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**GENERAL NOTICE
ALGEMENE KENNISGEWING**

NOTICE 1430 OF 2001

MINISTRY FOR PROVINCIAL AND LOCAL GOVERNMENT

**PUBLICATION FOR PUBLIC COMMENT: DRAFT MUNICIPAL PERFORMANCE
MANAGEMENT REGULATIONS, 2001**

1. In terms of section 120(4) of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000), the attached draft regulations are hereby published for public comment before their enactment.
2. Comments must please be submitted in writing to:

The Director-General
Attention: Mr ST Selesho
Department of Provincial and Local Government
Private Bag X804
PRETORIA
0001
3. Comments may also be faxed to facsimile number (012) 334 0609 at the above address.
4. Comments must be received by not later than 23 June 2001

**DRAFT LOCAL GOVERNMENT: MUNICIPAL PERFORMANCE MANAGEMENT
REGULATIONS, 2001**

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

F. S. MUFAMADI

Minister for Provincial and Local Government

SCHEDULE

Definitions

1. In these regulations a word or phrase to which a meaning has been assigned in the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000), has that meaning and, unless the context otherwise indicates-

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

“input” means the resources, including personnel, assets and funds, utilised for the delivery of products, goods or services;

“outcome” means the result achieved by a service, project or programme;

“output” means the products, goods or services delivered as a result of a project or programme;

“performance management system” means a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review and reporting will happen and be organised and managed as well as determining the roles of different roleplayers.

“the Act” means the Local Government: Municipal Systems Act, 2000.

Nature of performance management system

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

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

- (g) provides for the procedure by which the system is linked with the municipality's integrated development planning processes; and
- (h) shows how any general key performance indicators envisaged in section 43 of the Act will be incorporated into the municipality's planning and monitoring processes.

Adoption of performance management system

3. A performance management system must be adopted before the commencement by the municipality of the process of setting key performance indicators and targets as part of the IDP process.

Setting of key performance indicators

4. (1) A municipality's performance management system must cluster the development priorities and objectives referred to in section 26(c) of the Act, in respect of at least the following key performance areas:

- (a) infrastructure and services;
- (b) social and economic development
- (c) institutional transformation;
- (d) democracy and governance; and
- (e) financial management.

(2) (a) A municipality must set key performance indicators relating to inputs, outputs and outcomes in respect of each of the development priorities and objectives clustered in terms of subregulation (1).

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

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

- (a) communities are involved;
- (b) key performance indicators are set for-
 - (i) all its administrative units and employees; and

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

General Key performance indicators

5. (1) All municipalities must report on the following general key performance indicators by the end of 2002/3 financial year.

- (a) Percentage of household with access to all basic household services;
- (b) Percentage of households earning less than R1100 per month with imputed expenditure with access to all free basic services;
- (c) Percentage of capital budget spent on projects identified in terms of the Integrated Development Plans (IDPs);
- (d) Number of jobs created through local economic development initiatives supported by the municipality;
- (e) Percentage achievement of approved employment equity plan within the first three layers of management;
- (f) Percentage of skills levy received in rebate as a measure of the municipality's investment in human resource development;
- (g) Financial viability defined as:

(i) debt coverage

= (total revenue-conditional grants)/
debt service payments

(ii) outstanding debtors to revenue

= total outstanding debtors/annual revenue

(iii) (cash inclusive of transfers + investments) /

(monthly) salary / wage bill + average fixed expenditure)

(2) Information shall also be gathered by the Department of Provincial and Local Government periodically to establish percentage population of voting age who believe that they are given the necessary information and opportunities to influence the running of local government in their area.

(3) Reporting on the general key performance indicators must be done as part of the annual report.

Review of key performance indicators

6. (1) Whenever a municipality amends or reviews its integrated development plan in terms of section 34 of the Act, the municipality must, within one month of its integrated development plan having been amended, review those key performance indicators that have been affected by such amendment.

(2) A municipality must however not change the general key performance indicators.

