on the date of assumption of duty and on an annual basis within one month after the commencement of the financial year, which shall be lodged with the municipal council.

(5) The employment contract and performance agreement must be submitted to the MEC responsible for local government in the relevant province as well as the national minister responsible for local government within fourteen (14) days after concluding the employment contract and performance agreement.

Place of work

5. The employee's place of work includes the employer's area of jurisdiction, but he or she may be required to perform other duties or work related to the functions of the employer at other places that may reasonably be required by the employer.

Official working hours

6. The employee will be required to work such hours and days in accordance with the operational needs and requirements of the employer, which will not be less than 40 hours per week from Monday to Friday.

Remuneration

7. (1) The employment contract must provide that the employee shall be paid an all-inclusive annual remuneration package (total cost-to-employer), to be indicated in Rand value and payable in equal monthly instalment.

(2) The all-inclusive annual remuneration package consists of a basic salary and a flexible portion. The rules governing the structuring of the flexible portion will be provided by the employer.

(3) The all-inclusive remuneration package must be structured in accordance with the guidelines issued from time to time by the South African Revenue Service (SARS).

(4) The employee's all-inclusive annual remuneration package shall be adjusted annually linked to a cost-of-living adjustment based on market indicators, which is not performance based.

Performance bonus

In accordance with regulation 32, a performance bonus, based on affordability, may be paid to the employee, after –

- (1) the annual report for the financial year under review has been tabled and adopted by the municipal council;
- (2) an evaluation of performance in accordance with the provisions of regulation 23; and
- (3) approval of such evaluation by the municipal council as a reward for outstanding performance.

Motor vehicle

(1) The employee must have a motor vehicle available for the proper performance of his or her functions and discharge of his or her duties. He or she should secure his or her own financing.

(2) In the event that the employee utilises his or her private vehicle to carry out official duties, he or she will be compensated for kilometres travelled, within as well as outside the municipal area, in excess of 500 km per month, according to the tariffs payable for privately owned vehicles as prescribed by the Department of Transport.

Mobile phone

The employee shall be entitled to a mobile telephone for official purposes according to the policy of the municipality or in accordance with a decision of the municipal council.

Retirement and provident fund

The all-inclusive remuneration package may include a contribution to a retirement fund, provided that the total contributions will form part of the remuneration package referred to in sub-regulation 7(1). If the employee elects to structure for a retirement or provident fund contribution, he or she must supply the employer with proof of such membership.

Medical aid scheme

The all-inclusive remuneration package may include a contribution towards a medical aid scheme, provided that the total contributions will form part of the remuneration package referred to in sub-regulation 7(1). If the employee chooses to become a member of and contribute to a medical aid scheme, he or she must supply the employer with proof of such membership.

Overtime work

(1) The employee must place the whole of his or her time at the disposal of the municipality and it will be required of the employee to work overtime, when reasonably required to do so, in fulfilment of his or her duties.

(2) The employee will not qualify for overtime remuneration.

Deductions from salary

The employer may make deductions from the employee's monthly all-inclusive remuneration package subject to the provisions of the Basic Conditions of Employment Act, 1997 (Act No. 75 of 1997).

Leave

(1) The employee is entitled to twenty four (24) working days annual leave with full pay every calendar year. If the employee is appointed after the commencement of an annual leave cycle, he or she is entitled to annual vacation leave on a pro rata basis determined as a fraction of the entitlement.

(2) The employee must take at least 10 (ten) consecutive working days leave within a twelve-month period. The remaining leave days, if any, must be taken no later than the end of June of the year following the relevant leave cycle, whereafter unused leave credits shall be forfeited.

3) The employee is entitled to thirty-six (36) working days sick leave with full pay in a three-year cycle.

(4) The employee is entitled to four (4) consecutive calendar months' maternity leave in accordance with the Basic Conditions of Employment Act, 1997, to commence at any time from four (4) weeks before the expected date of confinement or on a date from which the attending medical practitioner certifies that it is necessary for the employee's health or that of the unborn child.

(5) The employee is further entitled to a maximum of five (5) working days family responsibility leave per calendar year, which can be utilised for birth, illness or death of a close family member.

(6) The employer may grant the employee special leave with or without pay for a reasonable number of working days with prior approval in terms of the relevant special leave policy of the municipality.

Precautionary suspension

16. (1) The employer may suspend an employee on full pay if he or she is alleged to have committed a serious offence and the employer believes his or her presence at the workplace might jeopardise any investigation into the alleged misconduct or endanger the well being or safety of any person or municipal property; provided that before an employee is suspended as a precautionary measure, he or she must be given an opportunity to make representation on why he or she should not be suspended.

(2) The employee who is to be suspended must be notified, in writing, of the reasons for his or her suspension simultaneously or at the latest within 24 hours after the suspension. The employee has the right to respond within seven (7) working days.

(3) If an employee is suspended as a precautionary measure, the employer must hold a disciplinary hearing within sixty (60) days from the date of suspension, provided that the chairperson of the hearing may extend such period, failing which, the suspension must be terminated in writing and the employee must return to full duty.

