

NEWCASTLE MUNICIPALITY

PERFORMANCE
MANAGEMENT
FRAMEWORK

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PREAMBLE

The White Paper on Local Government (1998) proposed the introduction of Performance Management Systems (PMS) for local government as a tool to monitor the progress of service delivery at local government level, two years later, in 2000, the Municipal Systems Act of 2000, required local governments to develop a PMS. It concluded that Integrated Development Planning, Budgeting and Performance Management are powerful aspects that can help municipalities to develop an integrated perspective on development in their area. It is against this background that this policy document for developing and implementing a Performance Management System for Newcastle Local Municipality should be viewed. The purpose of this policy document is to (within the legal framework of the Municipal Systems Act) develop a performance management framework for Newcastle Local Municipality.

The policy framework offers Newcastle Local Municipality a platform to implement, assess, monitor, measure, review and manage performance throughout the Municipality. PMS is dynamic and will change and develop over time to reflect the unique features of Newcastle Local Municipality environment. This policy framework commits Newcastle Local Municipality to achieving its stated objectives and levels of performance.

This policy is subjected to any other Provincial or National Legislation affecting performance management of Municipalities

1. INTRODUCTION

The purpose of this document is to, according to the requirements of the Municipal Systems Act, (2000) develop a performance management framework for the Newcastle Municipality. This framework caters for the development, implementation and roll-out of performance management within Newcastle Municipality. This includes the alignment of the PMS process to that of the IDP and budget as is required in terms of the Municipal Finance Management Act (2003)

Any operating procedures aligned to this Framework is considered administrative and will be developed from time to time based on the resources and organisational arrangements of the municipality. Such procedures to be approved by the Municipal Manager.

2. RATIONALE OF PERFORMANCE MANAGEMENT

2.1 POLICY AND LEGAL CONTEXT FOR PMS

As outlined in Section 40 of the Municipal Systems Act of 2000, Newcastle Municipality must establish mechanisms to monitor and review its Performance Management System (PMS) so as to measure, monitor, review, evaluate and improve performance at organisational, departmental and employee levels. Section 34 of the MSA furthermore points out that the Integrated Development Plan (IDP) has to be reviewed on an annual basis, and that during the IDP review process the Key Performance Areas, Key Performance Indicators and Performance Targets are reviewed and this review will form the basis for the review of the municipal PMS and Performance Contracts of Section 57 Managers.

The Performance Management System (PMS) is informed by the following legislation and policy:

- The Municipal Systems Act, 2000 (Act 32 of 2000)
- DPLG Performance Management Guidelines 2001
- Municipal Planning and Performance Management Regulations (2001).
- Municipal Finance Management Act, 2003 (Act 56 of 2003)
- Municipal Performance Regulation for Section 57 Employee (2006)
- The National Treasury Framework for Managing Programme Performance Information (FMPPI- 2007)
- The Municipal Finance Management Act of 2003, Circular 13 (31 January 2005)
- Department of Cooperative Governance Guidelines for the development of a pms policy framework in municipalities (2010)
- The Municipal Finance Management Act of 2003, Circular 88 (30 November 2017)

2.1.1 THE MUNICIPAL SYSTEMS ACT 32 OF 2000

The Systems Act determines specifically that individual Municipalities should develop their own performance management systems in the interest of efficient and effective management. This is achieved through planning targets and the achievement and maintenance of quality and accountability in the delivery of projects and services to the communities within the Municipality. The following is required of municipalities in terms of the Act:

Section 38

- Establish a PMS that is commensurate with its resources, best suited to its circumstances and in line with the priorities, objectives and targets in the IDP.
- Promote a culture of performance management among its political structures, political office bearers and councillors and in its administration.

Section 41

- Set appropriate key performance measures (indicators) as a yardstick for measuring performance with regard to the development priorities and objectives in the IDP.
- Set measurable performance targets for each of those development priorities and objectives.
- Monitor performance.
- Measure and evaluate performance at least once per year.
- Take steps to improve performance.
- Establish a process of regular reporting to Council, other political structures, political office bearers and staff of the Municipality, and of the public and appropriate organs of state.

Section 42

Involve the local community in the development, implementation and review of the Municipality's PMS, and, in particular, allow the community to participate in the setting of appropriate measures and targets.

Section 44

Make known, both internal and to the general public, the performance measures and targets set by it for the purposes of its PMS.

Section 45

Audit the results of the performance measurement as part of internal auditing processes and annually by the Auditor General.

Section 46

Publish an annual performance report reflecting the performance of the Municipality and of each external service provider; a comparison of the performances with targets; and measures taken to improve performance.

2.1.2 PERFORMANCE MANAGEMENT GUIDELINES FOR MUNICIPALITIES, 2001

The Local Government and Batho-Pele White Papers, the Municipal Systems Act and the Municipal Performance Management Regulations do not constitute a framework that details how performance management processes should be undertaken in municipalities. Each Municipality is expected to develop such a framework themselves, and The Department of Provincial and Local Government prepared the Performance Management Guidelines for Municipalities (2001) to assist municipalities in this. This framework is informed by the aforementioned guidelines.

2.1.3 MUNICIPAL PLANNING AND PERFORMANCE MANAGEMENT REGULATIONS, 2001

The Municipal Planning and Performance Management Regulations deal in more detail with the following aspects of the PMS in regulations 7 to 15: The performance framework that describes and represents how the Municipality's cycle and processes of performance planning, monitoring, measurement, evaluation, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role-players.

- The setting of performance measures (indicators) and the involvement of communities in this.
- The general key performance indicators.
- The annual review of measures as part of the performance review process.
- The setting of performance targets for each of the measures.
- The monitoring, measurement and evaluation of performance.
- Internal auditing of performance measurements.
- Community participation in respect of performance management

2.1.4 MUNICIPAL FINANCE MANAGEMENT ACT, 2003

It is also important to note that the MFMA contains various important provisions related to municipal performance management. For instance, the MFMA requires municipalities to annually adopt a Service Delivery and Budget Implementation Plan (SDBIP) with service delivery targets and performance indicators – provision is also made for this at departmental level in a circular issued by National Treasury. Whilst considering and approving the annual budget the Municipality must also set measurable performance targets for each revenue source and vote. Finally, the Municipality must compile an annual report, which must include a performance report compiled in terms of the Systems Act.

Section 24

An annual budget must be approved together with the adoption of resolutions approving abovementioned performance objectives.

Section 53

The Municipality's service delivery and budget implementation plan (SDBIP) must include service delivery targets and performance measures for each quarter. The annual performance agreements must be linked to the measurable performance objectives approved with the budget and to the SDBIP.

Section 72

There must be a mid-year budget (adjustments) and performance assessment in January of each year.

2.1.5 PERFORMANCE MANAGEMENT REGULATION FOR MUNICIPAL MANAGERS AND SECTION 56 MANAGERS, 2006

In 2006 the Minister published Regulations dealing with Performance Management for Municipal Managers and Managers Directly Accountable to Municipal Managers. The Municipal Performance Management Regulation for Municipal Managers and Section 56 Managers seek to provide a uniform framework that can be applied by local-, district- and metropolitan municipalities whilst recognizing their unique conditions.

- These regulations seek to provide for practical mechanisms and enablers in implementation, monitoring and evaluation of service delivery and development.
- In view of the need to on the one hand, attract and retain skilled managers in municipalities and on the other hand the need to provide clarity on remuneration and conditions of employment, the regulations set specific principles in this regard.
- The determination of remuneration should be competency-based, market related and appropriate to local conditions.
- The recognition of outstanding performance remains an important part of performance management. However, it is proposed that bonuses be awarded on a sliding scale ranging from 5% to a maximum of 14% (The Local Government Municipal System Act no 32 of 2000 and Regulations, Page 210)

2.1.6 NATIONAL TREASURY FRAMEWORK FOR MANAGING PROGRAMME PERFORMANCE INFORMATION (FMPPI – MAY 2007)

This Directive aims to:

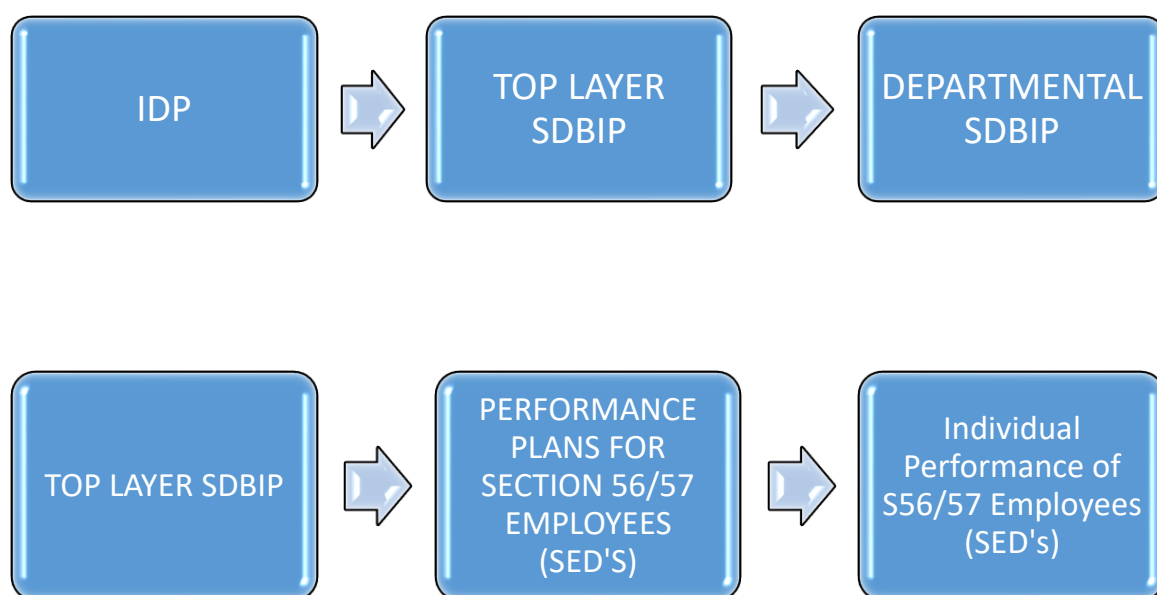
- Clarify definitions and standards for performance information in support of regular audits of such information where appropriate.
- Improve integrated structures, systems and processes required to manage performance information.
- Define roles and responsibilities for managing performance information.
- Promote accountability and transparency by providing Parliament, provincial legislatures, municipal councils and the public with timely, accessible and accurate performance information.

