

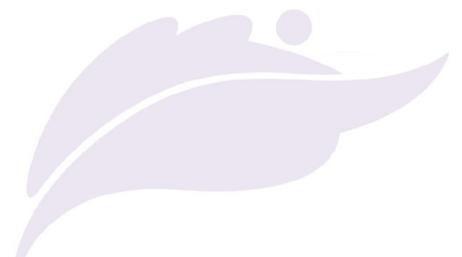
2012/13

# PERFORMANCE MANAGEMENT POLICY FRAMEWORK

This document provide the Policy Framework for Developing and Implementing a Performance Management System for the EDEN District Municipality



PMS UNIT  
EDEN District Municipality  
Final



# EDEN DISTRICT MUNICIPALITY

## PERFORMANCE MANAGEMENT POLICY FRAMEWORK

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## 1. Introduction

The Assessment of people is as old as time. The formal assessment of people started centuries ago when the Emperor of the Wei Dynasty, in the years 221-265 AC, was assisted by an Imperial Rater to assess their families.

The Editors of Dublin Review received credit for the design of the first modern performance appraisal system when they published it in 1780.

Over the past 15 years a stronger focus on a more comprehensive and holistic approach to performance in organizations has prevailed. Hereby, Performance Management as a Dynamic management process, integrated with other management processes such as Strategic Management, Budgeting, Training and Development, working together to enhance the total Performance of an organization.

The Reconstruction and Development Programme (RDP), an economic development framework formulated by Government, provides a political context to some of the key performance areas that the PMS seeks to translate into indicators at national and municipal level.

Performance Management and the Integrated Development Plan (IDP) were introduced to realise the developmental role of Local Government.

Whilst the IDP provides a framework for Strategic decision-making, Performance management must ensure that the desired results are achieved during implementation to ensure the correctness of the strategic direction of the objectives, strategies and projects put forward by the IDP.

Performance Management is a strategic approach to management, which equips leaders, managers, workers and stakeholders at different levels with a set of tools and techniques to regularly plan, continuously monitor, periodically measure and review performance of the organisation in terms of indicators and targets for efficiency, effectiveness and impact.

A Performance Management System (PMS) 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 management, including determining the different role players.

However, performance management is also about people. It concerns their attitudes and perception, their needs, their commitment and their actions. The whole concept of performance management rests on the way people are managed by leaders to attain goals derived from needs of other people.

It is therefore of the utmost importance that all stakeholders, both internal and external to the organization, must have a good understanding of what the management of performance entails and who should manage and within which timeframe (when) in order for performance management to be successfully implemented.



## 1.1 List of Abbreviations

<b>PMS</b>	Performance Management System
<b>KPI</b>	Key Performance Indicator
<b>KPA</b>	Key Performance Area
<b>PT</b>	Performance Target
<b>IDP</b>	Integrated Development Plan
<b>LED</b>	Local Economic Development
<b>EXCO</b>	Executive Committee
<b>MEC</b>	Member of the Executive Council of the Province
<b>PM TEAM</b>	Performance Management Team
<b>CCR</b>	Core Competency Requirements
<b>EDEN DM</b>	Eden District Municipality
<b>BSC</b>	Balanced Scorecard
<b>SALGA</b>	South African Local Government Association
<b>SALGBC</b>	South African Local Government Bargaining Council
<b>RDP</b>	Reconstruction and Development Programme
<b>RSA</b>	Republic of South Africa



## 2. Background

The Municipal Systems Act and Regulations 32 of 2000 requires local governments to develop a PMS. It concludes that Integrated Development Planning, Budgeting and Performance Management are powerful aspects that can assist municipalities to develop an integrated perspective on development in their area. Thus forming part of the basis of developing and implementing a PMS for the Eden District Municipality.

This document covers all the categories of the Eden District Municipality. This Performance Policy offers the municipality a platform to plan, implement, assess, monitor, measure, review, manage and reward performance throughout the municipality. Also taking into consideration that Performance Management is a dynamic process and room must be kept for changes and development that will over time reflect the unique features of the municipal environment.

To ensure a sustainable capacity and support for performance improvement, it is important to create a supportive culture within the Municipality and the Council, and within the community it serves.

The following characteristics of a supportive Performance Management culture should give the development and implementation of capacity building interventions, the Performance Management System and infrastructure:

- An Output/ results approach in the development of performance objectives, standards and measurements, as oppose to an input and activity orientation.
- Mutual responsibility for the performance of the Municipality between end users and the Municipality.
- Transparent processes and involvement from all stakeholders in conducting Performance Management meetings and discussions.
- The alignment of all Performance Management initiatives with the principles of Batho Pele.
- Open communication and feedback on performance between the community and the Municipality, Council and management, and management and employees.
- Commitment from Council and management to use evaluation results to inform decision-making.
- Creating a learning organization through the effective management of performance information.
- A performance enhancement and improvement approach as oppose to a performance control approach.

A change management process, sensitive to the dynamics of resistance and proactively addressing them should be an integral part of the implementation of a Performance Management System in the Eden District Municipality.



### **3. Policy and Legislative Overview**

The following Policy and Legislative provisions provide the framework for the establishment of performance management within Local Government:

#### **3.1 Constitution of the RSA, 1996**

The Constitution does not specify that PMS is a legal requirement, but it stipulates that resources must be used in an efficient, economic and effective manner. It also refers to the accountability of local authorities – a possible implication that some measure of performance is necessary.

The Constitution of the RSA, 1996, Section 152, deals with the objects of local government, thus paving the way for performance management with the requirements for an “accountable government”.

The democratic values and principles in terms of Section 195 (1) of the Constitution can also be linked to performance management. These principles consisting of the following:

- (a) A high standard of professional ethics must be promoted and maintained.
- (b) Efficient, economic and effective use of resources must be promoted.
- (c) Public administration must be development-oriented.
- (d) Services must be provided impartially, fairly, equitably and without bias.
- (e) People's needs must be responded to, and the public must be encouraged to participate in policy-making.
- (f) Public administration must be accountable.
- (g) Transparency must be fostered by providing the public with timely, accessible and accurate information.
- (h) Good human-resource management and career-development practices, to maximise human potential, must be cultivated.
- (i) Public administration must be broadly representative of the South African people, with employment and personnel management practices based on ability, objectivity, fairness, and the need to redress the imbalances of the past to achieve broad representation.



### **3.2 White Paper on Local Government (1998)**

The White Paper on Local Government (1998) introduced the practice of performance management for local government as a tool to facilitate their developmental role. This means that municipalities have a responsibility to structure and manage administration, budgeting and planning processes to give priority to the basic needs of their communities and to promote their social and economic development.

### **3.3 Municipal Systems Act, 2000 (Act 32 of 2000)**

The Municipal Systems Act, 2000 (Act 32 of 2000) stipulates concepts and principles of accountability in Sections 4, 6 and 8.

Section 11(3) states that a Municipality exercises its executive and legislative authority by, inter alia, “the setting of targets for delivery, monitoring and regulating municipal services provided by service providers, monitoring the impact and effectiveness of any services, policies, programmes or plans; and establishing and implementing performance management systems.

Chapter 6 of the Systems Act deals specifically with performance management in local government:

#### Section 38

A municipality must establish a Performance Management System. Also promote a culture of performance management among political structures, office bearers and councillors and its administration, and administer its affairs in an economical, effective, efficient and accountable manner.

#### Section 39

The Executive Mayor is responsible for the development of a PMS, for which purpose they may assign responsibilities to the Municipal Manager. The Executive Mayor is also responsible for submitting the PMS to Council for approval.

#### Section 40

A Municipality must establish mechanisms with which to monitor and review PMS.

#### Section 41

The core components of a PMS are to;

- Set Key Performance Indicators
- Set Measurable Performance Targets (PT's)
- Monitor Performance & Measure and review annually
- Take steps to improve Performance
- Establish a process of regular reporting



#### Section 42

The Community, in terms of the provisions of Chapter 4 of the Act, which deals with Public Participation, should be involved in the development, implementation and review of the PMS, and also that the community be involved with the setting of KPI's & PTs for the municipality.

#### Section 43

The general Key Performance Indicators to be applied by all municipalities may be prescribed by regulation.

#### Section 44

KPIs and PTs in the PMS of the municipality must be made known both internally and externally in a manner described by the Council.

A Service Delivery Indicator (SDI) document can be compiled and made available.

#### Section 45

The results of the performance measurement must be audited as part of the internal auditing processes and annually by the Auditor General.

#### Section 46

Requires that the municipality prepare an annual report consisting of the following;

- Performance report
- Financial Statements
- Audit report on Financial Statements
- Any other reports in terms of legislative requirements

This report must be tabled within one month of the receiving of the audit report.