Termination of contract

(1) The employment contract will terminate –

(a) automatically on expiry of the term referred to in the contract, subject to any extension or renewal;

(b) at the employee's initiative, if the employee gives the employer two (2) month's notice of termination in writing; or

(c) at the employer's initiative, if the employer terminates the employee's appointment for reasons relating to misconduct, incapacity, unacceptable performance or the operational requirements of the municipality or for any other reason recognized by law as sufficient, on one calendar month's notice of termination in writing.

(2) The employer will be entitled to terminate the employee's employment contract for any sufficient reason recognized by law, provided that the employer must comply with its disciplinary code and procedures, in the absence of which the disciplinary code and procedures of the South African Local Government Bargaining Council will apply, as well as in accordance with the Labour Relations Act, 1995 (Act No. 66 of 1995). Reasons for terminating the employment contract may include the employee -

(a) committing any serious or persistent breach of any of the provisions of his or her employment contract;

(b) being guilty of any serious misconduct or deliberate neglect in the discharge of his or her duties under the employment contract and performance agreements concluded between the municipal manager and managers reporting to the municipal manager or between the mayor and the municipal manager;

(c) being absent from employment without approval for a period exceeding thirty (30) days;

(d) disobeying a lawful instruction or direction of the employer;

(e) having been convicted of a criminal offence other than an offence, which in the reasonable opinion of the employer does not affect his or her position as an employee; or

(f) failing to place the whole of his or her time at the disposal of the employer, subject to item 4(2) of the Code of Conduct set out in Schedule 2 of the Act.

(3) Should the employee accept a nomination as a candidate for election as a member of a Municipal Council, Provincial Legislature or Parliament, he or she shall be deemed to have voluntarily terminated his or her services with the employer with effect from the date which he or she is issued a certificate in terms of section 31(3) of the Electoral Act, 1998 (Act No. 73 of 1998) or Section 64 of the Local Government: Municipal Electoral Act, 2000 (Act No. 27 of 2000), stating that he or she is a candidate in the relevant election, or from the date on which he or she is nominated as a permanent delegate to the National Council of Provinces as contemplated in section 61(2)(b) of the Constitution, 1996.

Grievances

The employee may lodge a complaint or grievance concerning an act or omission of the employer with the municipal council in accordance with applicable procedures and time frames.

Variation

The employment contract must provide that no addition to or variation or mutually agreed cancellation or novation of the contract and no waiver of any right arising from the contract or its breach or termination shall be of any force or effect unless reduced to writing and signed by or on behalf of both parties.

No indulgence

The employment contract must provide that no latitude, extension of time or other indulgence, which may be given or allowed by the employer to the employee in respect of the performance of any obligation in terms of the contract, and no delay or forbearance in the enforcement of any right of any party arising from the contract, and no single or partial exercise of any right by any party under the contract, shall in any circumstances be construed to be an implied consent or election by such party or operate as a waiver or a novation

of or otherwise affect any of the party's rights in terms of arising from the contract or estop or preclude any such party from enforcing at any time and without notice, strict and punctual compliance with each and every provision or term thereof.

Severability

Save to the extent contemplated in the employment contract, the parties should acknowledge and agree that each phrase, sentence, paragraph and clause of the contract is severable, the one from the other, notwithstanding the manner in which they may be linked together or grouped automatically and if in terms of any judgement or order, any phrase, sentence, paragraph or clause is found to be defective or unenforceable for any reason, the remaining phrases, sentences, paragraphs and clauses, as the case may be, shall nevertheless continue to be of full force and effect.

General

The employment contract contemplated in these regulations must adhere to generally accepted principles of contract and labour law and should contain provisions providing for good faith; interpretation; jurisdiction; ***domicilia citandi et executandi*** and the serving of notices.

CHAPTER 3

PERFORMANCE AGREEMENTS FOR MUNICIPAL MANAGERS AND MANAGERS DIRECTLY ACCOUNTABLE TO MUNICIPAL MANAGERS

Purpose of performance agreement

The purpose of the agreement is to:

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

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

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

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

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

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

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

Commencement and duration

24. (1) The performance agreement must be entered into for each financial year of the municipality, or part thereof.

(2) The parties must review the provisions of this agreement during June each year and must conclude a new performance agreement that replaces the previous agreement at least once a year within one month after the commencement of the new financial year.

(3) The agreement will terminate on the termination of the employee's contract of employment for any reason.

(4) If at any time during the validity of the agreement the work environment alters to the extent that the contents of the agreement are no longer appropriate, the contents must by mutual agreement between the parties, immediately be revised.

Performance objectives

25. (1) The performance plan sets out:

- (a) The performance objectives and targets that must be met by the employee; and
- (b) the time frames within which those performance objectives and targets must be met.

(2) The performance objectives and targets reflected in the performance plan are set by the employer in consultation with the employee and based on the Integrated Development Plan, Service Delivery and Budget Implementation Plan (SDBIP) and the Budget of the municipality, and shall include key objectives; key performance indicators; target dates and weightings.

(3) The key objectives describe the main tasks that need to be done. The key performance indicators provide the details of the evidence that must be provided to show that a key objective has been achieved. The target dates describe the timeframe in which the work must be achieved. The weightings show the relative importance of the key objectives to each other.

(4) The employee's performance will, in addition, be measured in terms of contributions to the goals and strategies set out in the employer's Integrated Development Plan.