The Framework for Managing Programme Performance Information outlines the following:

- The importance of performance information as a management tool
- The link between this Framework and the Government-wide Monitoring and Evaluation System
- The role of performance information in planning, budgeting and reporting
- Key concepts, including the criteria for good performance indicators.
- An approach to developing performance indicators.
- The capacity required to manage and use performance information.
- The roles of key government institutions in performance information management
- The publication of performance information.

3. MANAGING AND MEASURING PERFORMANCE AT VARIOUS LEVELS

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



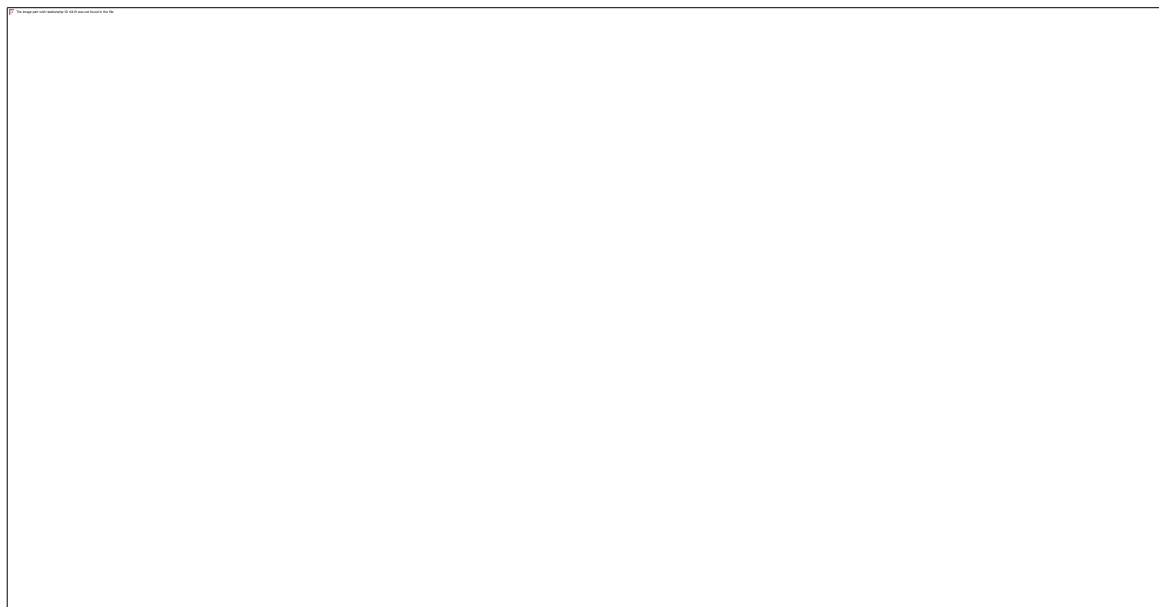
3.1 STRATEGIC PERFORMANCE LINKED TO THE INTEGRATED DEVELOPMENT PLAN (IDP) OF THE MUNICIPALITY

The performance of Newcastle Municipality is measured and managed against the progress made in achieving the strategic objectives as set out in the Integrated Development Plan (IDP) of the municipality. This is done on the basis of key performance indicators (KPI's) and targets set for each of the IDP objectives of a municipality. Given that an IDP has a five-year timespan the measures set at this level should be of a strategic and mostly long-term nature with an outcome and impact focus.

The measures set for Newcastle Municipality at an organisational level must be captured in the Top Layer Service Delivery Budget Implementation Plan (SDBIP) structured in terms of the preferred performance management model of Newcastle Municipality. A copy of the Draft Top Layer SDBIP as developed for the Newcastle Municipality for 2023/2024 financial year is attached as **Annexure "A"**.

3.2 TOP LAYER SERVICE DELIVERY BUDGET IMPLEMENTATION PLAN (SDBIP) LINKED TO DEPARTMENTAL SERVICE DELIVERY BUDGET IMPLEMENTATION PLAN (SDBIP)

Circular 13 of The Local Government Municipal Finance Management Act of 2003 states that the SDBIP is a layered plan, with the top layer of the plan dealing with consolidated service delivery targets and in-year deadlines and linking such targets to top management. The Top Layer SDBIP is a five-year strategic performance plan that is aligned to the /IDP. The National Treasury Circular 88 of The Local Government Municipal Finance Management Act 56 of 2000 states that the SDBIP is understood as a distinct document separate from the IDP with a



different purview and focus as it relates to output indicators within the control and responsibility of the municipality exclusively. The SDBIP is a one-year service delivery budget implementation plan that is aligned to the Top Layer SDBIP and informed by the budget.

4. OBJECTIVES OF NEWCASTLE MUNICIPALITY'S PERFORMANCE MANAGEMENT SYSTEM

As indicated in the previous section, the Municipality's PMS is the primary mechanism to monitor, review and improve the implementation of its IDP and to gauge the progress made in achieving the objectives set out in the IDP. The performance management system should fulfil the following objectives:

- **Facilitate increased accountability** - The performance management system should provide a mechanism for ensuring increased accountability between the local community, politicians, the Municipal Council and the municipal management team.
- **Support municipal oversight** - The performance management system should support oversight by the Council and community over the performance of the executive committee and Municipal Administration.
- **Facilitate learning and improvement** - The PMS should facilitate learning in order to enable the Municipality to improve delivery.
- **Provide early warning signals** - It is important that the system ensures decision-makers are timeously informed of performance related risks, so that they can facilitate intervention where necessary.

- **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 objectives listed above are not exhaustive but summarise the intended benefits of the system. These intended objectives should be used to evaluate and review the performance management system on a regular basis.

5. PREFERRED PERFORMANCE MANAGEMENT MODEL

The Top Layer Service Delivery Plan (SDBIP) has been adapted by Newcastle Municipality as the preferred performance management tool for measuring performance on key developmental areas that are relevant to municipal service delivery and the public sector. There are five KPA's that municipalities are required to align their strategic planning on and these cut across every functional area of a municipality. The municipal Top-layer SDBIP measures a municipality's performance through these five perspective as listed below:

- The Municipal Economic Development Perspective
- The Service Delivery Perspective
- The Institutional Development Perspective
- The Financial Management Perspective, and
- Governance Process Perspective

With recent developments through the adoption by the national cabinet of the 5-Year Local Government Strategic Agenda, that aligns local government with the national program of action, it became imperative to review the above municipal Top-layer SDBIP model and to align it with the 5 Key Performance Areas (KPA's) for local government.

The Newcastle Municipality, having adopted the Top Layer SDBIP as the Performance management tool, will align this framework to the Top Layer SDBIP and its performance will be grouped accordingly. Furthermore, legislation required that the PMS also align to the IDP. The Newcastle Municipality IDP adopted 1 additional KPA's/ perspectives as follows:

- Cross-cutting (Special Programs, Municipal Planning, Community services etc.)

The perspectives that inform Newcastle Municipality's Top-Layer SDBIP are:

- The Local Economic Development Perspective
- The Basic Service Delivery Perspective
- The Municipal Transformation and Institutional Development Perspective
- The Financial Viability Perspective,
- Good Governance Perspective and
- Cross Cutting Perspective

6. WHY NEWCASTLE MUNICIPALITY HAS ADOPTED THE TOP LAYER SDBIP?

The Newcastle Municipality had adopted a two-level approach for managing performance information. The levels are:

- The Top-Layer SDBIP – is aligned to the IDP and reflects the strategic priorities of the municipality. This Top-layer SDBIP will also inform the individual Performance Plans of the Section 56/57 Managers.
- The Service SDBIP Level (SDBIP) – which captures the municipality's performance in each defined service by department and functional area, provides a comprehensive picture of the performance of a particular functional area as budgeted and consisted of objectives, indicators and targets.

The two levels of reporting will be utilized as the performance management system (PMS) of Newcastle Municipality. The two levels of reporting will be the Top-layer SDBIP and the SDBIP (departmental). All reporting on the municipality's performance will be informed by information derived from the two-level SDBIP and reflect the municipality's performance on the six (6) perspectives.

- ***The Cross Cutting*** In this perspective the municipality will assess whether the desired development indicators around the performance area of municipal planning, disaster management and social development is achieved.
- ***The Basic Service Delivery Perspective*** This perspective will assess the municipality's performance in the overall delivery of basic and infrastructural services and products.
- ***The Financial Management Perspective*** This perspective will measure the municipality's performance with respect to the management of its finances.
- ***The Institutional Development Perspective*** This perspective relates to input indicators that measure the functioning of the municipality under areas such as human resources and all other indicators that seek to develop and manage the municipal institution.
- ***The Governance Process Perspective*** This perspective will measure the municipality's performance in relation to its engagement with its stakeholders in the process of governance, established and functioning governance structures, and good municipal governance processes, strategic planning and implementation and performance management.
- ***Local Economic Development*** This perspective will measure Newcastle Municipality's performance in developing the local economy, by ensuring that there is job creation, foreign investment opportunities within Newcastle, business retention, development of SMME's, marketing and tourism development in Newcastle.