In terms of section 46(3), the Municipal Manager must give proper notice of meetings at which the annual report will be tabled and submit information on the same to the Auditor General & the MEC for Local Government. Section 46(4) stipulates that a Municipality must adopt the annual report and make copies available within 14 Days to the Auditor General, the MEC for Local Government and any other as may be prescribed by regulation.



### **3.4 The Municipal Planning and Performance Management Regulations (No 796, 24 August 2001)**

These Regulations deals with the provisions for the following aspects of the PMS:

- The framework that describes and represents the municipality's cycle and processes for the PMS and other criteria and stipulations (S7), and the adoption of the PMS (S8);
- The Setting and Review of Key Performance Indicators (S9 & 11);
- The General KPIs which municipalities have to report on (S10) and which include;
  - Households with access to basic services
  - Low income households with access to free basic services
  - Capital budget spent in terms of the IDP
  - Job creation in terms of the LED programme
  - Employment equity with target groups in the three highest levels of management
  - The implementation of work skills plan
  - Financial viability of the municipality
- The setting of performance targets and the monitoring, measurement and the review of performance (S12,13)
- Internal auditing of performance measurements (S14)
- Community Participation in respect of performance management (S15)

### **3.5 Local Government: Performance Management Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers, 2006 (No. R 805, 1 August 2006)**

These Regulations seek to set out how the performance of Municipal Managers and Managers directly accountable to Municipal Managers will be uniformly directed, monitored and improved. The Regulations include the following;

- The provisions and requirements of the employment contracts
- Performance agreements which must include KPAs and CCRs
- The content of a Job Description for Municipal Managers



### 3.6 *Batho Pele* (Performance Management Initiatives)

The main principles of *Batho Pele* stressed in the performance management context are:

- Maximum possible consultation with citizens on service delivery and quality
- The need for service standards, so that the public will have a clear picture of what to expect
- A move towards greater equality of access to services, a point of great importance given the inequalities inherited from apartheid
- Courtesy: 'citizens should be treated with courtesy and consideration'
- Full and accurate information whilst stressing the importance of openness and transparency
- Redress: the need to have in place procedures by which remedial action can be taken where service standards are not achieved
- Value for money, highlighting the need for increased emphasis on economy and efficiency.

## 4. Objectives and Perspective on Performance Management

Eden District Municipality developed the following objectives which seek to create an efficient and effective PMS to:

- Translate its vision, mission and IDP into clear measurable outcomes, indicators and performance levels that define success and that are shared throughout the municipality and with Eden District Municipality's customers and stakeholders
- Provide a tool for assessing, managing and improving the overall health and success of business processes and systems
- Create a culture of best practices
- Continue to shift from perspective and simply audit oversight to ongoing, forward-looking and compliance-based strategic partnerships involving *inter alia* agencies, communities, citizens and other stakeholders
- Promote accountability
- Include measures of quality, cost, speed, customer service and employee alignment, motivation and skills to provide an in-depth, predictive PMS
- Create pressures for change at various levels
- Replace existing assessment models with a consistent approach to performance measurement and management



## 4.1 Principles

With the Policy and Legislative rationale in the background, the following principles will serve to inform and guide the PMS;

A PMS must serve as an enabling mechanism and emphasis must be placed on the importance of supporting employees in achieving their performance objectives and targets. Performance monitoring and assessment must be viewed and treated as a means to facilitate performance through appropriate, but reasonable support in the case of underperformance, and not serve as a means for unjust disciplinary action. The implementation of performance management, which involves monitoring and evaluation, will be approached as 'performance facilitation' in order to place the emphasis on the enabling of performance. The monitoring and assessment of individual performance must at all times be impartial, fair and objective.

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The PMS must be feasible in terms of resources available and appropriate to the circumstances of the municipality. The PMS must not be complex in nature and should thus ensure that the municipality can operate and maintain such a system without huge costs or effort. The PMS must however have the necessary integrity to serve the purpose it is intended for.

## 4.2 Characteristics

- Facilitate increased accountability  
The Performance Management System should provide a mechanism for ensuring increased accountability between:
  - The community and the municipal Council
  - The political and administrative components of the municipality
  - Each department and the office of the municipal manager
  
- 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, evaluation and improving IDP implementation.



- Provide early warning signals

The performance management system should provide political leadership and management with diagnostic signals of the potential risks that are likely to the implementation of the IDP. It is important for the system to enable decision-makers to be timeously informed of risks, to enable them to facilitate intervention, where it is necessary and possible to do so.

## **5. The Importance of Measuring Performance**

Beyond the need to comply with legislative requirements, a municipality requires a performance management system as the primary mechanism to plan for performance management and monitor, review and improve the implementation of the municipality's IDP.

The PMS must be linked to the IDP framework and processes. Given the syndrome of non proper implementation of plans, the intention should be to use performance management as a way of increasing the chances of the IDP processes achieving the desired result.

Performance information indicates how well an organisation is meeting its aims and objectives, and which policies and processes are working. Performance information is key to effective management, including planning, budgeting, implementation, monitoring and reporting.

It provides an overall view of whether the municipality are delivering value for money, by comparing the performance against the budget and service delivery plans, and also as a tool for managers to draw attention to areas where corrective action is required.

Performance information also plays a growing role in budget allocations and will increasingly be used to monitor service delivery.

The system must be flexible and strategies will be implemented to develop capacity depending on the conditions in the municipality. The information must at all times be accurate, appropriate and timely.



## 6. Initialising the PMS

### 6.1 Delegation of Responsibilities

The Municipal Systems Act (2000) places the responsibility on the Council to adopt a PMS, while holding the Executive Mayor responsible for the development and management of the system.

The Executive Mayor must delegate the responsibility for the development and management of the PMS to the Municipal Manager. The Executive Directors will be responsible for executing the PMS in their respective departments according to the approved framework.

### 6.2 PMS Responsibility Internal Structure

*A project team need to be compiled. It should assist of the following units:*

- PMS Manager
- Human Resources
- IDP
- Finance
- Strategic Services
- Internal Audit
- Technical Services
- Community Services
- Union Representatives

*The PM Team should be responsible for the following core functions:*

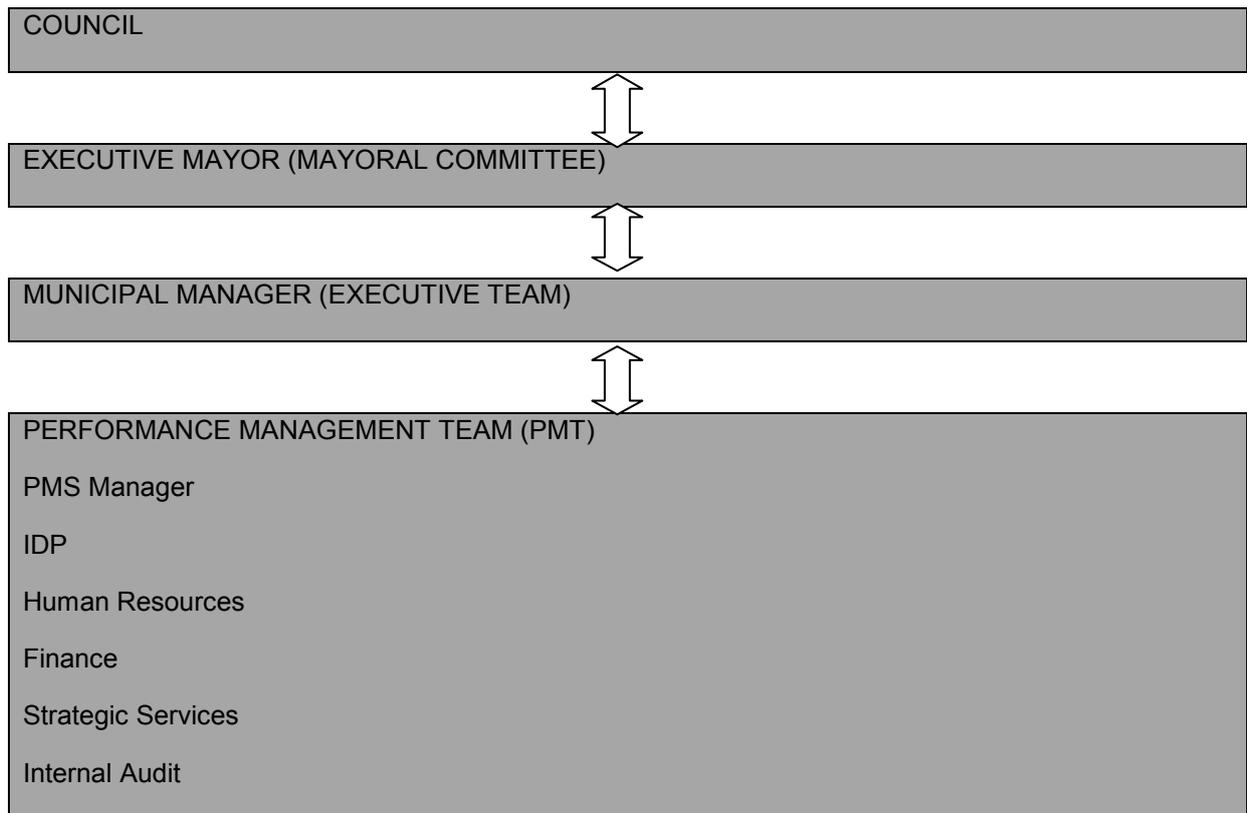
- Responsible for the development and implementation of the PMS
- Ensuring implementation and compliance of all legal aspects in respect of the PMS policy framework
- Facilitating further development and refinement of the PMS
- Continuously supporting Eden District Municipality with implementation, assessment, review, monitoring and computerising the process
- Responsible for compiling the annual status report to the Council