Performance management system

26. (1) The employee agrees to participate in the performance management system that the employer adopts or introduces for the municipality.

(2) The employee accepts that the purpose of the performance management system will be to provide a comprehensive system with specific performance standards to assist the employer, management and municipal staff to perform to the standards required.

(3) The employer will consult the employee about the specific performance standards that will be included in the performance management system as applicable to the employee.

(4) The employee undertakes to actively focus towards the promotion and implementation of the Key Performance Areas (KPAs) (including special projects relevant to the employee's responsibilities) within the local government framework.

(5) The criteria upon which the performance of the employee must be assessed consist of two components, both of which must be contained in the performance agreement. The employee must be assessed against both components, with a weighting of 80:20 allocated to the Key Performance Areas (KPAs) and the Core Competency Requirements (CCRs), respectively. Each area of assessment will be weighted and will contribute a specific part to the total score. KPAs covering the main areas of work will account for 80% and CCRs will account for 20% of the final assessment.

(6) The employee's assessment will be based on his or her performance in terms of the outputs/outcomes (performance indicators) identified as per the performance plan which are linked to the KPA's, which constitute 80% of the overall assessment result as per the weightings agreed to between the employer and employee.

Key Performance Areas (KPA's) for Municipal Managers	9.1.1.2 eighting
Basic Service Delivery	
Municipal Institutional Development and Transformation	
Local Economic Development (LED)	
Municipal Financial Viability and Management	
Good Governance and Public Participation	
Total	100%

(7) In the case of managers directly accountable to the municipal manager, key performance areas related to the functional area of the relevant manager, must be subject to negotiation between the municipal manager and the relevant manager.

(8) The CCRs will make up the other 20% of the employee's assessment score. CCRs that are deemed to be most critical for the employee's specific job should be selected from the list below as agreed to between the employer and the employee and must be considered with due regard to the proficiency level agreed to.

CORE COMPETENCY REQUIREMENTS FOR EMPLOYEES (CCR)		
Core Managerial and Occupational Competencies	√ (Indicate choice)	Weight
<i>Core Managerial Competencies:</i>		
Strategic Capability and Leadership		
Programme and Project Management		
Financial Management	compulsory	
Change Management		
Knowledge Management		
Service Delivery Innovation		
Problem Solving and Analysis		
People Management and Empowerment	compulsory	
Client Orientation and Customer Focus	compulsory	
Communication		
Honesty and Integrity		
<i>Core Occupational Competencies:</i>		
Competence in Self Management		
Interpretation of and implementation within the legislative and national policy frameworks		
Knowledge of developmental local government		
Knowledge of Performance Management and Reporting		
Knowledge of global and South African specific		

political, social and economic contexts		
Competence in policy conceptualisation, analysis and implementation		
Knowledge of more than one functional municipal field / discipline		
Skills in Mediation		
Skills in Governance		
Competence as required by other national line sector departments		
Exceptional and dynamic creativity to improve the functioning of the municipality		
Total percentage	-	100%

Evaluating performance

27. (1) The performance plan sets out -
- (a) the standards and procedures for evaluating the employee's performance; and
 - (b) the intervals for the evaluation of the employee's performance.
- (2) Despite the establishment of agreed intervals for evaluation, the employer may in addition review the employee's performance at any stage while the employment contract remains in force.
- (3) Personal growth and development needs identified during any performance review discussion must be documented in a personal development plan as well as the actions agreed to and implementation must take place within set time frames.
- (4) The annual performance appraisal must involve:
- (a) Assessment of the achievement of results as outlined in the performance plan:
 - (i) Each KPA should be assessed according to the extent to which the specified standards or performance indicators have been met and with due regard to ad hoc tasks that had to be performed under the KPA.

- (ii) An indicative rating on the five-point scale should be provided for each KPA.
 - (iii) The applicable assessment rating calculator must then be used to add the scores and calculate a final KPA score.
- (b) Assessment of the CCRs
- (i) Each CCR should be assessed according to the extent to which the specified standards have been met.
 - (ii) An indicative rating on the five-point scale should be provided for each CCR.
 - (iii) This rating should be multiplied by the weighting given to each CCR during the contracting process, to provide a score.
 - (iv) The applicable assessment-rating calculator must then be used to add the scores and calculate a final CCR score.
- (c) Overall rating
- (i) An overall rating is calculated by using the applicable assessment-rating calculator. Such overall rating represents the outcome of the performance appraisal.
 - (ii) The assessment of the performance of the employee will be based on the following rating scale for KPA's and CCR's:

Level	Terminology	Description	Rating				
			1	2	3	4	5
5	Outstanding performance	Performance far exceeds the standard expected of an employee at this level. The appraisal indicates that the Employee has achieved above fully effective results against all performance criteria and indicators as specified in the PA and Performance plan and maintained this in all areas of responsibility throughout the year.					

Level	Terminology	Description	Rating				
			1	2	3	4	5
4	Performance significantly above expectations	Performance is significantly higher than the standard expected in the job. The appraisal indicates that the Employee has achieved above fully effective results against more than half of the performance criteria and indicators and fully achieved all others throughout the year.					
3	Fully effective	Performance fully meets the standards expected in all areas of the job. The appraisal indicates that the Employee has fully achieved effective results against all significant performance criteria and indicators as specified in the PA and Performance Plan.					