7. DEVELOPING THE TOP LAYER SERVICE DELIVERY PLAN (SDBIP)

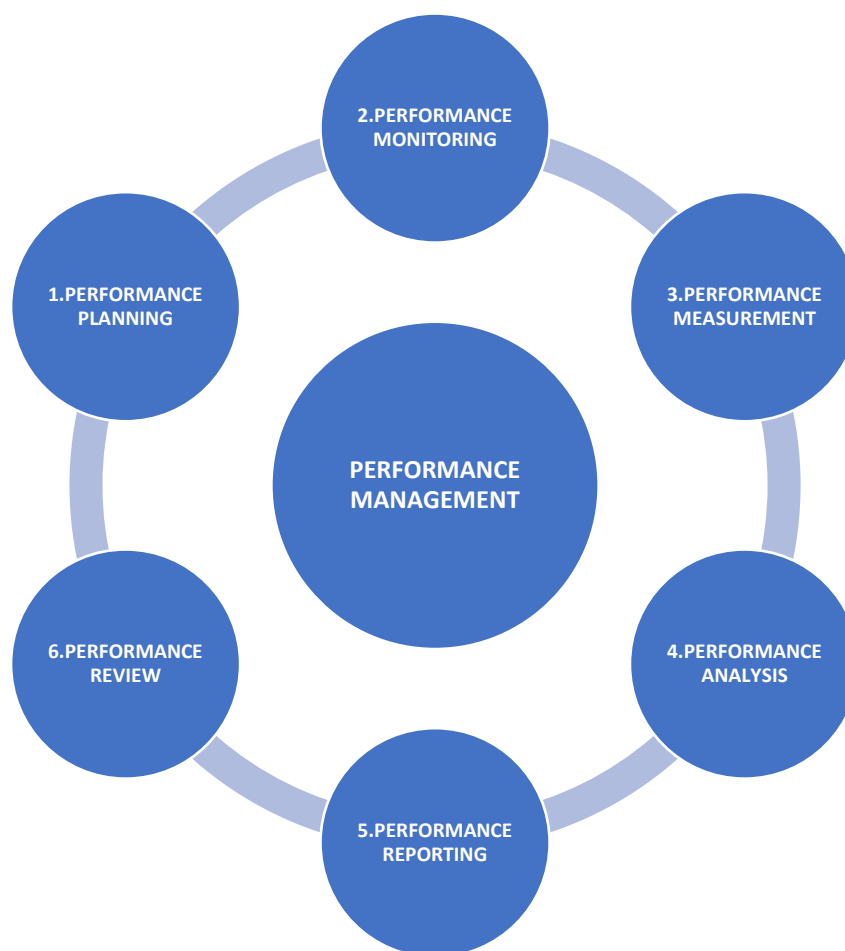
During the IDP process a corporate vision and mission were formulated for The Newcastle Municipality, together with broad key performance areas (KPA's), development objectives and key performance indicators (KPIs) which feed into the vision and mission. It is now necessary to take this process further into the performance management system, by developing an organizational or strategic Top-layer SDBIP that will encompass all the relevant areas or concepts that will allow measurement of the performance of the organization using this Top-layer SDBIP. This will be done by using relevant concepts to populate the organizational and service SDBIP's of The Newcastle Municipality. This process of developing the Top-layer SDBIP and service/departmental SDBIP's will be followed every year after adoption of the IDP and the budget and after evaluation of the previous year's SDBIP or municipal performance. An illustration of the components of the Top-layer SDBIP is reflected in figure 1 below.

Figure 1: Top-Layer SDBIP Concepts

Step 1	Outline the National Key Performance Areas (KPA's) and IDP alignment
Step 2	Define Strategic Focus Areas (SFA's) that fall under each KPA
Step 3	Formulate appropriate development objectives (IDP Objectives) for each SFA
Step 4	Develop suitable Key Performance Indicators (KPIs)
Step 5	Indicate the types of Key Performance Indicators
Step 6	Provide baseline information
Step 7	Set annual targets for each KPI over the 5 year period to be reviewed annually
Step 8	Indicate quarterly targets to be met arising out of the each of the set annual targets based on the budget for the year under review which will cascade into the SDBIP
Step 9	Allocate responsibility to departments for execution of actions
Step 10	Provide frequency of reporting on progress
Step 11	Specify the source of evidence to be used for verification and auditing purposes

8. THE PROCESS OF MANAGING PERFORMANCE

The process of managing performance at organisational level at Newcastle Municipality involves the stages as set out in the following diagram:



The diagram provides for the cycle of performance management in Newcastle Municipality to commence with performance planning followed by performance monitoring, performance measurement, performance analysis, performance reporting and lastly performance review. The outcome of the performance review feeds back into the performance planning process. It is important to note that each of the stages in the cycle is underpinned by Council and community oversight over the performance of the Municipal Executive Committee and Administration.

9. CLARIFYING ROLES AND RESPONSIBILITIES OF STAKEHOLDERS AND ROLE-PLAYERS

It is important to understand the duties, roles and responsibilities of the different stakeholders and role-players in the various processes that together constitute the framework of the PMS. It is important that the accountabilities and relationships and priorities of the various stakeholders are set to ensure that there is a complete understanding of the participation, consultation and involvement of all stakeholders for maximum inputs into, and success of the PMS. The PMS is a component of Municipal governance and management systems that is aimed at ensuring that the performance of the Municipality is developmental, while complementing the planning and budgeting processes as an integral part of organisational and individual performance management.

It involves a wide variety of stakeholders, all of whom play a vital and integral part in the overall success of the PMS. There are a variety of tasks that have been identified as being an integral part of the PMS.

The following tables depicts in more detail the role and responsibilities of all the relevant role-players in the context of each of the above stages of Newcastle Municipality's performance management cycle diagram:

ROLES AND RESPONSIBILITIES

	Performance Planning	Performance Monitoring	Performance Measurement	Performance Analysis	Performance Reporting	Performance Review
Community Participation	<p>1. The community participates in the planning phase by, giving input into the Ward Based Plans. The Ward Based Plans are plans that contain the needs and status of the community in all wards of Newcastle. The Ward Based plans are summarized into the Prioritization Model. The Prioritization Model is utilized during the strategic planning sessions with departments to ensure that departments develop strategies, action plans, KPI's and targets that will ensure that the community's needs are addressed.</p> <p>2. The Draft PMS is published on the Newcastle Municipality's website and a notice is published in the local newspaper to inform</p>	<p>1. As part of the community's general oversight role review whether performance monitoring has taken place as provided for in this Framework.</p>	<p>1. As part of the community's general oversight role review whether performance measurement has taken place as provided for in this Framework</p>	<p>1. As part of the community's general oversight role review whether performance analysis has taken place as provided for in this Framework.</p> <p>2. Be involved in the analysis process when required</p>	<p>1. As part of the community's general oversight role review whether performance reporting has taken place as provided for in this Framework.</p> <p>2. Attend meetings of Council where the performance SDBIP's are to be reviewed.</p> <p>3. As part of the community's general oversight role monitor that where targets have not been met corrective action are taken.</p> <p>4. Be kept informed about how the Municipality performed to date against targets set (Quarterly reporting)</p> <p>5. Be informed about and provided with the Municipality's annual report (year-end reporting) and citizens report if compiled.</p> <p>6. Make representations on the Municipality's annual report as tabled</p>	<p>1. Be given the opportunity to participate in the review of municipal performance.</p> <p>2. Be given the opportunity participate in the deliberations of the Municipal Oversight Committee</p> <p>3. Be given the opportunity to influence the outcome of the oversight report.</p> <p>4. Be given an opportunity to influence what areas needs to be focused on in the next planning cycle.</p> <p>5. Be given the opportunity to suggest new indicators and targets</p>

	the community that they have the opportunity to comment on the Draft PMS. The public can therefore comment on the key performance indicators, the setting of targets, objectives and strategies of the Key Performance Indicators.					
	Performance Planning	Performance Monitoring	Performance Measurement	Performance Analysis	Performance Reporting	Performance Review
Municipal Council	<ul style="list-style-type: none"> 1. Facilitate the development of a long-term vision. 2. Develop strategies to achieve vision. 3. Identify priorities. 4. Participate in the IDP process 5. Adopt the Municipality's performance management system. 6. Adopt indicators and set targets as recommended by The Executive Committee 7. Participate in the annual review of the Municipality's performance management system 	<ul style="list-style-type: none"> 1. As part of the Council's general oversight role review whether performance monitoring has taken place as provided for in this Framework. 	<ul style="list-style-type: none"> 1. As part of the Council's general oversight role review whether performance measurement has taken place as provided for in this Framework 	<ul style="list-style-type: none"> 1. As part of the Council's general oversight role review whether performance analysis has taken place as provided for in this Framework. 2. Be involved in the analysis process when required 	<ul style="list-style-type: none"> 1. As part of the Council's general oversight role review whether performance reporting has taken place as provided for in this Framework. 2. Attend meetings of The Executive Committee where the performance SDBIP's are to be reviewed. 3. As part of the Council's general oversight role monitor that where targets have not been met corrective action are taken. 4. Receive and consider the report from The Executive Committee on the review of the 	<ul style="list-style-type: none"> 1. Review the decisions taken by The executive committee in considering the quarterly performance report. 2. Establish and serve on the oversight committee. 3. Fulfil its oversight role over the Executive and Administration by considering the annual report and adopting an oversight report. 4. Influencing what areas needs to be focused on in the next planning cycle. 5. Suggesting new indicators and targets