*The following target timeframes are applicable to the above functions:*

- Daily
- Monthly
- Quarterly
- Annually
- Continuously



This figure provides the internal structure:



### **6.3 Performance Transformation**

The Municipal Manager and the PM Team must keep Eden District Municipality informed about the transformation, development, implementation and review of the PMS in order to:

- Communicate these roles , responsibilities and expectations within the municipality and to the public
- Encourage public participation through the communication of performance information and the creation of appropriate mechanisms
- Ensure that the process of developing the system will be inclusive, participatory, transparent, simple and realistic, fair and objective, developmental and non-punitive

Officials must be made aware of and understand the need for performance management. Leadership must ensure that the performance management establishes the accountability of the municipality to the citizens and communities, of the administration to the Council, of line functions to executive management and of employees to the municipality.



## 6.4 Roles and Responsibilities

STAKEHOLDERS	IDP, ORGANISATIONAL PM, INDIVIDUAL PM	BENEFITS
Executive Mayor	Facilitate development of long term Vision, IDP and PMS	Optimum and equitable service delivery
Executive Committee/ Mayoral Committee	Provide strategic direction and manage development IDP	Promotes public awareness and satisfaction
Standing/Portfolio Committee	Manage the implementation of strategy  Review and monitor the implementation of IDP	Facilitates a process of benchmarking and collaboration with other municipalities
Council	Adapt PM Framework and approve IDP  Monitor Performance	Provides a mechanism for the monitoring implementation and review of the IDP
Municipal Manager	Ensure implementation of IDP & PMS  Communicate with Mayor and Management Team	Clarifies goals, targets and work expectations of the executive management team, departmental managers, line managers and individual employees
Management Team	Manage Departmental Business Plans and Performance	Facilitates the identification training and development needs at different levels in the municipality
Line Managers	Implement the business plans and monitor progress of Individual performance plans	Provides an objective basis upon which to reward good performance and correcting under performance
Employees	Execute individual performance plans	Mechanism for early warning indicators to check and ensure compliance
Internal Audit	Assess functionality and legal compliance of the PMS	Enhances the status and role of Internal Audit
Community	Inform the identification of priorities  Public/Community Involvement	Provide a platform for community to inform and communicate with councillors



## **6.5 Structures for Stakeholder Participation**

It will be important to establish structures that will facilitate the meaningful participation of all stakeholders in the development of the system, consistent with legislation. EDEN District Municipality's own will be the same and/or link IDP structures for the participation process.

EDEN District Municipality will be utilizing amongst others, the following structures;

- City/ Town News Letters
- Internet
- IDP Meetings
- Ward Committees
- Public Institutions, e.g. Libraries

## **6.6 Publication of the Performance Management System**

EDEN District Municipality will publish the PMS in various ways in order to obtain comments from the identified stakeholders.

## **6.7 Adoption of the Performance Management System**

Following the incorporation of the stakeholder comments, a final draft will be prepared for submission to Council. Council will adopt the system once it is satisfied that the process was handled in accordance with the legislation and the proposed system complies with the requirements of the law, especially the regulations governing the nature of the system.

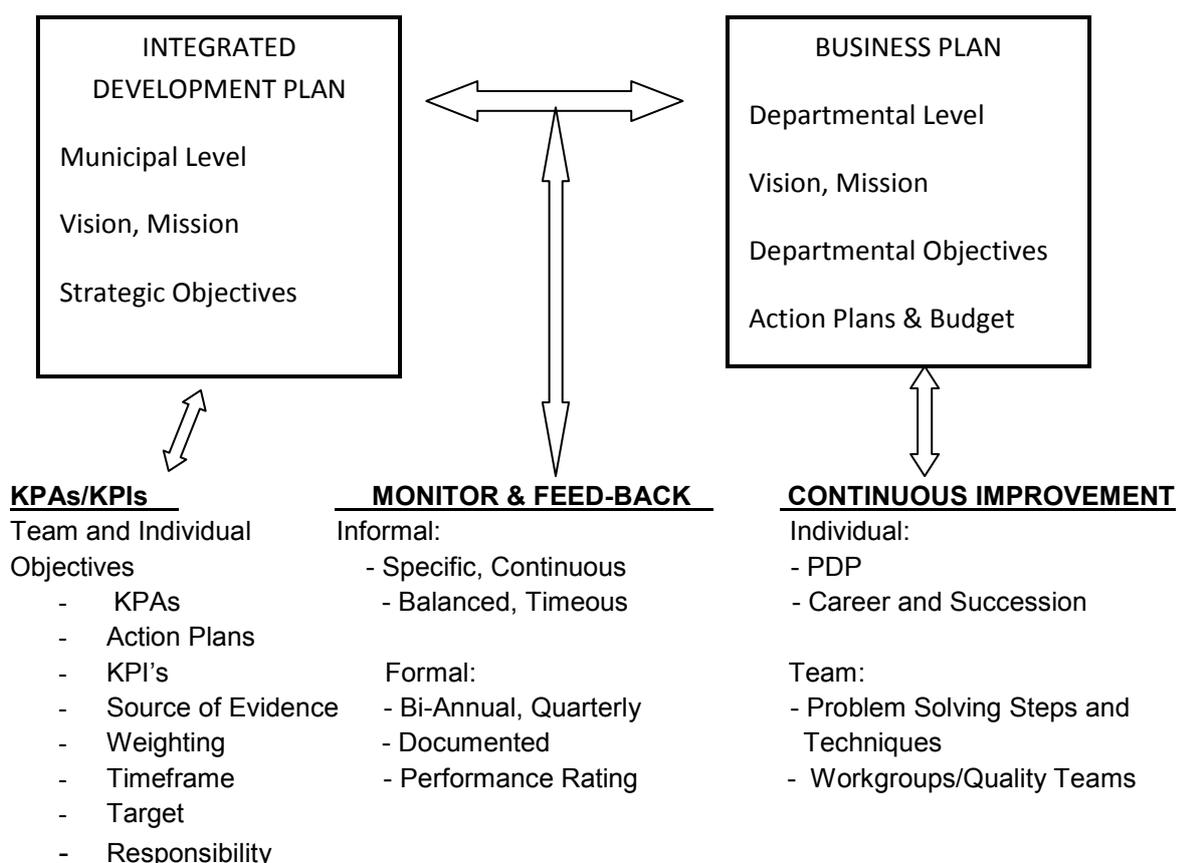


## 7. Development of the PMS

### 7.1 Relationship between the IDP and the PMS

The IDP process and the performance management process are seamlessly integrated. The IDP fulfils the planning stage of Performance Management and Performance Management fulfils the implementation management, monitoring and evaluation of the IDP process.

The IDP and PMS processes therefore need to be viewed and managed as an integral part of each other. Although the development of the PMS is a separate process, it has very strong parallels with the preparation and development phases of the IDP. It is also crucial that the continuous development of the PMS identifies overlaps and is used to calibrate the synergies between the IDP and performance management of Eden District Municipality. To ensure an effective basis for performance management, the IDP process also needs to identify the associated steps for the PMS at each stage to provide for the requirements of the PMS.



This diagram illustrates the Integration of the IDP, Business Plans and KPAs/KPIs.