Level	Terminology	Description	Rating				
			1	2	3	4	5
2	Performance not fully effective	Performance is below the standard required for the job in key areas. Performance meets some of the standards expected for the job. The review/assessment indicates that the employee has achieved below fully effective results against more than half the key performance criteria and indicators as specified in the PA and Performance Plan.					

Level	Terminology	Description	Rating				
			1	2	3	4	5
1	Unacceptable performance	Performance does not meet the standard expected for the job. The review/assessment indicates that the employee has achieved below fully effective results against almost all of the performance criteria and indicators as specified in the PA and Performance Plan. The employee has failed to demonstrate the commitment or ability to bring performance up to the level expected in the job despite management efforts to encourage improvement.					

(d) For purposes of evaluating the annual performance of the municipal manager, an evaluation panel constituted of the following persons must be established -

- (i) Executive Mayor or Mayor;
- (ii) Chairperson of the performance audit committee or the audit committee in the absence of a performance audit committee;

- (iii) Member of the mayoral or Council or in respect of a plenary type municipality, another member of council;
 - (iv) Mayor and/or municipal manager from another municipality; and
 - (v) Member of a ward committee as nominated by the Executive Mayor or Mayor.

- (e) For purposes of evaluating the annual performance of managers directly accountable to the municipal managers, an evaluation panel constituted of the following persons must be established -
 - (i) Municipal Manager;
 - (ii) Chairperson of the performance audit committee or the audit committee in the absence of a performance audit committee;
 - (iii) Member of the mayoral or Council or in respect of a plenary type municipality, another member of council; and
 - (iv) Municipal manager from another municipality.

- (f) The manager responsible for human resources of the municipality must provide secretariat services to the evaluation panels referred to in sub-regulations (d) and (e).

Schedule for performance reviews

- (1) The performance of the employee in relation to his or her performance agreement must be reviewed on the following dates with the understanding that reviews in the first and third quarter may be verbal if performance is satisfactory:

First quarter	:	July - September.....
Second quarter	:	October – December.....
Third quarter	:	January – March.....
Fourth quarter	:	April – June.....

(2) The employer must keep a record of the mid-year review and annual assessment meetings.

(3) Performance feedback must be based on the employer’s assessment of the employee’s performance.

(4) The employer will be entitled to review and make reasonable changes to the provisions of the performance plan from time to time for operational reasons on agreement between both parties.

(5) The employer may amend the provisions of the performance plan whenever the performance management system is adopted, implemented and/or amended as the case may be on agreement between both parties.

Developmental requirements

A personal development plan (PDP) for addressing developmental gaps must form part of the performance agreement.

Obligations of the employer

The Employer must –

(1) create an enabling environment to facilitate effective performance by the employee;

(2) provide access to skills development and capacity building opportunities;

(3) work collaboratively with the employee to solve problems and generate solutions to common problems that may impact on the performance of the employee;

(4) on the request of the employee delegate such powers reasonably required by the employee to enable him or her to meet the performance objectives and targets established in terms of the agreement; and

(5) make available to the employee such resources as the employee may reasonably require from time to time to assist him or her to meet the performance objectives and targets established in terms of the agreement.

Consultation

31. (1) The employer agrees to consult the employee timeously where the exercising of the powers will have, amongst others, –

(a) a direct effect on the performance of any of the employee's functions;

(b) commit the employee to implement or to give effect to a decision made by the employer; and

(c) a substantial financial effect on the employer.

(2) The employer agrees to inform the employee of the outcome of any decisions taken pursuant to the exercise of powers contemplated in sub-regulation (1) as soon as is practicable to enable the employee to take any necessary action without delay.

Management of evaluation outcomes

(1) The evaluation of the employee's performance will form the basis for rewarding outstanding performance or correcting unacceptable performance.

(2) A performance bonus ranging from 5% to 14% of the all-inclusive remuneration package may be paid to an employee in recognition of outstanding performance. In determining the performance bonus the relevant percentage is based on the overall rating, calculated by using the applicable assessment-rating calculator; provided that -

- (a) a score of 130% to 149% is awarded a performance bonus ranging from 5% to 9%; and
- (b) a score of 150% and above is awarded a performance bonus ranging from 10% to 14%.

(3) In the case of unacceptable performance, the employer shall –

- (a) provide systematic remedial or developmental support to assist the employee to improve his or her performance; and
- (b) after appropriate performance counseling and having provided the necessary guidance and/or support and reasonable time for improvement in performance, and performance does not improve, the employer may consider steps to terminate the contract of employment of the employee on grounds of unfitness or incapacity to carry out his or her duties.

Dispute resolution

33. (1) Any disputes about the nature of the employee's performance agreement, whether it relates to key responsibilities, priorities, methods of assessment and/ or salary increment in the agreement, must be mediated by

(a) In the case of the municipal manager, the MEC for local government in the province within thirty (30) days of receipt of a formal dispute from the employee, or any other person designated by the MEC; and

(b) In the case of managers directly accountable to the municipal manager, the executive mayor or mayor within thirty (30) days of receipt of a formal dispute from the employee;

whose decision shall be final and binding on both parties.