	and agree on any amendments thereto.				performance of the Municipality for the previous quarter.	
	Performance Planning	Performance Monitoring	Performance Measurement	Performance Analysis	Performance Reporting	Performance Review
Executive Committee	<p>1. Play the leading role in providing strategic direction and developing strategies and policies for the organisation</p> <p>2. Manage the development of the IDP</p> <p>3. Recommend indicators and targets to Council</p> <p>4. Manage the development of the Municipality's performance management system</p> <p>5. Assign responsibilities to manage the development of the performance</p>	<p>1. Review whether performance monitoring has taken place as provided for in this Framework - The executive committee member responsible for each Department to work closely with HOD in ensuring that regular performance monitoring takes place.</p>	<p>1. Review whether performance measurement has taken place as provided for in this Framework</p> <p>2. Take appropriate action against those HODs who on a regular basis do not meet the reporting deadlines</p>	<p>1. Consider the analysis of performance as set out in the quarterly performance SDBIPS by the senior management team</p> <p>2. Decide whether the causal reasons for poor performance have been captured adequately through the analysis process</p>	<p>1. Consider the quarterly performance reports submitted by the management team</p> <p>2. Monitor the drafting of the annual report and ensure that it is submitted to Council through the Mayor within seven months after each financial year</p>	<p>1. Conduct the Quarterly reviews of municipal performance, determining whether targets had or had not been met, what the causal reasons were and to adopt appropriate response strategies based on recommendations by the management team</p> <p>2. Submit a report to Council on the review undertaken of the Municipality's performance</p> <p>3. Decide what areas needs to be focused on in the next planning cycle</p> <p>4. Suggesting new indicators and targets</p>

	management system to the Municipal Manager					
	Performance Planning	Performance Monitoring	Performance Measurement	Performance Analysis	Performance Reporting	Performance Review
Municipal Manager and SED'S	<p>SED's assist the Municipal Manager in:</p> <ol style="list-style-type: none"> 1. Providing strategic direction and developing strategies and policies for the organization 2. Managing the development of the IDP 3. Develop service plans for their Departments and ensure that it is integrated within the strategy of the organisation 4. Identify and propose indicators and targets 	<p>SED's responsibilities for the monitoring of performance is to:</p> <ol style="list-style-type: none"> 1. Monitor performance against targets set as provided for in this Framework 2. Take interim action in instances where targets are not going to be met 3. Get line Managers in Department to monitor the performance of their sectors 4. Ensure that portfolio of evidence on performance achievements are 	<p>SED's responsibility's for measuring performance is to:</p> <ol style="list-style-type: none"> 1. Measure performance according to agreed indicators and targets on a quarterly basis as provided for in this Framework 	<p>Performance Analysis requires SED's to do the following:</p> <ol style="list-style-type: none"> 1. Analysis and capture the underlying reasons why targets have/have not been met as provided for in this Framework 2. Where targets have not been met compile a draft recommendation with proposed corrective action 3. Participate in the meeting of executive management at which the completed performance report is discussed 5. Validate the portfolio of evidence on performance achievements reported 	<p>SED's to sign off reported information received and signed off by line managers prior to submission to the PMS Unit.</p>	<p>All SED's and the Municipal Manager:</p> <ol style="list-style-type: none"> 1. Attend the THE EXECUTIVE COMMITTEE meeting at which the quarterly performance report is reviewed and answer any questions THE EXECUTIVE COMMITTEE might have re the content of the report 2. Attend the Council meeting at which THE EXECUTIVE COMMITTEE reports on the decisions taken in respect of the quarterly performance report and answer any questions Council might have 3. Participate in the annual process to review the performance of Council

		recorded and maintained				
	Performance Planning	Performance Monitoring	Performance Measurement	Performance Analysis	Performance Reporting	Performance Review
The Role of PMS	<p>The performance of Newcastle Municipality at strategic level is to be managed in terms of its IDP. The process of compiling an IDP and the annual review therefore constitutes the process of planning for performance. As part of the IDP process key performance indicators and targets must be adopted for each of the IDP objectives. During the IDP review process the key performance indicators for those objectives that were changed must also be reviewed and amended if need be. The PMS Unit must ensure that KPI's developed are specific, measurable, reliable and relevant. The PMS Unit must develop a PMS Framework that is</p>	<p>Performance monitoring is an ongoing process through which the PMS unit monitors performance and submits quarterly reports on the Top-Layer SDBIP (and a related service delivery target contained in a SDBIP) to the Executive Committee.</p> <p>The PMS Unit every month from the 15th to 25th supports departments in the compilation of their performance reports.</p>	<p>Performance measurement refers to the formal process of collecting and capturing relevant and applicable performance data to enable reporting to take place for each key performance indicator and its related targets.</p>	<p>The PMS Unit thereafter from the 6th working day till the 14th working day of every month conducts a 100% review of the performance information as submitted from departments in terms of relevance, sufficiency, accuracy and reliability. The PMS Unit uses a Performance Management Checklist (Annexure D) to review the performance information submitted by departments. The Performance Management Checklist is based on Relevance, Sufficiency and Accuracy of the portfolio of evidence submitted to PMS by departments. If a target as specified in</p>	<p>The Performance Management Unit, SED: DPHS must: Ensure that a quality quarterly departmental performance reports are submitted to THE EXECUTIVE COMMITTEE within one month after each and every quarter end.</p> <p>The PMS unit (SED: DPHS) must submit quarterly performance reports to the Internal Audit and the Audit Committee.</p> <p>The PMS Unit must compile the annual performance report for Newcastle Municipality.</p>	<p>The quarterly submission of the Top Layer SDBIP to the executive committee for consideration and review of the performance of the Municipality as a whole is the next step in the process. The first such report is a major milestone in the implementation of any OPMS and it marks the beginning of what should become a regular event, namely using the performance report as a tool to assess and review the Municipality's performance and to make important political and management decisions on how the municipality can improve its performance. The PMS Unit must compile a comprehensive report on the performance of the Municipality also needs to be compiled on an</p>

	<p>aligned to relevant legislation. Managing the development of the Municipality's performance management system as delegated by The Executive Committee. Develop standard operating procedures for performance related data within managers' areas of responsibility</p>			<p>the Top-layer SDBIP has not been achieved, a reason for variance with supporting evidence must be submitted together with a recommended corrective action that must be implemented in the next quarter. The PMS Checklist has prompting questions based on relevance, sufficiency and accuracy, with a drop-down list with specific answers to ensure that each PMS official reviews the performance information systematically. The purpose of the PMS Checklist is to ensure that actuals are fully supported by the evidence submitted.</p>		<p>annual basis. The requirements for the compilation, consideration and review of such an annual report are set out in chapter 12 of the MFMA.</p>
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9.1 COMMUNITY PARTICIPATION

In terms of Section 42 of The Local Government Municipal System Act, 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.

Within 10 days after the approval of the Draft and final PMS/Budget/IDP notification be published in the Local Newspaper for public comment on the Draft and final Performance Management System. The Approved Draft and final Performance Management System must also be published on the municipal website for public review. The Municipality must also convene IDP/Budget/PMS Roadshows for public participation in the development of the Final PMS.

The information collected from the Public Participation Meetings should be analyzed for relevance and alignment to the current IDP and Top-layer SDBIP.

9.2 PRINCIPLES GOVERNING THE PERFORMANCE MANAGEMENT SYSTEM FOR NEWCASTLE MUNICIPALITY

The performance management system for Newcastle Municipality is guided by the following principles:

- **Simplicity** so as to facilitate implementation given any current capacity constraints,
- **Politically acceptable** to all political role-players,
- **Administratively managed** in terms of its day-to-day implementation,
- **Implementable** within any current resource constraints,
- **Transparency and accountability** both in terms of developing and implementing the system,
- **Efficient and sustainable** in terms of the ongoing implementation and use of the system,
- **Public participation** in terms of granting citizens their constitutional right to participate in the process,
- **Integration** of the pms with the other management processes within the municipality,
- **Objectivity** based on credible information and lastly,
- **Reliability** of the information provided on the progress in achieving the objectives as set out in its idp.

CRITERIA	REFERENCE TO PMRF
Consistency: Objectives, performance measures/ indicators and targets are consistent between planning and reporting documents	
1. Reported strategic or development objectives are consistent or complete when compared to planned objectives	Sec 121(3)(f) of the MFMA Sec 41(a)-(c) & 46 of the MSA
2. Changes to strategic or development objectives are approved	Sec 25(2) of the MSA
3. Reported measures or indicators are consistent or complete when	Sec 121(3)(f) of the MFMA Sec 41(a)-(c) & sec 46 of the MSA

compared to planned measures or indicators	
4. Changes to measures or indicators are approved	Sec25(2) of the MSA
5. Reported targets are consistent or complete compared to planned targets	Sec121(3)(f) of the MFMA Sec 41(a)-(c) & sec 46 of the MSA
6. Changes to targets are approved	Sec25(2) of the MSA
7. Reported achievement is consistent with the planned and reported indicator and target	Sec 121(3)(f) of the MFMA
Measurability: Performance measures/ indicators are well defined and verifiable, and targets are specific, measures and time bound.	
1. A performance measure or indicator is well defined when it has a clear definition so that data will be collected consistently and is easy to understand and use.	FMPPI chapter3.2
2. A performance measure/ indicator is verifiable when it is possible to validate or verify the process and systems that produce the indicator	FMPPI chapter 3
3. A target is specific when the nature and required level of performance of the target is clearly identifiable	FMPPI chapter 3.3
4. A target is measurable when the required performance can be measured.	FMPPI chapter 3.3
5. A target is time bound when the timeframes for achievement of targets are indicated	FMPPI chapter 3.3
Relevance: Performance measures / indicators relate logically and directly to an aspect of the entity's mandate and realization of its strategy's goals and objectives.	
1. The performance measure/indicator and target relate logically and directly to an aspect of the entity's mandate and the realization of its strategic goals and objectives.	FMPPI chapter 3.2
Reliability: Recording, measuring, collating, preparing and presenting/target achievement is valid, accurate and complete.	
1. Reported performance occurred and pertains to the reporting entity(valid)	Section 45 of the MSA Chapter 5 of the FMPPI
2. Reported performance is recorded and reported accurately (accurate).	
3. All actual performance is recorded and included in the reported performance information (complete)	

Circular 88 of The Local Government Municipal Finance Management Act 56 of 2000, requires that municipalities include on the SDBIP's reporting information on expenditure for each KPI. The National Treasury have prescribed Indicators for metropolitan municipality, therefore in preparation of MSCOA compliance Newcastle Municipality will have each Capital Project linked to a specific KPI on the SDBIP. All operational budget items will be linked to a KPI on the SDBIP. Newcastle Municipality notes that National Treasury has advised on the rationalisation of KPI's and therefore more than one capital budget item or more than one operational budget item have been linked to one KPI.