## 7.2 Fundamental Terminology

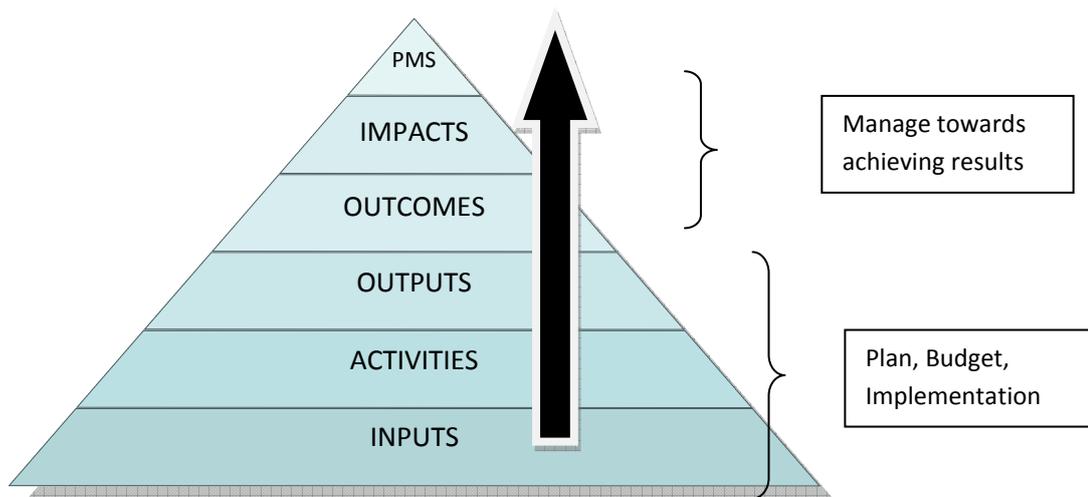
CONCEPT	DEFINITION
<b>Performance Management System</b>	A strategic approach which provides a set of tools and techniques to plan regularly, monitor, measure and review performance of the organisation and individuals.  PM is a system that is used to make sure that all parts of the municipality work together to achieve the goals and targets that are set.
<b>Organisational Performance Management</b>	Concerned with the overall performance of the Municipality/Organisation in relation to giving effect to the IDP (Macro)
<b>Individual Performance Management</b>	Linked to the OPMS are the individuals who contribute to the success or failure of the Municipality/Organisation. Each individual will have performance objectives, targets and standards that are linked to objectives of his/her Division, Department and Municipality.
<b>Integrated Development Plan</b>	Clearly defining 5-year Strategic Plan of a Municipality, IDP should be reviewed annually or as required.
<b>Key Performance Area</b>	Key areas of responsibility
<b>Objective</b>	Statement about what outcomes do we want to achieve
<b>Key Performance Indicator</b>	Measures (qualitative or quantitative) that tell us whether we are making progress towards achieving our objectives
<b>Input Indicator</b>	Indicator that measures resources economy and efficiency
<b>Output Indicator</b>	Indicator that measures whether a set of activities yields the desired results of products/service
<b>Outcome Indicator</b>	Measures the broader results achieved through the provision of goods and services (impact)
<b>Target</b>	The level of performance (or desired state of progress) of the indicator that is intended to be achieved by a specified time period
<b>Baseline Indicator</b>	The value (status quo) of the indicator before the start of the programme or prior to the period over which performance is to be monitored and reviewed.
<b>Baseline Indicator</b>	The base from which progress will be measured
<b>Benchmarking</b>	A process whereby an organisation of a similar nature uses each other's performance as a collective standard against which to measure their own performance



### 7.3 Key Information Concepts

The following Information Concepts needs to be structured to demonstrate how government institutions measure performance:

- **Inputs:** all the resources that contribute to the production and delivery of outputs. It is what we use to the work. This usually includes finances, personnel, equipment and buildings.
- **Activities:** it's the processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. It describes what we do.
- **Outputs:** the final products, or goods and services produced for delivery. Outputs may be defined as 'what we produce or deliver'.
- **Outcomes:** the results for specific beneficiaries that are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution's strategic goals and objectives set out in its place. Outcomes are what we wish to achieve.
- **Impacts:** achieving specific outcomes, such as reducing poverty and creating jobs.



When monitoring and assessing outcomes and impacts, it needs to be kept in mind that government interventions can also have unintended consequences. These also need to be identified and monitored so that risks can be managed and corrective action can be taken.

In managing for results, budgets are developed in relation to inputs, activities and outputs, while the aim is to manage towards achieving the outcomes and impacts.



## 7.4 Performance Indicators

Indicators need to be specified to measure performance. The relation should point to inputs, activities, outputs, outcomes and impacts. Specification must be towards indicators that measure things that are useful from a management and accountability perspective. Managers need to be very selective when defining indicators.

A good performance indicator requires careful analysis of what is to be measured. A thorough understanding of the nature of the input or output, the activities, the desired outcomes and impacts and all relevant definitions and standards used in this field is required. When compiling an indicator, it is advised that a subject expert and line manager is involved in the process.

Good performance indicators should be:

- a. Reliable
- b. Well-defined
- c. Verifiable
- d. Cost-effective
- e. Appropriate
- f. Relevant

Performance Indicators are relevant on all levels, which include the following:

- **Inputs**
- **Activities**
- **Outputs**
- **Outcomes**
- **Impacts**

It also illustrates the way in which economy, efficiency, effectiveness and equity are conceptualized.

Performance Indicators must be related to the provisions of goods and services. This describing the interface between government and the public and are useful for monitoring and improving performance.

Indicators must directly measure inputs, activities, outputs, outcomes and impacts. Direct indicators include, cost of price, distribution, quantity, dates and time frames, adequacy and accessibility.

Where not possible, proxy indicators may need to be considered.



## **7.5 The six easy steps to Developing Performance Indicators**

The best performance indicator information is of limited value if it is not used to identify service delivery and performance gaps, to set targets and to work towards better results.

Developing suitable performance indicators is a complex task. There are six key steps that may be identified in this approach:

1. *Agree on what you are aiming to achieve*  
Well-defined strategic goals and objectives provide a better basis from which to develop suitable programmes and projects, as well as appropriate indicators.
2. *Specify the outputs, activities and inputs*  
Specify what the municipality needs to do to achieve the desired outcomes and impacts.
3. *Select the most important indicators*  
Select indicators that measure important aspects of the service that is being delivered, such as critical inputs, activities and key outputs.
4. *Set realistic performance Targets*  
Effective performance management requires realistic, achievable targets that challenge the municipality and its staff. Where targets are set in relation to service delivery standards it is important to recognise current service standards and what is generally regarded as acceptable.
5. *Determine the process and format for reporting performance*  
Performance information is only useful if it is consolidated and reported back into planning, budgeting and implementation processes where it can be used for management decisions, particularly for taking corrective action. It is of the utmost importance to get the right information in the right format to the right people at the right time.
6. *Establish processes and mechanisms to facilitate corrective action*  
Regular monitoring and reporting of performance against expenditure plans and targets enables managers to manage by giving them the information needed to take decisions to keep service delivery on track.

Measuring, monitoring and managing performance are integral to improve service delivery.



## **7.6 Identification of Indicators**

The following will be considered when identifying indicators:

- Priorities and objectives set in the IDP
- Objectives clustered into KPAs such as service delivery development, institutional transformation, governance and financial issues
- The activities and processes identified in the IDP for achieving the developmental objectives as well as the earmarked resources
- Whether data is available for its measurement in the Eden District Municipality area

## **7.7 National Key Performance Indicators**

The following general key performance indicators are prescribed in terms of Section 43 of the Municipal Systems Act (2000):

- The percentage of households with access to basic level of water, sanitation, electricity and solid waste removal
- The percentage of households earning less than R1100 per month with access to free basic services
- The percentage of a municipality's capital budget actually spent on projects identified for a particular financial year in terms of the municipality's IDP
- The number of jobs created through the municipality's local economic development initiatives including capital projects
- The number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan
- The percentage of a municipality's budget actually spent on implementing its workplace skills plan
- Financial viability as expressed by the following ratios:
  - Debt Coverage Ratio
  - Outstanding Service Debtors to Revenue
  - Cost Coverage Ratio

EDEN District Municipality will review its key performance indicators annually as part of the performance review process or whenever it amends its IDP in terms of Section 34 of the Municipal Systems Act (2000).



## 7.8 Performance Targets

Once a suitable indicator has been defined, it must be specified what level of performance the institution and its employees will strive to achieve. Performance targets must be relative to current baselines.

In planning documents a set of performance targets will report in its accountability documents. The set of indicators selected for accountability reporting ought to provide a holistic view of the institution's performance.

In the case of concurrent functions, National has identified a core set of indicators that need to be reported by provincial and local government to ensure comparability.

The Baseline is the current level of performance that the municipality aims to improve.

Performance Targets express a specific level of performance that the institution, programme or individual is aiming to achieve within a given time period.

Performance Standards express the minimum acceptable level of performance, or the level of performance that is generally expected.