(2) Any disputes about the outcome of the employee's performance evaluation, must be mediated by –

(a) In the case of the municipal manager, the MEC for local government in the province within thirty (30) days of receipt of a formal dispute from the employee, or any other person designated by the MEC; and

(b) In the case of managers directly accountable to the municipal manager, a member of the municipal council, provided that such member was not part of the evaluation panel provided for in sub-regulation 27(4)(e), within thirty (30) days of receipt of a formal dispute from the employee;

whose decision shall be final and binding on both parties.

General

34. (1) The contents of the performance agreement must be made available to the public by the employer in accordance with the Municipal Finance Management Act, 2003 and Section 46 of the Act.

(2) Nothing in this agreement diminishes the obligations, duties or accountabilities of the employee in terms of his or her employment contract, or the effects of existing or new regulations, circulars, policies, directives or other instruments.

(3) The performance assessment results of the municipal manager must be submitted to the MEC responsible for local government in the relevant province as well as the national minister responsible for local government, within fourteen (14) days after the conclusion of the assessment.

CHAPTER 4

9.1.1.2.1 JOB DESCRIPTION FOR MUNICIPAL MANAGERS

Outline of job description

35. The job description for the post of Municipal Manager must contain the following components:

- (a) job title;
- (b) job details;
- (c) location of post on organogram;
- (d) job purpose;
- (e) main accountabilities;
- (f) inherent requirements of the job (competencies), including learning field, indicators and core competencies;
- (g) provision for amendments to the job description; and

- (h) provisions relating to the performance agreement

Job purpose

36. The job purpose for the municipal manager must provide for:

- (1) leadership and direction of the administration of the municipality through effective strategies to fulfil the objects of local government provided for in the Constitution, 1996 and any other legislative framework that governs local government;
- (2) fostering relationships between the municipal council and the administrative arm of the municipality as well as other key stakeholders; and
- (3) creating an environment that defines the purpose and role of local government as a means to involve people in shaping the future of communities.

Main accountabilities

37. As the head of administration and the accounting officer of the municipality, the municipal manager is responsible and accountable for and performs the following functions, which must be detailed in the job description:

- (a) municipal transformation and organisation development;
- (b) basic service delivery;
- (c) local economic development;
- (d) municipal financial viability and management; and
- (e) good governance and public participation.

Inherent requirements of the job

The job description must provide for-

- (1) a recognised B degree in public administration, or relevant fields;
- (2) a minimum of five (5) years experience at senior management level;
- (3) the core competencies which must distinguish between core managerial competencies and core occupational competencies; and
- (4) core occupational competencies providing for knowledge, skills, communication and exceptional and dynamic creativity to improve the functioning of the municipality.

Short title and transitional arrangements

- (1) These regulations are called the Local Government: Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers, 2006, and take effect on the date of publication thereof.
- (2) Employment contracts entered into before the effective date of the regulations continue to apply until such employment contracts have terminated in terms of the provisions of such contracts.
- (3) Chapter 3 of the Regulations, providing for performance agreements, takes immediate effect, subject to the provisions of existing employment contracts and the continuation of performance agreements that have been concluded before the Regulations took effect.
- (4) (a) In the event that a municipal manager or a manager directly accountable to a municipal manager has not attained the prescribed competencies as provided for in the Regulations, the employer must ensure that such employee is assessed in order to identify competency gaps and to develop such employee.

(b) A municipal manager in the employ of a municipality on the effective date and who does not meet the prescribed requirements provided for in regulation 38 is exempted from compliance with that regulation.

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10. GOVERNMENT NOTICE: No. R. 796 of 24 August 2001

DEPARTMENT OF PROVINCIAL AND LOCAL GOVERNMENT

10.1 LOCAL GOVERNMENT: MUNICIPAL PLANNING AND PERFORMANCE MANAGEMENT REGULATIONS, 2001

Under section 120, read with sections 37, 43 and 49 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000), I, Fholisani Sydney Mufamadi, after consultation with the MEC's for local government and organised local government representing local government nationally, hereby make the regulations in the Schedule.

F. S. MUFAMADI
Minister for Provincial and Local Government

SCHEDULE

CHAPTER 1

INTERPRETATION

Definitions

1. In these regulations a word or phrase to which a meaning has been assigned in the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000), has that meaning and, unless the context otherwise indicates "ad hoc committee" means a committee appointed in terms of section 33(1) of the Act;

"financial year" means the financial year of municipalities that end on 30 June of each year;

"input indicator" means an indicator that measures the costs, resources and time used to produce an output;

"outcome indicator" means an indicator that measures the quality and or impact of an output on achieving a particular objective;

"output indicator" means an indicator that measures the results of activities, processes and strategies of a program of a municipality;

"the Act" means the Local Government: Municipal Systems Act, 2000.