10. TYPES OF PERFORMANCE INDICATORS

In terms of **Section 41** of the **Local Government Municipal Systems Act 32 of 2000**, set appropriate key performance indicators as a yardstick for measuring performance, including outcomes and impact. With regard to the municipality's development priorities and objectives set out in its integrated development plan.

- **Input Indicators**

These indicators are typically cost related. As the name suggests, they literally measure what inputs have been made towards achieving the objective and they are most relevant to the day-to day operations of a municipality. Examples of input indicators include costs, equipment, human resources, time, etc.

- **Output Indicators**

These indicators refer to "products" produced by processing inputs (i.e. the end point of an activity), for example the number of houses built or the number of electricity connections made. Output indicators should only be used for those functions for which the municipality is directly responsible.

- **Process Indicators**

These indicators describe how well municipalities use their resources in producing services. They cover the activities and operations that convert inputs into outputs. They are essentially internal types of indicators.

11. BASELINE

A baseline can be defined as accurate and quantitative data, at a stated point in time which marks the beginning of a trend. In the Top-Layer SDBIP for Newcastle Municipality, the baseline figures are retrieved from the Annual Actual column as at the end of the previous financial year. The Top-layer SDBIP Performance is therefore tracked from the baseline figure obtained from the previous year to the target in the new financial year.

New KPI's are KPI's that did not exist in the previous financial year and therefore do not have a baseline. Therefore, the baseline for any new kpi will be reported as "New KPI". In the following financial year, if the same KPI is used in the PMS, then a baseline will be available based on the New KPI of the current financial year.

12. TARGETS

Once the KPI's is developed, Newcastle Municipality can then set targets (whether in terms of the MSA or MFMA). The targets must be quantified in terms of number/ figures/ time etc.

Regulation 12 of The Local Government: Municipal Planning and Performance Management Regulation 2001, states the following:

In setting the targets, a Municipality develops a five-year implementation programme.

(The "life of the Municipality IDP) to address the relevant National and Provincial service delivery targets in relation to the Municipal targets. This 5-year implementation programme contains annual targets which are broken down into quarterly targets as required by the MFMA. The targets must be "SMART"

In unpacking the SMART acronym, the following aspects are highlighted:

- **Specific** Is the target specific or vague? By being specific, the municipality commits itself to a standard of delivery. E.g., by stating "1000 standpipes will be constructed" the municipality is committing to a specific target opposed to a statement "to provide people with water". Further, the municipality needs to be absolutely sure what element of objective it wants to measure e.g., the quality of water being provided, or the number of standpipes being constructed. Therefore, the KPI's which needs to be measured should be identified and prioritized and specific targets set.
- **Measurable** In deciding what specific part of the KPI a municipality wants to measure it must decide:
 - If the municipality can measure the targets set (example, does it have the staff, funding, information/data to do this)
 - If the municipality can provide proof (information / data) that the target set was actually achieved
 - If a municipality cannot measure a target for any reason, it should amend or remove it.
 - If the municipality wants to measure any target, it must decide on the most appropriate manner for obtaining such proof, and whether it is justified to employ additional staff or incur additional expenditure on providing the proof that a specific target was achieved?
 - Also, there should be a purpose or reason for measuring a target, e.g., there is no reason to measure the reduction in the incidences of cholera if the Municipality has no clear strategy and objective in place to address this aspect and is not doing anything to reduce the impact.
 - Measure against backlogs or and baseline.
- **Attainable/Achievable** Can the municipality meet the target set? Does it have the human, financial, infrastructure and other resources to deliver on the target set? In determining if a target is attainable, the municipality must determine if it has a total executive control over the objective, KPI and Target set. E.g., provision of education is a national and provincial Government function. Thus, developing a KPI of "constructing schools" and setting a target of "building 5 schools" would not be attainable as it falls outside the control of the municipality (Operationally) Further, the municipality need to determine/ identify whether there are real risks (Political, financial, human, natural etc.) involved, in firstly setting the target, and secondly

meeting it. (This relates to the realistic element of the target as well) An Attainable KPI in this area would be more process and outcome orientated.

- **Realistic** By setting a realistic target the municipality must take its capacity into consideration. There is no point in setting a target of “5000 standpipes in one year” if the municipality only has the capacity (human, infrastructural and financial) to deliver “1000 standpipes in one year. Similarly, in a non-core-function, if a municipality does not have the capacity and the responsibility to build a school, the targets set should reflect the aim of that municipality to liaise and lobby with the Department of Education and Culture. By setting the unrealistic targets, the municipality will only set itself up for failure. Risk identification: it is important for the municipality to identify all possible (high level) risks that can impact on the delivery of target/s.
- **Time related** Quarterly and annual targets are set, it must relate to a timeframe. These timeframes should in themselves be specific, attainable and realistic. Time frames are not necessarily related to a financial year but could span over several years. Applicable target dates for each KPI must be determined. However, a municipality should annually monitor its achievements towards the target and review/adapt if required. If a target cannot be met in one year, extend the time frame or reduce the target so that it can be met in the time frame specified. Consequently, a “SMART” target could be to build 1000 stand within the financial year (time related). Note that for IDP purposes a five-year target needs to be determined using the same criteria. The quarterly and annual target then feeds into the five year, which reduces each year.

13. SETTING MEASURES AND TARGETS

The setting of measures and targets happens during the IDP process and is linked to the strategic objectives of the IDP. Performance measures and targets are used to show how the Municipality is performing on its objectives. This stage comprises setting measures and targets, and then gathering data and information on these measures to assess the progress of the Municipality. Performance measurement allows Municipalities to compare their actual performance to their intended performance, and against nationally defined minimum standards. It will also, in time, allow for the comparison of their performance against that of other Municipalities.

14. INCORPORATING THE GENERAL KEY PERFORMANCE INDICATORS (GKPI'S)

The following general key performance indicators are prescribed in Section 10 of the Municipal Planning and Performance Management Regulations, 2001 and must be reported on annually:

- 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 capital projects identified for a particular financial year in terms of the municipality's integrated development plan.

- The number of jobs created through municipality's local economic development initiatives including capital projects.
- The number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan.
- Financial viability as expressed by ratios that measure debt coverage, outstanding service debtors to revenue, and cost coverage.
- The percentage of a municipality's budget actually spent on implementing its workplace skills plan; and

The national (general) key performance targets set for Newcastle Municipality are included and reflected in red text in the Top Layer SDBIP "**Annexure A**".

15. PROCESS FOR MANAGING PERFORMANCE INFORMATION

15.1 PERFORMANCE PLANNING

The performance of Newcastle Municipality at strategic level is to be managed in terms of its IDP. The process of compiling an IDP and the annual review therefore constitutes the process of planning for performance. As part of the IDP process key performance indicators and targets must be adopted for each of the IDP objectives. During the IDP review process the key performance indicators for those objectives that were changed must also be reviewed and amended if need be.

The PMS Unit must ensure that KPI's developed are specific, measurable, reliable and relevant. The PMS Unit must develop a PMS Framework that is aligned to relevant legislation. Develop standard operating procedures for performance related data within managers' areas of responsibility.

It should be noted that the last component of the cycle is that of performance review and that the outcome of the review (both in-year and annual) process must inform the next cycle of IDP compilation/review by focusing the planning processes on those key performance areas in which the Municipality has under-performed.

15.2 PERFORMANCE MONITORING

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

In the instance of the achievements in terms of the Top-Layer SDBIP of the Municipality as per **Annexure "A"** is reported on a quarterly basis to the Executive Committee, the Council and KZN CoGTA. The same applies to the various departmental SDBIP reports. Performance monitoring requires that in between the formal cycle of performance measurement, appropriate action should be taken if it becomes evident through monitoring that a specific performance target is not going to be met. It is therefore proposed that at least on a monthly basis departmental Managers track performance trends against targets

for those indicators that lie within their area of accountability in order to identify performance related problems as early as possible and take to take timely and appropriate remedial action.

It is further recommended that each Manager delegate to their direct line managers the responsibility to monitor the performance for his/her sector/section. Such line managers are, after all, best placed given their understanding of their sector to monitor on a regular basis whether targets are currently being met or will be met in future, what is contributing to the current level of performance, or lack thereof, and what interim remedial action needs to be undertaken. The PMS Unit every month from the 15th to 25th supports departments in the compilation of their performance reports.

15.3 PERFORMANCE MEASUREMENT

Performance measurement refers to the formal process of collecting and capturing relevant and applicable performance data to enable reporting to take place for each key performance indicator and its related targets. Provision has been made in the Top-Layer SDBIP for the name of an official to be made responsible for reporting on each indicator (please note that this might not necessarily be the same official accountable for performance on an indicator).

The said official will, when performance measurement is due, have to collect and collate the necessary performance data or information and capture the result/s against the target for the period concerned on the departmental SDBIP's. These results must be reported to his/her Line Manager making use of the said SDBIP after completing the next stage (see performance analysis below).

The Line Managers and accountable officials should establish and maintain the performance information processes and systems within their areas of responsibility, taking into account the Standard Operating Procedures (**Annexure "D"**). This will ensure that responsible officials capture, collate and verify performance data related activities. Line Managers will ensure that relevant standard operating procedures are in place and adhered to by officials within their areas of responsibility in order to validate the integrity of performance information reporting.