Performance standards and performance targets should be specified prior to the beginning of a service cycle, which may be a strategic planning period or a financial year. Reason being that the municipality and its managers know what they are responsible for and can be held accountable at the end of the cycle. Standards are generally 'timeless', but targets need to be set in relation to a specific period. The targets for outcomes will tend to span multi-year periods, while the targets for inputs, activities and outputs should cover either quarterly or annual periods.

EDEN will use standards and targets throughout the organisation, as part of its internal management plans and individual performance management system.

A set of criteria for selecting performance targets is the "SMART" criteria:

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



## 8. Monitoring and Reporting

Performance monitoring is an ongoing process that runs parallel to the implementation of the agreed IDP.

Monitoring must:

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- Identify the roles of the different role players
- Allocate specific tasks to the gathering of data and submission of reports
- Determine the data that must be collected in order to assess performance
- Determine how the data is to be collected
- How the data is to be stored
- How the data is to be verified
- How the data is to be analysed and how the reports on that data are to be compiled
- Provide for reporting to the municipal council at least twice a year
- Must be designed in such a manner that it enables the municipality to detect early indications of under-performance
- It must provide for corrective measures where under-performance has been identified
- Also compare current performance with performance during the previous financial year by making use of the baseline indicators

Eden District Municipality will 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 performance indicators and performance targets set by it.

The mechanisms, systems and processes for monitoring in terms of the sub-regulation must provide for reporting to the municipal council at least twice a year, be designed in a manner that enables the municipality to detect early indications of under-performance and should provide for corrective measures where under-performance has been identified.

### **8.1 Designing and Building a Measurement Framework**

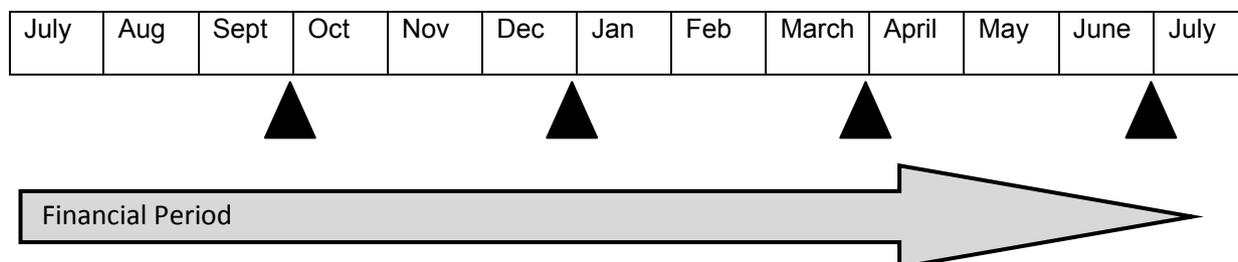
With regard to the Performance Measurement Guidelines, a municipality is expected to develop a framework for undertaking performance measurements. The emphasis will be on timing, monitoring on a quarterly basis, review panels and reporting. Performance assessment should be based on the indicators as discussed in the sections 7.4 to 7.7.

Good measurement is time-specific, source specific, valid, reliable, clear and accurate.

Line managers will be responsible for most measurements. Measurement, assessment and reporting will be central to the management duties of managers and executive directors.



The schedule kicks off in July of the current year to June of the next year in order to illustrate a full year of continuous measurement. The first quarter has been indicated as July – September. It takes time to gather information for proper assessments and it might therefore not be practical to start immediately with these measurements.



Monitoring Quarter 1	Monitoring Quarter 2	Monitoring Quarter 3	Monitoring Quarter 4	Submission of the annual report to the MEC of Local Government
Internal Audit Performance Report to Municipal Manager	Internal Audit Performance Report to the Council	Internal Audit Performance Report to the Municipal Manager	Internal Audit Performance Report to the Council	
Performance Audit Committee Report		Performance Audit Committee Report		

Performance measurement will include the measurement of:

- Costs, resources and time used to produce outputs in accordance with the input indicators
- The extent to which the municipality’s activities or processes produced outputs in accordance with the output indicators
- The total improvement brought by outputs in accordance with outcome indicators

The above-mentioned methods of monitoring, measurement and review of performance management within the Eden District Municipality are linked to the different levels/environments in the municipality. These levels can broadly be categorised as follows:

- Organisational Level
- Sec 57 environment
- Human resource level/staff members not directly linked to performance contracts or cash bonuses.



The table below provides an outlay of these levels, proposed measurement tools, frequency of assessment, internal audit requirements and reward systems to assess and award performance on these levels.

	<b>Municipal level</b>	<b>Contract Staff</b>		<b>Non-contract staff</b>
		<b>Municipal Executive</b>	<b>Manager Directors</b>	
Type of review	Strategic Scorecards  Delivery Scorecards	Performance Contract	Performance Contract	KPAs  KPIs
Measurement	Surveys	Performance Contract	Performance Contract	Services Scorecard
Frequency of assessment	Annually	Bi-annually/ Quarterly	Bi-annually/ Quarterly	Bi-annually/ Quarterly
Responsibility for assessment/ Review	Mayoral Committee/council Portfolio committee	Executive Mayor	Municipal Manager	Executive director/ Director
Reward system	Not applicable	Bonus as per contract	Bonus as per contract	Non-cash awards
Internal Auditing	Yes	Yes	Yes	No
Status of current assessment	Partly in place	In place	In place	To be fully developed and implemented

The above represents the Assessment Levels in Eden District Municipality.



## 8.2 *Balanced Scorecard Approach*

Numerous amounts of scorecards have been developed with the main aim of tracking progress on the basis of measuring certain pre-determined strategies and objectives.

Eden District Municipality have decided on the Balanced Scorecard Model for performance Management.

The Balanced Scorecard (BSC) models:

- Draw on both the Excellence and Best Value type models but translate the two dimensions into a set of linked perspectives that should be taken into account in managing performance
- Do not use the linear system view that assumes fixed causes and effects and fixed beginning and end points
- Assume that the whole picture is necessary all the time to get a strategic sense of how you are doing. Looking at it from each perspective simultaneously and enable strategic management
- It is based on a cyclical and repeatable view that does not assume fixed beginnings and ends
- It puts the financial perspective in the 'top' position and vision and strategy at the centre
- The public sector model puts Mission on top
- The model stress the importance of being able to assess the organisation from all perspectives at the same time
- The model was developed by Kaplan and Norton and it assesses performance from merely four perspectives:
  - Financial
  - Customer
  - Internal Processes
  - Innovation and Learning
- Some indicators are maintained to measure an organisation's progress toward achieving its vision while other indicators are maintained to measure the long-term drivers of success

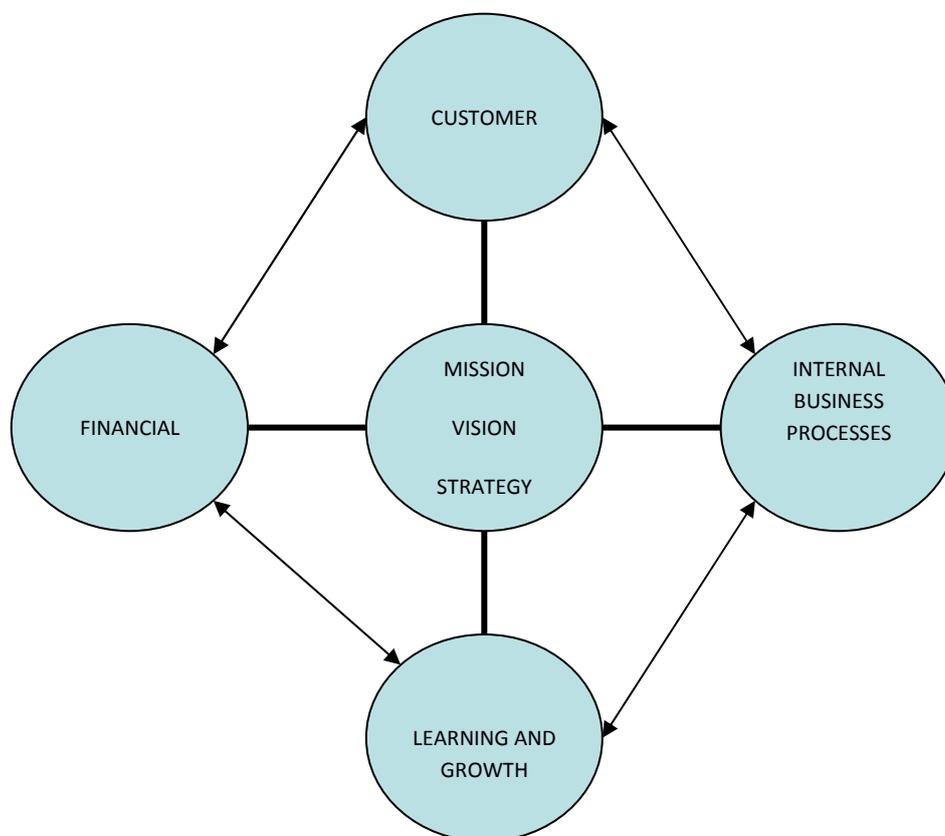


### Strengths of the Balanced Scorecard Models – DDPLG PMS Training Presentations '03

- Integration of perspectives enables a more holistic assessment of performance
- It has a strong emphasis on learning and development
- Clearly links planning, measurement and management
- Relatively simple integrated model, does not try to be comprehensive, but to capture key strategic issues for management
- Relies on clear objectives and measures that are objective and reliable
- Links between the perspectives can be used to diagnose performance problems
- Can form the basis for staff performance management as much as for organisational performance management