CHAPTER 2

INTEGRATED DEVELOPMENT PLANNING

Detail of integrated development plan

2. (1) A municipality's integrated development plan must at least

identify-

- (a) the institutional framework, which must include an organogram, required for-
 - (i) the implementation of the integrated development plan; and
 - (ii) addressing the municipality's internal transformation needs, as informed by the strategies and programmes set out in the integrated development plan;
 - (b) any investment initiatives in the municipality;
 - (c) any development initiatives in the municipality, including infrastructure, physical, social, economic and institutional development;
 - (d) all known projects, plans and programs to be implemented ' within the municipality by any organ of state; and
 - (e) the key performance indicators set by the municipality.
- (2) An integrated development plan may
- (a) have attached to it maps, statistics and other appropriate documents; or
 - (b) refer to maps, statistics and other appropriate documents that are not attached, provided they are open for public inspection at the offices of the municipality in question.
- (3) A financial plan reflected in a municipality's integrated development plan must at least
- (a) include the budget projection required by section 26(h) of the Act;
 - (b) indicate the financial resources that are available for capital project developments and operational expenditure; and
 - (c) include a financial strategy that defines sound financial management and expenditure control, as well as ways and means of increasing revenues and external funding for the municipality and its development priorities and objectives, which strategy may address the following:
 - (i) Revenue raising strategies;
 - (ii) asset management strategies;

- (iii) financial management strategies;
- (iv) capital financing strategies;
- (v) operational financing strategies; and
- (vi) strategies that would enhance cost-effectiveness.

(4) A spatial development framework reflected in a municipality's integrated development plan must-

- (a) give effect to the principles contained in Chapter 1 of the Development Facilitation Act' 1995 (Act No. 67 of 1995);
- (b) set out objectives that reflect the desired- spatial form of the municipality;
- (c) contain strategies and policies regarding the manner in which to achieve the objectives referred to in paragraph (b), which strategies and policies must-
 - (i) indicate desired patterns of land use within the municipality;
 - (ii) address the spatial reconstruction of the municipality; and
 - (iii) provide strategic guidance in respect of the location and nature of development within the municipality;
- (d) set out basic guidelines for a land use management system in the municipality;
- (e) set out a capital investment framework for the municipality's development programs;
- (f) contain a strategic assessment of the environmental impact of the spatial development framework;
- (g) identify programs and projects for the development of land within the municipality;
- (h) be aligned with the spatial development frameworks reflected in the integrated development plans of neighbouring municipalities; and
- (i) provide a visual representation of the desired spatial form of the municipality, which representation:
 - (i) must indicate where public and private land development and infrastructure investment should take place;

- (ii) must indicate desired or undesired utilisation of space in a particular area;
- (iii) may delineate the urban edge;
- (iv) must identify areas where strategic intervention is required; and
- (v) must indicate areas where priority spending is required.

10.1.1.1 Process for amending integrated development plans

3. (1) Only a member or committee of a municipal council) may introduce a proposal for amending the municipality's integrated development plan in the council.

(2) Any proposal for amending a municipality's integrated development plan must be-

- (a) accompanied by a memorandum setting out the reasons for the proposal; and
- (b) aligned with the framework adopted in terms of section 27 of the Act.

(3) An amendment to a municipality's integrated development plan is adopted by a decision taken by a municipal council in accordance with the rules and orders of the council.

(4) No amendment to a municipality's integrated development plan may be adopted by the municipal council unless-

- (a) all the members of the council have been given reasonable notice;
- (b) the proposed amendment has been published for public comment for a period of at least 21 days in a manner that allows the public an opportunity to make representations with regard to the proposed amendment;
- (c) the municipality, if it is a district municipality, has complied with subregulation (5); and
- (d) the municipality, if it is a local municipality, has complied with subregulation (6).

(5) A district municipality that considers an amendment to its integrated development plan must-

- (a) consult all the local municipalities in the area of the district municipality on the proposed amendment; and
 - (b) take all comments submitted to it by the local municipalities in that area into account before it takes a final decision on the proposed amendment.
- (6) A local municipality that considers an amendment to its integrated development plan must-

- (a) consult the district municipality in whose area- it falls on the proposed amendment; and
- (b) take all comments submitted to it by the district municipality into account before it takes a final decision on the proposed amendment.

Procedure and manner of referring an objection to ad hoc committee

4. (1) Whenever a MEC for local government decides to refer an objection to an ad hoc committee in terms of section 33(4) of the Act, the MEC must-

- (a) within seven days of such decision, notify the relevant municipal council that the municipal council's objection is being referred to an ad hoc committee;
- (b) submit the following to the ad hoc committee as soon as it is appointed:
 - (i) A copy of the MEC's request in terms of section 32(2) of the Act;
 - (ii) written reasons for the MEC's proposals referred to in section 32(2)(a) of the Act;
 - (iii) a copy of the municipal council's objection and the reasons for disagreeing with the MEC's proposals.

(2) An ad hoc committee must-

- (a) inform the relevant municipal council in writing of the date or dates on which the ad hoc committee would consider the municipal council's objection; and
- (b) afford the relevant municipal council at least seven days before such date or dates to make written representations to the ad hoc committee regarding the reasons for the MEC's proposals referred to in subregulation (1)(b)(ii).

(3) An ad hoc committee must, within, 21 days of the date on which it was appointed, notify the relevant municipal council and the MEC concerned in writing of the committee's decision regarding the municipal councils objection.

Proceedings of ad hoc committee

5. (1) (a) A MEC for local government who appoints an ad hoc committee must convene the first meeting of the ad hoc committee.