15.4 PERFORMANCE ANALYSIS

Performance analysis is about making sense of the measurements collected. It requires interpretation of the measurements as conducted in terms of the previous stage to determine whether targets have been met, not met or exceeded and to project whether or not future targets will be met. Where targets have not been met, performance analysis requires that the underlying reasons therefore should be examined, and appropriate corrective action recommended. Where targets have been met or exceeded, the key factors that resulted in such success should be documented and shared so as to ensure organisational learning.

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

The completed Top-Layer SDBIP is submitted by the PMS Co-ordinator to the SED of the department. The SED then analysis the actuals reported and the self-assessment scores for each KPI together with the portfolio of evidence (POE) is completed and submitted to the PMS unit on the 1st working day of every month. The performance unit then reviews all performance information from departments in terms of the PMS checklist and PMS Dashboard as explained in section 6 of this Framework from the 6th working day of the month till the 14th working day of the month.

15.5 PERFORMANCE REPORTING AND REVIEW

The next two stages in the process of organizational performance management, namely that of performance reporting and performance review, will be dealt with together. This section is further divided into three sub-sections dealing with the requirements for 'in-year' versus annual reporting and reviews and lastly a summary of the various reporting requirements.

The performance management unit at Newcastle Municipality supports departments from the 15th working day of every month till the 25th working day of every month on performance measurement and performance analysis of KPI's and targets that need to be achieved, the type of evidence that is required, the submission of evidence to support reasons for variance and the submission of recommended corrective actions where applicable. The intention of this process is to ensure that KPI owners/managers are kept abreast on the targets that have to be achieved for Newcastle Municipality and comply with the requirements of the reporting process by submitted portfolios of evidence that are reliable, accurate and relevant. On the 25th Working day of every month the Head of Performance Management sets up meetings with each departments Strategic Executive Director (SED). Departments then from the 25th working day of every month till the 5th working day of the new month finalise their performance reports at a departmental management level and submit to PMS the finalised reports signed and verified by the relevant SED.

The PMS Unit from the 6th working day till the 14th working day of every month will conduct a 100% review of the performance information as submitted from departments in terms of relevance, sufficiency, accuracy and reliability. The SDBIP will be reviewed against the approved targets and KPI's in the Top-layer SDBIP and SDBIP Reports. The performance Reports will be evaluated based on reviewing the approved targets and KPI's. The PMS Unit will use the Performance Management Checklist (Annexure C) to review the performance information submitted by departments. The Performance Management Checklist is based on Relevance, Sufficiency and Accuracy of the portfolio of evidence submitted to PMS by departments. If a target as specified in the Top-layer SDBIP has not been achieved, a reason for variance with supporting evidence must be submitted together with a recommended corrective action that must be implemented in the next quarter. A reason for variance must also be specified if a target has been over achieved and supporting evidence must be submitted to the PMS unit for review. If a department fails to submit supporting information for the over achievement of a planned target, the department will be scored as a target not met and not supported. The PMS Checklist has prompting questions based on relevance, sufficiency and accuracy, with a drop-down list with specific answers to ensure that each PMS official reviews the performance information systematically. The purpose of the PMS Checklist is to ensure that actuals are fully supported by the evidence submitted.

The following table provides a description on the criteria that is used to assess performance information:

Relevance	Closely connected or appropriate to what is being measured/assessed.
Sufficiency	Enough or adequate evidence to support the actual
Reliable	Evidence that is good in quality, credible and trustworthy.

A performance dashboard will be used to score departments based on the actuals reported and the portfolio of evidence submitted to the PMS unit. Departments are required to submit sufficient evidence to support the actual performance reported and if a reason for variance is reported, supporting evidence must be submitted. The diagram below is an illustration of how the PMS unit scores departments:

LEVEL	TERMINOLOGY	DESCRIPTION	RATING DASHBOARD
4	Target Over Achieved	A KPI is scored as a Target Over Achieved, if the actual reported exceeds target and the evidence submitted to support the actual is relevant, sufficient and reliable. The actual reported must be: <ul style="list-style-type: none"> • Plausible • Factual • Results driven and • Should reflect that the department has been innovative 	4
3	Target met	A KPI is scored as target met, if the target has been achieved and the evidence submitted supports the actual report and the evidence is relevant, sufficient and reliable.	3
1	Target not met	A KPI is scored as target not met, if the target has not been achieved. The evidence submitted does not support the actual reported as it is not relevant, sufficient and reliable or no evidence submitted.	1

16. IN-YEAR PERFORMANCE REPORTING AND REVIEW

The quarterly submission of the Top Layer SDBIP to the executive committee for consideration and review of the performance of the Municipality as a whole is the next step in the process. The first such report is a major milestone in the implementation of any PMS, and it marks the beginning of what should become a regular event, namely using the performance report as a tool to assess and review the Municipality's performance and to make important political and management decisions on how the municipality can improve its performance.

As indicated earlier the Top-Layer SDBIP and SDBIP to be submitted to the executive committee for consideration and review on a quarterly basis. The reporting should therefore

take place in October/November (for the period July to end of September) January/February (for the period October to the end of December), April/May (for the period January to end of March) and July/August (for the period April to the end of June).

The review in January will coincide with the mid-year performance assessment on the SDBIP as per Section 72 of the MFMA. This Section determines that the accounting officer must, by 25 January of each year, assess the performance of the municipality and report to the executive committee via the Mayor on, inter alia, its service delivery performance during the first half of the financial year and the service delivery targets and performance indicators as set out in its SDBIP.

Standard Operating Procedures were reviewed in a separate document (**Annexure “C”**) to clarify the processes to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets set in terms of the Top-layer SDBIP, SDBIP’s and Capital Status Reports.

The Executive Committee, when reviewing the Top-Layer SDBIP will have to ensure that the targets committed to in the Top-layer SDBIP have been met, and where they have not, that satisfactory and sufficient reasons for this have been provided by senior management and that the sufficient and appropriate corrective action has been proposed to address the reasons for poor performance. If satisfied with the corrective action as proposed these must be adopted as formal resolutions of Council and must be recorded and actioned accordingly.

Section 44(4) of the Municipal Structures Act, 1998 (Act 117 of 1998) as amended requires that the executive committee must report to Council on all its decisions taken. The outcome of the quarterly performance reviews by the executive committee must, in line with this requirement, be reported to the full Council for it to perform its oversight function over the performance of the Municipal Executive and Administration. In doing so Council must review the decisions taken and resolve whether it is satisfied with the corrective action adopted by the Executive Committee. If they are not, then the executive committee recommendation must be amended accordingly, and the amendments recorded and actioned.

17. ANNUAL PERFORMANCE REPORTING AND REVIEW

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

- All municipalities for each financial year compile an annual report which report must include the municipal performance report.
- The annual report be tabled within seven months after the end of the financial year.
- The annual report be made public immediately after it has been tabled and that the local community be invited to submit representations thereon.
- The municipal Council considers the annual report within nine months of the end of the financial year and adopts an oversight report containing the Council’s comments on the annual report.
- Submission of the Annual Performance to Auditor General Office, Provincial Treasury and National Treasury.

The municipal performance report of a municipality is only one element of the annual report. To ensure that the annual report compilation, tabling and review process is completed in time to inform the next cycle of performance planning in accordance with the IDP compilation/review process, it is recommended that the annual performance report be compiled and completed as soon after the end of each financial year as possible but ideally not later than two months after financial-year end.

The oversight report to be adopted provides the opportunity for the full Council to review the performance of the Municipality in line with its oversight role. The requirement that the annual report, once tabled, and the oversight report be made public also provides a mechanism for the general public to review the performance of the Municipality in line with the community's oversight role.

In order to facilitate the oversight process, it is recommended that a municipal oversight committee be established consisting of a selected number of Councillors not serving on the Executive Committee. Council should also consider in line with oversight best practice that the chairperson of the oversight committee be a member of an opposition party.

The oversight committee will be responsible for the detailed analysis and review of the annual report and the drafting of the oversight report. In doing so the committee must establish mechanisms to receive and review representations made by the public on the annual report.

18. PERFORMANCE REPORTING REQUIREMENTS

REPORT TYPE	DESCRIPTION
Quarterly SDBIP reporting	SDBIP is a key management, implementation and monitoring tool, which provides operational content to the end-of-year service delivery targets, set in the budget and IDP. It determines the performance agreements for the municipal manager and managers reporting directly to the municipal manager, whose performance can then be monitored through Section 71 monthly reports and evaluated through the annual report process.
Mid-year budget and National and Provincial report	Section 72 of the MFMA requires the accounting officer to prepare and submit a report on the performance of the municipality during the first half of the financial year. The report must be submitted to the mayor, National Treasury as well as the relevant Provincial Treasury. As with all other reports this is a crucial report for the Council to consider mid-year performance and what adjustments should be made, if necessary
Performance report	Section 46 of the Municipal Systems Act states that a municipality must prepare for each financial year, a performance report that reflects the following: <ul style="list-style-type: none"> • The performance of the municipality and of each external service provided during that financial year. • A comparison of the performances referred to in the above paragraph with targets set for and performances in the previous financial year; and • Measures to be taken to improve on the performance The performance report must be submitted at the end of the financial year and will be made public as part of the annual report in terms of chapter 12 of the MFMA. The publication

	thereof will also afford the public the opportunity to judge the performance of the municipality against the targets set in the various planning instruments.
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The following table, based on the legislative framework for performance management and this PMS framework, provides a summary of the various performance reporting deadlines which apply to the Municipality

Report Frequency Submitted for consideration and/or review to Remarks	Report Frequency Submitted for consideration and/or review to Remarks	Report Frequency Submitted for consideration and/or review to Remarks	Report Frequency Submitted for consideration and/or review to Remarks
1. SDBIP's	Quarterly	Executive Committee	See MFMA Circular 13 of National Treasury for further information
2. Monthly budget statements	Monthly	Mayor (in consultation with The Executive Committee)	See sections 71 and 54 of the MFMA
3. Top-Layer SDBIP	Quarterly	Executive Committee and then in terms of The executive committee resolution to full Council. Submission to Audit Committee	This PMS framework
4. Implementation of the budget and financial state of affairs of the Municipality	Quarterly	Council	See section 52 of the MFMA
5. SDBIP mid-year budget and performance assessment	Annually during January of each year	Mayor (in consultation with The Executive Committee)	See sections 72 and 54 of the MFMA
6. Performance report	Annually	Council	See section 46 of the Municipal Systems Act as amended. Said report to form part of the annual report

19. COUNCIL AND COMMUNITY OVERSIGHT

One of the objectives of the performance management system is to support oversight by the Council and community over the performance of the executive committee and Municipal Administration. The cycle of performance management as set out at the beginning of this section also highlights the importance of Council and community oversight in each of the stages of the cycle. It is therefore important to reflect briefly on this aspect and how it relates to the cycle and process of performance management in the Newcastle Municipality.