### Weaknesses of the Balanced Scorecard Models – DDPLG PMS Training Presentations '03

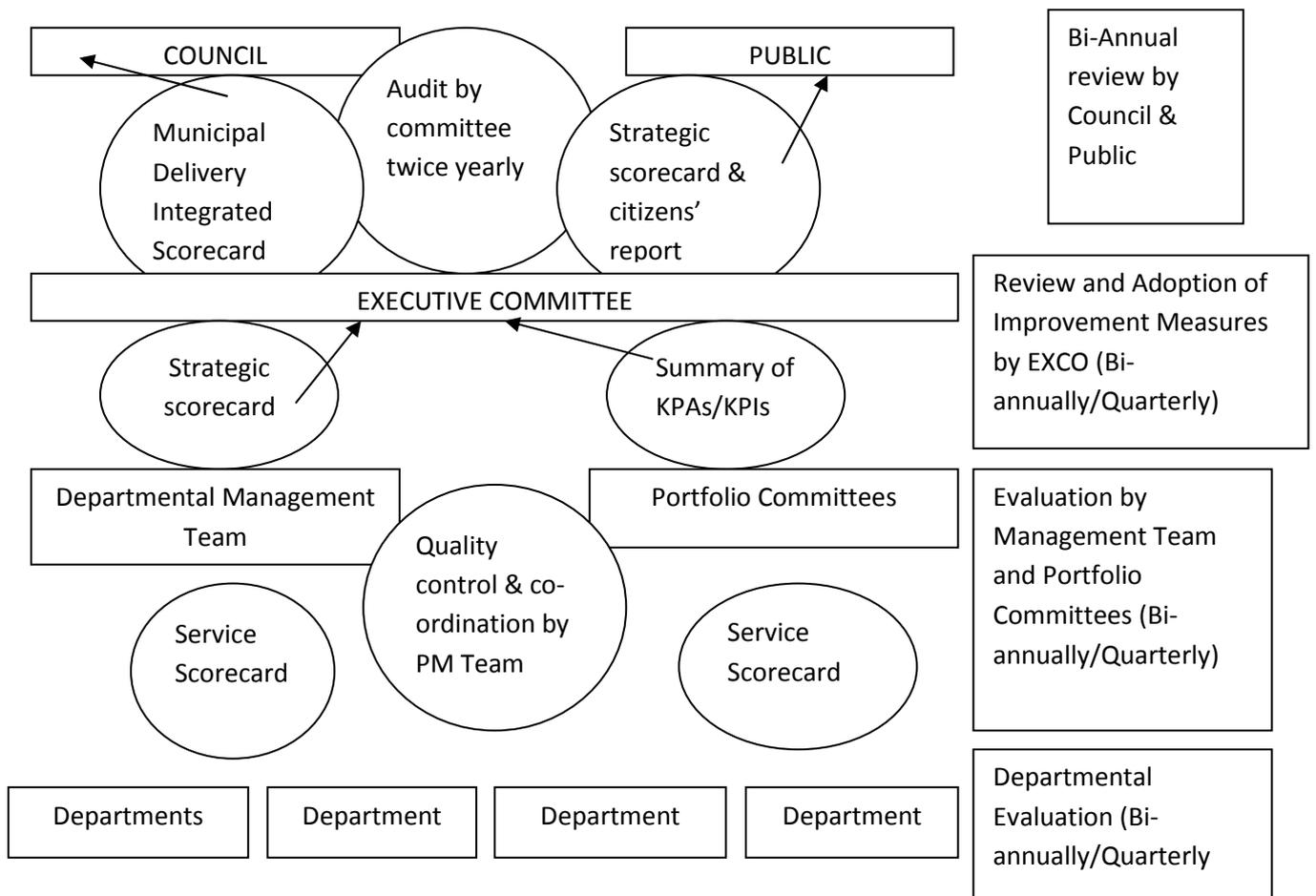
- Relevance of priority areas to developmental local government have been questioned – the categorisation and prioritisation of perspectives are not necessarily the ones prioritised in policy and the IDP
- Customer, not citizen and service user perspective
- Prioritisation of the financial perspective is relevant to private sector
- Failure to recognise the policy ad service orientation of public sector
- Based on a different planning methodology than the IDP



The diagram below gives an indication of the use of scorecards on an annual basis to track, report and review performance

The service and strategic scorecards are based on regular:

- Departmental Reviews
- Management Team Reviews
- Portfolio Committee Reviews
- EXCO Reviews
- Council Reviews
- Public Reviews
- Household Surveys
- Business Satisfaction Surveys
- Employee Satisfaction Surveys



## 9. Analysis and Reviews

Analysis requires the interpretation of the measurements to determine whether targets have been met and exceeded and projections on whether future targets will be met.

Where targets are not being met, analysis requires that the reasons should be examined and corrective action be recommended.

Performance reviews is a process where the municipality, after measuring its own performance, assesses whether it is doing the right thing.

Methods:

- Look at whether the current level of performance is better than that of the previous year, making use of baseline indicators
- Comparing the municipality's performance with other similar ones, by doing benchmarking exercises
- To a study to determine exactly what the people think about the performance of the municipality across the range of services. Making use of methods such as customer surveys or other community feedback mechanisms

The review approach is consistent with the 'best value' framework of challenge, compare, consult and compete. The municipality is challenged to study the current level of performance, compare it to others, consult with the customers or communities and find ways of competing with others to provide the best value in service delivery.

Line managers are continuously analysing the measurements that they are generating. They have an in- depth understanding of their sector, to analyse whether targets are met in the future, what the contributing factors are to the level of performance and what remedial action needs to be taken.

It is important to have a corporate analysis of performance. This analysis should examine performance across the municipality in terms of all its priorities. To be successful, capacity for this level of analysis should be set up centrally, in the office of the Municipal Manager, Executive Mayor and Mayoral Committee.

In order to fulfil the objective of ensuring accountability, reviews are conducted according to certain lines of accountability.



Supervisors	Review performance of individual or groups of employees reporting directly to them, depending on the type of employee PMS that is adopted
Line/Functional Managers	Review performance of their respective areas regularly (monthly). The reviews should at least cover all the organisational priorities respective to these regulations
Standing/Portfolio Committees	Manage performance of functions respective to their portfolios. They should at least review performance of organisational priorities that lie within their portfolio monthly, while maintaining a strategic role
Executive Management (Municipal Manager and his/her Management Team)	Review performance of the municipality monthly, prior to and more often than the Mayoral Committee. <ul style="list-style-type: none"> <li>- Review performance more often, in order to intervene promptly on operational matters where poor performance or the risks thereof occur</li> <li>- Review performance before reporting to politicians so that they can prepare, control the quality of performance reports submitted and ensure that adequate strategies are proposed in cases of poor performance</li> <li>- Review performance prior to being conducted by standing, portfolio or committees</li> </ul>
Mayoral Committee	Review performance of the administration, and should remain strategic. It is proposed that the reviews take place on a quarterly basis with the regular final quarterly review taking the form of an annual review. The content of the review should be confined to agreed and confirmed priority areas and objectives only. The Municipal Manager should remain accountable for reporting on performance at this level.
Council	Review performance of the Municipal Council , its committees and the administration on an annual basis, in the form of a tabled annual report at the end of the financial year
Public	Review performance of the Municipality and public representatives (Councillors) in the period between elections. It is required by legislation that the public is involved in reviewing municipal performance at least annually.



## 10. The Performance Audit Committee

The **Municipal Systems Act** (Act no. 32 of 2000, Sections 45 & 46) and the **Municipal Planning and Performance Management Regulations** (No. R 796 of 2001, Section 14) provide clear guidelines on the formal monitoring, audit and reporting of performance of the municipality.