(b) The chairperson of the ad hoc committee convenes the subsequent meetings of the ad hoc committee.

(2) (a) At the first meeting of the ad hoc committee, the members of the ad hoc-committee must elect a member of the committee as chairperson after nominations have been called for.

(b) If the chairperson of the ad hoc committee is absent from a specific meeting of the committee, the members present must elect a chairperson from the members present to act as chairperson for that meeting

(3) An objection referred to an ad hoc committee must be decided on the written documentation submitted to it.

(4) (a) An ad hoc committee may determine its own voting procedure for deciding a matter before it, taking into account the requirement of section 33(4) of the Act that at least two spheres of government must agree on the matter.

(b) No sphere of government represented in an ad hoc committee may abstain from voting.

Giving effect to integrated development plan

6. A municipality's integrated- development plan must -

(a) inform the municipality's annual budget that must be based on the development priorities and objectives referred to in section 26(c) of the Act and the performance targets set by the municipality in terms of regulation 12; and

(b) be used to prepare action plans for the implementation of strategies identified by the municipality.

CHAPTER 3

PERFORMANCE MANAGEMENT

Nature of performance management system

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

(2) In developing its performance management system, a municipality must ensure that the system-

- (a) complies with all the requirements set out in the Act;
- (b) demonstrates how it is to operate and be managed from the planning stage up to the stages of performance and reporting;
- (c) clarifies the roles and responsibilities of each role-player, including the local community, in the functioning of the system;
- (d) clarifies the processes of implementing the system within the framework of the integrated development planning process;
- (e) determines the frequency of reporting and the lines of accountability for performance;
- (f) relates to the municipality's employee performance management processes;
- (g) provides for the procedure by which the system is linked to the municipality's integrated development planning processes; and

Adoption of performance management system

8. A performance management system must be adopted before or at the same time as the commencement by the municipality of the process of setting key performance indicators and targets in accordance with its integrated development plan.

Setting of key performance indicators

9. (1)(a) A municipality must set key performance indicators, including input indicators, output indicators and outcome indicators, in respect of each of the development priorities and objectives referred to in section 26(c) of the Act.

(b) A key performance indicator must be measurable, relevant, objective and precise.

(2) In setting key performance indicators, a municipality must ensure that-

(a) communities are involved; and

(b) the key performance indicators inform the indicators set for

(i) all its administrative units and employees; and

(ii) every municipal entity and service provider with whom the municipality has entered into a service delivery agreement.

General key performance indicators

10. The following general key performance indicators are prescribed in terms of section 43 of the Act:

(a) The percentage of households with access to basic level of water, sanitation, electricity and solid waste removal;

(b) the percentage of households earning less than R1100 per month with access to free basic services;

(c) the percentage of 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;

(d) the number of jobs created through municipality's local economic development initiatives including capital projects

(e) the number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan;

(f) the percentage of a municipality's budget actually spent on implementing its workplace skills plan; and

(g) financial viability as expressed by the following ratios:

(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;

$$(ii) \quad A = \frac{B}{C}$$

Where -

"A" represents outstanding service debtors to revenue

"B" represents total outstanding service debtors

"C" represents annual revenue actually received for services;

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

Where -

"A" represents cost coverage

"B" represents all available cash at a particular time

"C" represents investments "D" represents monthly fixed operating expenditure.

Review of key performance indicators

11. (1) A municipality must review its key performance indicators annually as part of the performance review process referred to in regulation 13.

(2) Whenever a municipality amends its integrated development plan in terms of section 34 of the Act, the municipality must, as part of the process referred to in regulation 3, review those key performance indicators that will be affected by such amendment.

Setting of performance targets

12. (1) A municipality must, for each financial year, set performance targets for each of the key performance indicators set by it.

(2) A performance target: set in terms of subregulation (1) must -

- (a) be practical and realistic;
- (b) measure the efficiency, effectiveness, quality and impact of the performance of the municipality, administrative component, structure, body or person for whom a target has been set;
- (c) be commensurate with available resources;
- (d) be commensurate with the municipality's capacity; and
- (e) be consistent with the municipality's development priorities and objectives set out in its integrated development plan.

Monitoring, measurement and review of performance

13. (1) A municipality must, after consultation with the local community, develop and implement mechanisms, systems and processes for the monitoring, measurement and review of performance in respect of the key performance indicators and performance targets set by it.

(2) The mechanisms, systems and processes for monitoring in terms of subregulation (1) must-

- (a) provide for reporting to the municipal council at least twice a year;
- (b) be designed in a manner that enables the municipality to detect early indications of under-performance; and
- (c) provide for corrective measures where under-performance has been identified.

(3) Performance measurement in terms of subregulation (1) must include the measurement of -

- (a) costs, resources and time used to produce outputs in accordance with the input indicators referred to in regulation 9;
- (b) the extent to which the municipality's activities or processes produced outputs in accordance with the output indicators referred to in regulation 9; and
- (c) the total improvement brought by outputs in accordance with the outcome indicators referred to in regulation 9.