Setting of performance targets

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

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

- (a) be practical and realistic;
- (b) measure the efficiency, effectiveness, quality and impact of the performance of the municipality, administrative component, structure, body or person for whom a target has been set;
- (c) be commensurate with available resources;
- (d) be commensurate with the municipality's capacity;
- (e) be consistent with the municipality's development priorities, objectives and strategies set out in its integrated development plan; and
- (f) take into account applicable minimum national standards, but in the case of the rendering of a municipal service, may not be below applicable national standards.

Monitoring and measurement of performance

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

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

- (a) identify the roles of the different role-players in monitoring and measuring the municipality's performance;
 - (b) allocate specific tasks regarding the gathering of data and submitting reports;
 - (c) determine-
 - (i) the data that must be collected in order to assess performance;
 - (ii) how that data is to be collected, stored, verified and analysed; and
 - (iii) how reports on that data are to be compiled;
 - (d) provide for reporting to the municipal council at least twice a year;
 - (e) be designed in a manner that enables the municipality to detect early indications of under-performance;
 - (f) provide for corrective measures where under-performance has been identified; and
 - (g) compare current performance with performance during the previous financial year and baseline indicators.
- (3) Performance measurement in terms of subregulation (1) must
- (a) reflect both quantitative and qualitative elements; and
 - (i) include the measurement of economy and efficiency of inputs to produce outputs;
 - (ii) effectiveness of the activities or processes to produce outputs;
 - (iii) impact of outputs on the overall achievement of objections.

Internal auditing of performance measurements

- 9.(1)
- (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 councillors.
 - (b) The council of a municipality must designate a member of the audit committee who is not a councillor as chairperson of the committee.
 - (c) If the chairperson of the audit committee is absent from a specific meeting of the committee, the members present must elect a chairperson from the members present to act as chairperson for that meeting.
 - (d) In the event of a vacancy occurring amongst the members of the audit committee, the municipality concerned must fill that vacancy for the unexpired portion of the vacating member's term of appointment.
 - (e) A municipality must provide a secretariat for its audit committee.
 - (f)
 - (i) A local municipality may in stead of appointing an audit committee elect to make use of the audit committee of the district municipality in whose area it falls, and that audit committee is to be regarded as the audit committee of the local municipality in question.
 - (ii) A local municipality who elects to make use of the audit committee of the district municipality in whose area it falls, must notify that district municipality of its decision and make suitable arrangements with the district municipality regarding the availability of that audit committee.
 - (g) A member of the audit committee who is not a councillor may be remunerated in accordance with the guidelines determined for the remuneration of members of audit committees in government departments.

- (2) (a) An audit committee must meet at least twice during the financial year of the municipality concerned.
- (b) A special meeting of the audit committee may be called by any member of the committee.
- (c) An audit committee may determine its own procedures.
- (3) (a) An audit committee must on a continuous basis audit the performance measurements of the municipality concerned.
- (b) In auditing performance measurements, the audit Committee must focus on economic efficiency, effectiveness and impact in terms of the indicators and targets.
- (c) The Audit Committee must present an audit report to the Council at least twice a year.
- (d) An audit committee may -
 - (i) communicate directly with the council, municipal manager or the internal and external auditors of the municipality concerned;
 - (ii) access any municipal records containing information that is needed to perform its duties or exercise its powers;
 - (iii) request any person to attend any of its meetings, and, if necessary, to provide information requested by the committee; and
 - (iv) investigate any matter it deems necessary for the performance of its duties and the exercise of its powers.

Performance reporting

10. (1) Reporting on performance must be done in terms of the relevant provisions of the Act.

- (2) The Minister may issue a reporting format annually.
- (3) Reporting on outcomes and impact can only be done in the municipalities last term of office.

Short title and commencement

11. These regulations are called the Local Government: Municipal Performance Management Regulations, 2001, and take effect on the date that Chapters 5 and 6 of the Act take effect.