A Performance Audit Committee, consisting of at least three members, of whom the majority may **not be councilors or employees**, must be appointed annually to audit and report on the performance of the municipality. It is required that at least one member of the Performance Audit Committee must be a performance management specialist, while it is suggested that a member of the local community, preferably nominated from the IDP Representative Forum, should also serve on the committee. It is also possible to include individuals from local B Municipalities on the Performance Audit Committee to fulfill an oversight function.

In terms of Regulation 14 (4) (a) the Performance Audit Committee must:

- Review the quarterly reports compiled by the internal auditor;
- Review the PMS of the municipality and report to the Council in this regard: and
- Submit an audit report to Council at least twice a year

## 11. Individual Performance Management

Individual Performance is defined as an individual performance model by Ainsworth, Smith and Millership (2002:19-25) as follows:

‘Performance is a function of Role Clarity and Competence and Environment and Values and Preferences and Rewards plus Feedback.’

This model can be applied to the following:

- Modifying and enriching jobs
- Creating new and improved skills
- Improving communications
- Career Development
- Change Management
- New reward structures

Within Individual performance, certain questions pertain to the field. These questions can be dealt with in the following manner:

<b>ROLE CLARITY</b>	Rc	Know what is exactly expected of you. Do I know what I can contribute to the whole picture?
<b>COMPETENCE</b>	C	Do I have skills, knowledge and aptitude appropriate to the tasks I am expected to do?
<b>ENVIRONMENT</b>	E	Do I have all the tools and equipment I need to work well?

		Effective work group and system. How do I rate the leadership?
<b>VALUES</b>	V	Do I think that all we do in “not wrong”?
<b>PREFERENCES</b>	Pf	Do I like all activities in my work? Or are there other things I’d rather be doing?
<b>REWARDS</b>	Rw	Do I feel adequately rewarded, both in my pocket and in my heart, at the end of day?

Individual Performance can be translated to a mathematical performance equation:

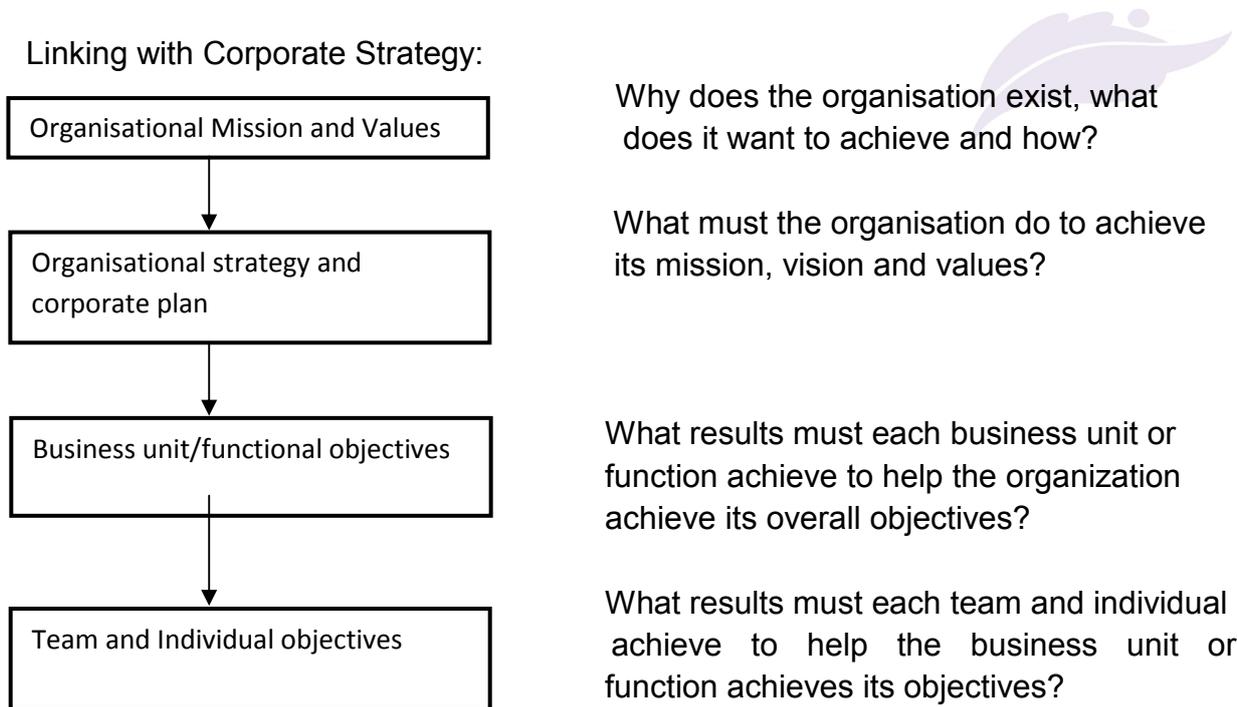
$$\text{Performance} = R_c \times C \times E \times V (P_f \times R_w)$$

Plus  
Feedback

This equation makes it clear that:

- The multiplication signs imply that if any factor is zero, the performance will be zero
- Without taking the above point completely literally, the implication for the manager is that ALL those factors need to be managed.

Linking with Corporate Strategy:



Performance at an Individual Level:

PMS at an Individual Level is explained as follows:

- Allows the individual to reach agreement aligned to team, departmental and hence municipal/departmental objectives
- Clear definition of responsibility and deliverables

- Clear feedback channels on performance
- Recognition and understanding of own and other's performance.

Performance Cycle phases and their outputs –

*Planning and Contracting (municipal to individual level):*

- Main outputs are plans at different levels of organisation
- Range from municipal strategic plan, municipal and directorate/departmental business plans, team delivery to individual plans

*Monitoring Process (Municipal to Individual level):*

- Self, peer and managerial review discussion or feedback reports (as applicable) highlighting achievements and areas of self development
- Performance improvement plans for next quarter
- Agreement amendments to Business Plans(organizational)a Performance Plans (Individuals)
- Monitoring and Formative Evaluation Reports
- Evaluating Performance
- Organisational and Individual performance ratings
- Indication of organisational and Individual flow of work into next year's plans
- Management of outcomes of performance evaluations (org & individual)

## **12. Guidelines for EDEN staff without Performance Agreements**

The performance reward system differs from that of a Section 57 Employee. If an employee is a permanent employee of the Council and is thus covered by conditions of service of the municipality, performance is not directly linked to remuneration. Currently the employee receives an annually bargained increase determined by the South African Local Government Bargaining Council (SALGBC). These employees must receive rewards for performance, but these employees receive non-cash rewards, until such time as a national remuneration policy dictates otherwise.

Staff that have not signed fixed term contracts within the municipality remain permanent employees of the municipality and are subject to the conditions of service of the bargaining council. This means they receive an annual agreed increase negotiated through the National Local Government Bargaining Council.

There are a number of advantages of non-cash rewards:

- Memory value is high
- Reward is reinforced by peer admiration
- It can be tailored to municipality goals and individual preferences
- The municipality can control the duration and impact of these type of awards
- The reward can be instant and frequent

Employees who perform well and receive an above average rating during their performance appraisal, but who do not qualify for financial rewards are eligible to receive some form of non-financial reward. These non-financial rewards are given separately from the pay and benefits package and recognize specific achievements identified during the performance appraisal.

*Non-cash rewards can be illustrated as below:*

Outstanding/ above performance levels = A Employee is granted 'free' leave days

B Employee is able to attend a conference

C Employee may select a work tool that will enhance his/her ability to perform better.

Average = No Specific Reward

Below Average = Compulsory performance counselling

Eden District Municipality is will do a survey amongst employees in order compile a proper rewards policy for the above.