Oversight refers to the role of legislatures and citizens in monitoring and reviewing the actions of executive organs of government for efficiency, probity and accountability. The general purpose of oversight is to ensure that government policies are properly and efficiently implemented, that government departments run smoothly and in line with their democratic mandate and that the law is upheld. Oversight is exercised in the interests of society in general and should ensure that the considerable powers that government executives and administrations assume are monitored to avoid abuse and under-performance.

In the municipal context oversight has two facets namely internal and external. The internal dimension refers to the oversight of Council over the performance of the executive committee and the Municipal Administration in line with the separation of powers between the Council, the Executive and the Administration. The external dimension refers to the community and other spheres of government's oversight over the performance of a municipality as a whole.

It is important to note that reporting on performance as provided for in this framework will not in itself enable Councilors to fully exercise their internal oversight role effectively. Not everything a Department does would be reflected in quarterly organizational performance reports or lends itself to review through key performance indicators and targets. It is therefore important for each of the Departments to, in addition to the required performance reports; submit progress reports to the relevant Portfolio Committee of Council dealing with the broader activities of each Department during the preceding month/quarter. Portfolio of evidence on all reported performance data activities will be recorded and records kept by the responsible departmental Line Managers within their areas of responsibility for validating through the auditing processes and to ensure integrity of reported information.

For further guidance in respect of the oversight function at the municipal sphere of government the following resources would be of assistance:

- MFMA Circular no. 56 of 2003 as issued by National Treasury.

20. THE AUDITING OF PERFORMANCE MEASURES

20.1 THE ROLE OF INTERNAL AUDIT IN TERMS OF PERFORMANCE MANAGEMENT

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

The Local Government Municipal Systems Act 32 of 2000 and Regulations stipulates in regulation 14, that the auditing of performance measurements must also include the following:

- (i) The functionality of the municipality's performance management system
 - (ii) Whether the municipality's performance management system complies with the Act.
 - (iii) The extent to which the municipality's performance measurements are reliable in measuring the performance of municipalities
- (c) (ii) The Municipality's internal auditors must submit quarterly reports on the audits undertaken to the Municipal Manager and the Audit Committee.

20.2 THE ROLE OF AUDIT COMMITTEE

Newcastle Municipality has established an Audit Committee since 2003 in terms of the Municipal Systems Act, 2000, Section 45 which requires that the results of performance measurements in terms of section 41 (1)(c), must be audited as part of the internal auditing process and annually by the Auditor-General. All auditing must comply with section 14 of the Municipal Planning and Performance Management Regulations, 2001 (Regulation 796). In terms of section 14(1), it is the municipality's responsibility to develop and implement mechanisms, systems and processes for auditing the results of performance measurements as part of its internal audit processes.

The Regulations further recommend that the municipality establish a 'audit committee' or utilise the existing audit committee. The operation of this committee is governed by section 14 (2) and (3) of the Regulations. Subsection 2 of the Regulation states:

"2. (a) A municipality must annually appoint and budget for an 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) An 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 other applicable legislation as the audit committee envisaged in paragraph (a), in which case the provisions of this sub-regulation, read with the necessary changes, apply to such an audit committee.

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

21. INDIVIDUAL PERFORMANCE OF MUNICIPAL MANAGERS AND MANAGERS DIRECTLY REPORTING TO THE MUNICIPAL MANAGER

Section 57 (1)(b), (4A), and (5) of the Local Government: Municipal Systems Act requires the municipal manager and managers reporting directly to the municipal managers to enter into performance agreement. A performance agreement is an agreement between an employer and the employee the – (a) outlines employers' expectations of the employee's performance and (b) establishes procedures for assessment of the employee' performance against agreed criteria. In order to comply with the Systems, Act and the Regulations all section 57 employees will be required to enter into performance agreements.

The performance regulations require Section 57 managers to enter into Performance Agreements with the municipality. These Performance Agreements define the municipality's performance expectations of section 57 managers and. Significantly the performance plans which integral part of the Performance Agreement are informed by institutional outputs and targets as captured in the municipality' Integrated Development Plan (IDP) and top layer and Service Delivery and Budget Implementation Plan (SDBIP).

21.1 SIGNIFICANCE OF A PERFORMANCE AGREEMENT

The performance agreements to be entered into by section 57 employees entail: –

- Specifying accountabilities as set out in the performance plan.
- Monitoring and measuring performance against targeted outputs.

- Establishing a transparent and accountable working relationship; and
- Assessing compliance with performance expectations.

21.2 COMMENCEMENT AND DURATION OF THE PERFORMANCE AGREEMENT

Section 57 employees enter into a performance agreement each financial year. The agreements must be concluded within ninety (90) days of the beginning of the financial year. The parties to the performance agreement will review the provisions annually (during the month of June). The revised performance agreement replaces the previous agreement after the commencement of the new financial year. The performance agreement terminates on the employee's contract of employment on the reasons contemplated therein.

21.2 COMPONENTS OF THE PERFORMANCE AGREEMENT

The performance agreements entered into by the Municipal Manager and section 57 employees and the municipality consist of the following components: –

- Performance Plan (PP)
- Core Competency Requirements (CCRs)
- Performance Evaluation System (PES)
- Personal Development Plan (PDP)

21.2.1 PERFORMANCE PLAN

The Performance Plan is a strategic management tool that enables the municipality to assess the performance of the Municipal Manager and section 57 employees in an objective and fair manner. Essentially the PP in the agreement describes: –

- The areas of work for which the employee is responsible for (KPA).
- The main tasks to be performed within a KPA (key objectives); and
- Indicators against which the employee's performance will be assessed (KPIs) and their weightings.

The employees performance will be assessed in terms of outputs/outcomes 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)	Weighting
Basic Service Delivery	
Municipal Institutional Development and Transformation	
Local Economic Development (LED)	
Municipal Financial Viability and Management	

Good Governance and Public Participation	
Municipal Planning	
Social Development	
Total	

21.2.2. CORE COMPETENCY REQUIREMENTS (CCRS)

The CCR's will make up the other 20% of the employee's assessment score. CCR's 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.

CRITICAL LEADING COMPETENCIES		WEIGHT
Strategic Direction and Leadership	<ul style="list-style-type: none"> • Impact and Influence • Institutional Performance Management • Strategic Planning and Management • Organisational Awareness 	
People Management	<ul style="list-style-type: none"> • Human Capital Planning and Development • Diversity Management • Employee Relations Management • Negotiation and Dispute Management 	
Programme and Project Management	<ul style="list-style-type: none"> • Program and Project Planning and Implementation • Service Delivery Management • Program and Project Monitoring and Evaluation 	
Financial Management	<ul style="list-style-type: none"> • Budget Planning and Execution • Financial Strategy and Delivery • Financial Reporting and Monitoring 	
Change Leadership	<ul style="list-style-type: none"> • Change Vision and Strategy • Process Design and Improvement • Change Impact Monitoring and Evaluation 	
Governance Leadership	<ul style="list-style-type: none"> • Policy Formulation • Risk and Compliance Management • Co-operative Governance 	
CORE COMPETENCIES		
Moral Competence		
Planning and Organising		

Analysis and Innovation		
Knowledge and Information Management		
Communication		
Results and Quality Focus		
Total Percentage		

21.2.3. PERFORMANCE EVALUATION SYSTEM

The criterion upon which the performance of section 57 managers is assessed consists of two (2) components: –

The performance assessed against KPAs which counts for 80% of the total assessment.

The performance assessed against CCRs which counts for 20 % of the assessment.

PERFORMANCE BONUS FOR SECTION 56/57

In terms of The Local Government Municipal Systems Act no 32 of 2000 and Regulations, section 32 (2), the municipality will pay performance bonuses ranging from 5 – 14% in recognition of employee outstanding performance. In this regard, a performance bonus of 5 to 9% will be due to a section 57 employee who achieves a score of 130 to 149 and 10% to 14% for a score of 150% and above. Council reserves the right to reward bonuses for Section 56/57 employees subject to overall council approval.

21.2.4 PERSONAL DEVELOPMENT PLAN

The Local Government: Municipal Performance Regulations for Municipal Managers and Managers directly accountable Municipal Managers require that as part of the performance agreement a PDP should be developed. The human resources section provides the template of the PDP that is included in the performance agreement.

21.3 PERFORMANCE EVALUATION PANELS

Performance Evaluation Panels have initially been established for the assessment of performance of the Municipal Manager as well as Managers directly accountable to the Municipal Manager.