(4) The mechanisms, systems and processes for review in terms of

subregulation (1) must at least-

- (a) identify the strengths, weaknesses, opportunities and threats of the municipality in meeting the key performance indicators and performance targets set by it, as well as the general key performance indicators prescribed by regulation 10;
- (b) review the key performance indicators set by the municipality in terms of regulation 9; and
- (c) allow the local community to participate in the review process.

10.1.1.2 Internal auditing of performance measurements

14.(1) (a) A municipality must develop and implement mechanisms, systems and processes for auditing the results of performance measurements as part of its internal auditing processes.

(b) Any auditing in terms of paragraph (a) must include assessments of the following:

- (i) The functionality of the municipality's performance management system;
- (ii) whether the municipality's performance management system complies with the Act; and
- (iii) the extent to which the municipality's performance measurements are reliable in measuring performance of municipalities on indicators referred to in regulation 9 and 10

(c) A municipality's internal auditors must -

- (i) on a continuous basis audit the performance measurements of the municipality; and
- (ii) submit quarterly reports on their audits to the municipal manager and the performance audit committee referred to in subregulation (2).

(2) (a) A municipality must annually appoint and budget for a performance audit committee consisting of at least three members, the majority of which may not be involved in the municipality as a councillor or an employee.

(b) A performance audit committee appointed in terms of paragraph (a) must include at least one person who has expertise in performance management.

(c) A municipality may utilise any audit committee established in terms of either applicable legislation as the performance audit committee envisaged in paragraph (a), in which case the provisions of this subregulation, read with the necessary changes, apply to such an audit committee.

(d) The council of a municipality must designate a member of the performance audit committee who is not a councillor or an employee of the municipality as chairperson of the committee.

(e) If the chairperson of the performance audit committee is absent from a specific meeting of the committee, the members present must elect a chairperson from the members present to act as chairperson for that meeting.

(f) In the event of a vacancy occurring amongst the members of the performance audit committee, the municipality concerned must fill that vacancy for the unexpired portion of the vacating member's term of appointment.

(g) A municipality must provide secretariat services for its performance audit committee.

(h) (i) A local municipality may in stead of appointing a performance audit committee elect to make use of the performance audit committee of the district municipality in whose area it falls, and that performance audit committee is to be regarded as the performance audit committee of the local municipality in question.

(ii) A local municipality that elects to make use of the performance audit committee of the district municipality in whose area it falls, must notify that district municipality of its decision and make suitable arrangements with the district municipality regarding the availability of that performance audit committee.

(i) A member of the performance audit committee who is not a councillor or an employee of the municipality concerned, may be remunerated taking into account the tariffs determined by the South African Institute of Chartered Accountants in consultation with the Auditor-General.

(3) (a) A performance audit committee must meet at least twice during the financial year of the municipality concerned.

(b) A special meeting of the performance audit committee may be called by any member of the committee.

(c) A performance audit committee may determine its own procedures after consultation with the Council or the Council of

the municipality concerned, as the case may be.

(4) (a) A performance audit committee must-

- (i) review the quarterly reports submitted to it in terms of subregulation (1)(c)(ii);
- (ii) review the municipality's performance management system and make recommendations in this regard to the council of that municipality; and
- (iii) at least twice during a financial year submit an audit report to the municipal council concerned.

(b) In reviewing the municipality's performance management system in terms of paragraph (a)(ii), the performance audit committee must focus on economy, efficiency, effectiveness and impact in so far as the key performance indicators and performance targets set by the municipality are concerned.

(c) A performance audit committee may -

- (i) communicate directly with the council, municipal manager or the internal; and external auditors of the municipality concerned;
- (ii) access any municipal records containing information that is needed to perform its duties or exercise its powers;
- (iii) request any relevant person to attend any of its meetings, and, if necessary, to provide information requested by the committee; and
- (iv) investigate any matter it deems necessary for the performance of its duties and the exercise of its powers.

CHAPTER 4

MISCELLANEOUS

Community participation in respect of integrated development planning and performance management

15. (1) (a) In the absence of an appropriate municipal wide structure for community participation, a municipality must establish a forum that will enhance community participation in -

- (i) the drafting and implementation of the municipality's integrated development plan; and
- (ii) the monitoring, measurement and review of the municipality's performance in relation to the key performance indicators and performance targets set by the municipality.

(b) Before establishing a forum in terms of paragraph (a), a municipality must, through appropriate mechanisms, invite the local community to identify persons to serve on the forum, including representatives from ward committees, if any.

(c) A forum established in terms of paragraph (a) must be representative of the composition. of the local community of the municipality concerned.

(2) A municipality must-

(a) convene regular meetings of the forum referred to in subregulation (1) to -

- (i) discuss the process to be followed in drafting the integrated development plan;
- (ii) consult on the content of the integrated development plan;
- (iii) monitor the implementation of the integrated development plan;
- (iv) discuss the development, implementation and review of the municipality's performance management system; and
- (v) monitor the municipality's performance in relation to the key performance indicators and performance targets set by the municipality; and

(b) allow members of the forum at least 14 days before any meeting of the forum to consult their respective constituencies on the matters that will be discussed at such a meeting.

(3) A municipality must afford the local community at least 21 days to comment on the final draft of its integrated development plan before the

plan is submitted to the council for adoption.

Short title

16. These regulations are called the Local Government: Municipal Planning and Performance Management Regulations, 2001.