### **13. Guidelines for Section 57 Performance Agreements**

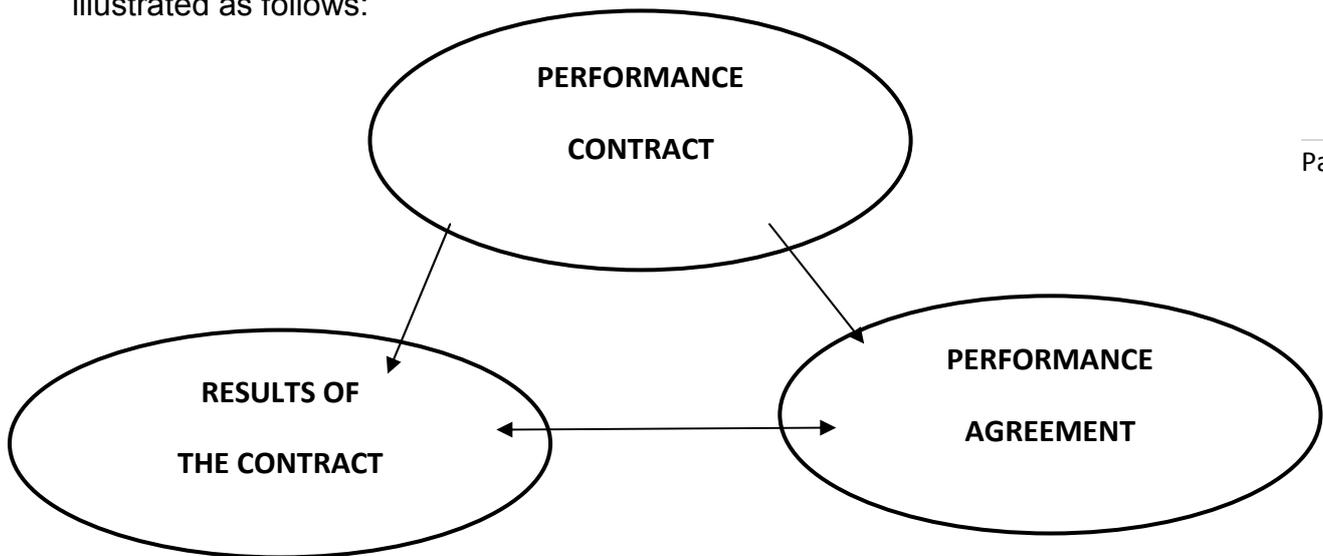
As set out by the South African Local Government Association (SALGA):

A performance agreement is an agreement between an employee (the Municipal Manager or his direct reports) and his/her manager (Executive Mayor, or the Municipal Manager), which regulates the performance required for a particular position and the consequences of the performance.

Parties participating in the Performance Agreement Process are:

- The Executive Mayor and the Municipal Manager
- The Municipal Manager and his/her direct reports.

The link between a Contract of Employment and a Performance Agreement can be illustrated as follows:



There are nine parts to the agreement (SALGA, 2003):

- Performance Agreement
- A statement about the purpose of the position
- A scorecard detailed by objectives and their related performance indicators, weightings and target dates
- Information about the knowledge, skills and behaviours required to perform the job
- Performance review procedure
- Consolidated score sheet
- Link to reward
- Individual learning plan
- Control sheet

#### **14. Link between Organisation and Employee Performance**



The performance of a municipality is integrally linked to that of staff. If employees do not perform, a municipality will fail. It is therefore important to manage both at the same time. The relationship between organisation performance and employee performance starts from planning, implementation, monitoring and review.

Linking Performance can be divided into four phases:

- Planning
- Coaching
- Reviewing
- Rewarding

<p><b>PLANNING PHASE</b>                  In this phase (July of each year)the Executive Mayor and the Municipal Manager and then the Municipal Manager and his/her direct reports, plan what work the Municipal Manager and each Manager will be required to do during the financial year</p> <p>This requires completing a performance plan which will detail what the Manager’s objectives are, what the deadline dates and weightings are and what the performance indicators or evidence is that will be used to prove that the objectives have been achieved.</p> <p>This planning will help to:</p> <ul style="list-style-type: none"> <li>- Link individual work to the IDP</li> <li>- Identify the knowledge, skills and behaviours needed to achieve the objectives</li> <li>- Help managers to start thinking about action plans in order to achieve the objectives in the performance plan</li> </ul>	<p>→</p>	<p><b>COACHING PHASE</b>                  Coaching must happen ALL THE TIME so that the employee always knows how well he/she is doing. Coaching can be informal or formal and it allows the employee to discuss with his/her manager progress against the performance plan and to decide if anything needs to be changed before the formal performance review in June.</p> <p>The purpose of coaching is as follows:</p> <ul style="list-style-type: none"> <li>- For the manager to make clear what he/she expects of the employee</li> <li>- To give positive feedback when the employee does well. To let the employee know when he/she is not doing something well and to help him/her to do it better.</li> </ul> <p>Managers must conduct formal quarterly reviews. The purpose is o give the employee feedback on his/her performance thus far and check that the objectives are still relevant. The employee will not be scored at this stage.</p>
<p>↑</p>		<p>↓</p>
<p><b>THE REWARDING PHASE</b>                  A separate meeting should be held between the manager and the employee to show the link between the employee’s final performance score and reward. This will be determined by the remuneration policy of the municipality. The reward meeting must be held after all the performance reviews for the Municipal Manager and his/her direct reports have been held and after the appropriate political authority have finalized and agreed to the performance related pay for that particular financial year.</p>	<p>←</p>	<p><b>THE REVIEWING PHASE</b>                  This is a formal meeting held in June of each year between the manager and the employee to rate the employee using the performance plan that was set at the beginning of the financial year.</p>



## 15. Implementing Performance Management

PHASE	ORGANISATIONAL ACTIVITY	INDIVIDUAL ACTIVITY	TIME-FRAME	RESPONSIBILITY
PLANNING	Development/ Implementation of the SDBIP		July	Municipal Manager, Senior Manager
		Performance Agreement of Section 57 Managers	July	Mayor, Municipal Manager, Senior Managers
		Performance Contracts/Plans with rest of staff	July	Direct Manager/ Supervisor
MONITOR, MEASURE & REVIEW	Monthly Monitoring		Monthly	Municipal Manager, Senior Managers, Managers/Supervisor
	Quarterly Review/s	Quarterly Review/s	September December March	Mayor, Municipal Manager, Senior Managers MANAGERS/ Supervisor
		Annual Performance Appraisal	June	Mayor, Municipal Manager, Senior Managers MANAGERS/ Supervisor
		Reward and Recognition	June	Mayor, Municipal Manager, Senior Managers
REPORTING	Quarterly Reports		September December March	Management
	Annual Report	Annual Staff Performance Report	June	Mayor Municipal Manager
IMPROVEMENT	Performance Improvement Plans		June	Management and Staff



## 14.1 Accountability Reports

Policy Development	<ul style="list-style-type: none"><li>- Policy Documents</li><li>- Explanatory memoranda accompanying ordinances</li></ul>	<ul style="list-style-type: none"><li>- Identify baseline information informing policy</li><li>- Set out desired effects of policy</li></ul>
Strategic Planning	<ul style="list-style-type: none"><li>- Integrated Development Plans</li></ul>	<ul style="list-style-type: none"><li>- Indicate outputs to be produced</li><li>- Specify Performance Indicators</li></ul>
Operational Planning and Budgeting	<ul style="list-style-type: none"><li>- Municipal Budgets</li><li>- Service Delivery and Budget Implementation Plan</li></ul>	<ul style="list-style-type: none"><li>- Set Performance targets</li><li>- Indicate available resources</li><li>- Allocate responsibilities</li></ul>
Implementation and in-year reporting	<ul style="list-style-type: none"><li>- Monthly Budget Statements</li><li>- Mid Year Budget and performance assessments</li></ul>	<ul style="list-style-type: none"><li>- Report progress with implementation of plans and budgets</li></ul>
End-year reporting	<ul style="list-style-type: none"><li>- Annual reports</li></ul>	<ul style="list-style-type: none"><li>- Report on performance against plans and budgets</li></ul>

## 16. Improvement of Performance Management

While good and excellent performance must also be constantly improved to meet the needs of citizens and improve their quality of life, it is poor performance in particular that needs to be improved as a priority. In order to do this, it is important that the casual and contributing reasons for poor performance are analysed:

It may arise out of one of the following:

- Poor systems and processes
- Inappropriate structures
- Lack of skills and capacity
- Inappropriate organisational culture
- Absence of appropriate strategy



To improve performance, the appropriate response strategy should be chosen. The following can serve as possibilities:

- Restructuring is a possible solution for an inappropriate structure
- Process and system improvement will remedy poor systems and processes
- Training and sourcing additional capacity can be useful where skills and capacity are lacking
- Change management and education programmes can address organisational culture issues
- The revision of strategy by key decision-makers can address shortcomings in this regard
- Consideration of alternative service delivery strategies should be explored.

Performance analysis is a requirement in order to identify poor performance. The Municipal Manager will implement the appropriate response strategy to improve performance.

## **17. Conclusion**

Networking and sharing knowledge with other municipalities locally and internationally will enhance the usefulness and effectiveness of municipal PMS.

No PMS operates in isolation as it is a system-wide intervention which ensures control in the ultimate achievement of vision/mission, strategic objectives and goals. It is therefore important that Eden District Municipality takes ownership and grows into its own PMS.

PMS is dynamic and will change and develop over time to reflect the unique features of Eden District Municipality. The Eden District Municipality environment is no exception to this phenomenon and this policy framework lends itself to improvement and positive changes with even more focussed alignment to its objectives and performance levels.



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