For purposes of evaluating the annual performance of the municipal manager (section 54A), an evaluation panel constituting of the following persons was established -

- I. Executive Mayor or Mayor.
- II. Chairperson of the Audit Committee.
- III. Member of the Mayoral or Executive Committee or in respect of a plenary type of 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.”

For purposes of evaluating the annual performance of managers directly accountable to the Municipal Manager, an Evaluation Panel constituted of the following persons was established:

- I. Municipal Manager.

- II. Chairperson of the Audit Committee or the Audit Committee in the absence of an Audit Committee.
- III. Member of the Mayoral or Executive Committee or in respect of a plenary type of Municipality, another member of Council; and
- IV. Municipal Manager from another Municipality.”

Performance Evaluation sessions are conducted at the end of each quarter. The first and the third quarter assessment are informal assessments. Formal assessments are conducted on the Second and Fourth quarter. The final (Fourth) and formal performance evaluation sessions of the Municipal Manager and Managers Directly accountable to the Municipal Manager covering the financial year are performed in February, once the annual report has been adopted by Council. The final performance evaluation results and scores for calculation and approval of performance bonuses are reported to the Audit Committee, to the executive committee and Council.

22. ANNUAL REVIEW OF THE PERFORMANCE MANAGEMENT SYSTEM

In terms of Section 40 of The Local Government Municipal Systems Act 32 of 2000, a municipality must establish mechanisms to monitor and review its performance management system. Regulation 13 of The Local Government Municipal Systems Act 32 of 2000 states that a municipality must review its performance management system in respect of key performance indicators and performance targets. Newcastle Municipality must review its Performance Management System before the end of February of each financial year. The Revised PMS must be presented to the executive committee for approval and tabled to council for approval. After the PMS is approved it must be published on the municipal website.

23. PERFORMANCE MONITORING OF MUNICIPAL ENTITIES

The Local Government: Municipal Finance Management Act (MFMA), Section 121(1), provides that every municipal entity must prepare an annual report for each financial year for which the purpose is:

- a) to provide a record of the activities of the entity during the financial year to which the report relates.
- b) to provide a report on performance against the budget of the entity for that financial year; and
- c) to promote accountability to the local community for the decisions made throughout the year by the entity.
- d) an assessment by the entity's accounting officer of the entity's performance against any measurable performance objectives set in terms the service delivery agreement or other agreement between the entity and its parent municipality.
- e) particulars of any corrective action taken or to be taken in response to issues raised in the audit report referred to in paragraph (b).
- f) any information as determined by the entity or its parent municipality.
- g) any recommendations of the audit committee of the entity or of its parent municipality; and
- h) any other information as may be prescribed.

Newcastle Municipality has only one Municipal Entity, which is Uthukela Water. Newcastle Municipality and Uthukela Water have a Service Level Agreement (SLA). In terms of the Service Level Agreement between Newcastle Municipality and Uthukela Water, Newcastle Municipality must develop a PMS Framework to monitor Uthukela Water's performance and a Service Delivery Budget Implementation Plan (SDBIP) for each financial year.

Newcastle Municipality will develop a SDBIP together with Uthukela Water that will be linked to Newcastle Municipality's IDP and Top-layer SDBIP. The SDBIP for Uthukela Water must have KPI's developed in terms of Section 10.1 of this PMS Framework, baseline information in terms of Section 10.2 of this PMS Framework and targets in terms of Section 10.3 of this PMS Framework.

The performance management unit at Newcastle Municipality will support Uthukela Water from the 15th working day of every month till the 25th working day of every month on performance measurement and performance analysis of KPI's and targets that need to be achieved, the type of evidence that is required, the submission of evidence to support reasons for variance and the submission of recommended corrective actions where applicable. The intention of this process is to ensure that KPI owners/managers are kept abreast on the targets that have to be achieved for Newcastle Municipality and comply with the requirements of the reporting process by submitted portfolios of evidence that are reliable, accurate and relevant. On the 25th working day of every month Newcastle Municipality will set up a meeting with the Head of Performance Management of Uthukela Water and the Managing Director of Uthukela Water to discuss the SDBIP report. Uthukela Water then from the 25th working day of every month till the 5th working day of the new month finalise their performance report at a departmental management level and submit to PMS the finalised reports signed and verified by the Managing Director of Uthukela Water.

The PMS Unit from the 6th working day till the 14th working day of every month will conduct a 100% review of the performance information as submitted from Uthukela Water in terms of relevance, sufficiency, accuracy and reliability. The SDBIP will be reviewed against the approved targets and KPI's in the SDBIP report. The PMS Unit uses a Performance Management Checklist (Annexure D) to review the performance information submitted by departments. The Performance Management Checklist is based on Relevance, Sufficiency and Accuracy of the portfolio of evidence submitted to PMS by Uthukela Water. If a target as specified in the approved SDBIP has not been achieved, a reason for variance with supporting evidence must be submitted together with a recommended corrective action that must be implemented in the next quarter. The PMS Checklist has prompting questions based on relevance, sufficiency and accuracy, with a drop-down list with specific answers to ensure that each PMS official reviews the performance information systematically. The purpose of the PMS Checklist is to ensure that actuals are fully supported by the evidence submitted.

Performance information will be assessed in terms of Reliability, Relevance and Sufficiency, this is explained in Section 6 of this PMS Framework. A performance dashboard will be used to evaluate the performance of Uthukela Water based on the actuals reported and the portfolio of evidence submitted to the PMS unit. The performance reports from Uthukela Water will be reviewed in terms of the PMS checklist and PMS Dashboard as specified in Section 6 of this Framework.

Section 87 of The Local Government Municipal Finance Management Act 56 of 2000 states that the board of directors of a municipal entity must for each financial year submit a

proposed budget for the entity to its parent municipality not later than 150 days before the start of the entity's financial year or earlier if requested by the parent municipality. The parent municipality must consider the proposed budget of the entity and assess the entity's priorities and objectives. If the parent municipality makes any recommendations on the proposed budget, the board of directors of the entity must consider those recommendations and, if necessary, submit a revised budget to the parent municipality not later than 100 days before the start of the financial year. The board of directors of the municipal entity is required to approve the budget 30 days before the start of the new financial year, that the budget is balanced,

According to Section 87 (5) of The Local Government Municipal Finance Management Act 56 of 2000, The budget of a municipal entity must—

- (a) Be balanced.
- (b) Be consistent with any service delivery agreement or other agreement between the entity and the entity's parent municipality.
- (c) Be within any limits determined by the entity's parent municipality, including any limits on tariffs, revenue, expenditure and borrowing.
- (d) Include a multi-year business plan for the entity that—
 - (i) Sets key financial and non-financial performance objectives and measurement criteria as agreed with the parent municipality.
 - (ii) Is consistent with the budget and integrated development plan of the entity's parent municipality.
 - (iii) Is consistent with any service delivery agreement or other agreement between the entity and the entity's parent municipality; and
 - (iv) Reflects actual and potential liabilities and commitments, including particulars of any proposed borrowing of money during the period to which the plan relates; and

The Local Government Municipal Finance Management Act 56 of 2000 87 (11) stipulates that the accounting officer of a municipal entity must by no later than seven working days after the end of each month submit to the accounting officer of the parent municipality a statement in the prescribed format on the state of the entity's budget reflecting the following particulars for that month and for the financial year up to the end of that month:

- (a) Actual revenue, per revenue source.
- (b) Actual borrowings.
- (c) Actual expenditure.
- (d) Actual capital expenditure.
- (e) The amount of any allocations received.

Section 88 of The Local Government Municipal Finance Management Act 56 of 2000 states that:

- (1) The accounting officer of a municipal entity must by 20 January of each year—

(a) Assess the performance of the entity during the first half of the financial year, taking into account—

(i) The monthly statements referred to in section 87 for the first half of the financial year and the targets set in the service delivery, business plan or other agreement with the entity's parent municipality; and

(ii) The entity's annual report for the past year, and progress on resolving problems identified in the annual report; and

(b) Submit a report on such assessment to—

(i) The board of directors of the entity; and

(ii) The parent municipality of the entity.

(2) A report referred to in subsection (1) must be made public.

The legislative requirements as specified must be complied with by the Municipal Entity within the specified time frames. The municipal entity and Newcastle Municipality must develop a Service Delivery Budget Implementation Plan (SDBIP) with Key Performance Indicators (KPI's) that are informed by a budget and aligned to the strategic objectives of Newcastle Municipality. The SDBIP must be drafted and submitted to the Newcastle Municipality Executive Committee and Council for approval before the 31st of March every financial year and the final SDBIP must be submitted to the Newcastle Municipality Executive Committee and Council for approval before the 31st of May of every financial year. The SDBIP for the municipal entity must be developed using the same principles governing the top-layer SDBIP as specified in Section 10 of this framework. All performance information reported must be supported by a credible, reliable, relevant and sufficient Portfolio of Evidence (POE). The performance reports and portfolio of evidence for the entity must be verified by the Managing Director of the Entity prior to submission to Newcastle Municipality. The Entity must submit the completed performance reports to Newcastle Municipality at the end of every quarter on the 5th working day of the new month. Performance information from the municipal entity will be assessed by the Performance Management Unit at Newcastle Municipality using the PMS checklist and performance dashboard as specified in section 15 of this framework.

24. CONCLUSION

The municipality recognises that there are still a number of challenges that it faces, which characterises the development phase through which most South African cities and towns are undergoing. There currently is no fixed way of managing performance in municipalities except for ensuring that municipalities comply with applicable legislation. This framework seeks to provide the basis for a structured approach to performance management within Newcastle Municipality. The success of this framework is dependent on the commitment from all role players. The intention of this Performance Management Framework is ultimately to ensure that Newcastle Municipality implements interventions to improve the social and economic state of the people of Newcastle while pursuing the vision of Newcastle Municipality that is, ***By 2035, Newcastle will be a Resilient and Economically Vibrant City, Promoting Service Excellence to its Citizens.***