

EMAKHAZENI LOCAL MUNICIPALITY



DRAFT PERFORMANCE MANAGEMENT POLICY FRAMEWORK  
(2018/2019)

## **TABLE OF CONTENT**

i. Abbreviations and Acronyms	5
1. Introduction	6
2. Objectives of a Performance Management System for Emakhazeni Local Municipality	8
2.1 Facilitate Increased Accountability	8
2.2 Provide Early Warning Signals	8
2.3 Facilitate Decision-Making	8
3. Principles Governing Performance Management	8
3.1 Simplicity	8
3.2 Politically Driven	8
3.3 Incremental Implementation	8
3.4 Transparency and Accountability	8
3.5 Integration	8
3.6 Objectivity	8
3.7 Clear and Acceptable	8
4. Legislative And Regulations Context	9
4.1 Municipal Systems Act	9
4.2 Municipal Planning and Performance Management Regulations	10
4.3 Municipal Performance Regulations for Municipal Managers	10
4.4 Municipal Finance Management Act	10
5. Performance Management System Process Set-Up	11
5.1 Delegation of Responsibilities	11
5.2 PMS Process, Role Players and Stakeholders	11
5.2.1. Performance Planning	16
5.2.2. Performance Measurement	16
5.2.3. Performance Monitoring	17
5.2.4. Performance Review	17
5.2.5. Performance Reporting	17
5.3 Municipal Internal Structure	18

6. Developing The Performance Management System	19
6.1 Internal and External Stakeholders	19
6.2 Structures for Stakeholder Participation	21
6.3 Performance Management Model	22
6.4 Publication of the System	23
6.5 Adoption of the System	23
6.6 Cascading the PMS to Lower Levels of the Municipality	24
7. Implementing The Performance Management System	24
7.1 Identification of Priority Issues	24
7.2. Developing Strategic Objectives	25
7.3. Development of Performance Measures	25
7.4. Setting Performance Targets	27
7.5. Review of Performance Measures and Targets	28
7.6. Developing a Monitoring Framework (Measuring Performance)	28
7.7. Using the Performance Management Model (Monitoring)	29
8. Performance Management Monitoring And Review	31
8.1. Planning Cycle of the PMS	31
8.2. PMS Implementation and Review	31
8.3. Institutional Review Mechanism	31
8.4. Approach to Performance Management System Review	32
8.5. Improving Performance	33
8.6. Reporting on Performance	33
8.7. Publication of Performance Reports	34
8.8. Public Feedback and Hearings	35
9. Individual Or Employee Performance Management	36
9.1. Planning	36
9.2. Implementation and Monitoring	36
9.3. Performance Management for Senior Managers	37
9.3.1. Performance Agreements	37
9.3.2. Performance Plan	38
9.3.3. Core Competency Requirements	39
9.3.4. Assessment of the Core Competency Requirements	40
9.3.5. Overall Rating	40

9.4 Performance Rating Scale	41
9.5 Performance Bonuses	45
9.6 Bonus Calculating Formula	45
9.7 Performance Appraisal Feedback	45
9.8 Confidentiality	46
9.10 Appeal	46
9.10.1 For the Municipal Manager	46
9.10.2 For Managers Directly Accountable to the Municipal Manager (Section 56 Managers)	46
9.10.3 Non Section 56 Employees	46
10. Schedule for Performance Reviews	47
10.1 Schedule for Performance Review	47
10.2. Panel for Evaluation of Performance	47
10.3. Performance Evaluation System	51
10.4. Performance Reviews	51
10.6. Management of Evaluation Outcomes	51
10.7. Personal Development Plan	51
11. Effective Date of the Policy	52
12. Policy Review	52
13. Authority	52



## Abbreviations and Acronyms

CCRs	–	Core Competency Requirements
COGTA	–	Department of Cooperative Governance and Traditional Affairs
EXCO	–	Executive Committee
GKPIs	–	General Key Performance Indicators
IDP	–	Integrated Development Plan
HOD	–	Head of Department
KFA	–	Key Focus Area
KPA	–	Key Performance Area
KPI	–	Key Performance Indicator
MEC	–	Member of the Executive Council
MFMA	–	Municipal Finance Management Act
MSA	–	Municipal Systems Act
PDP	–	Personal Development Plan
PES	–	Performance Evaluation System
PMS	–	Performance Management System
PP	–	Performance Plan
SDBIP	–	Service Delivery and Budget Implementation Plan

## **1. INTRODUCTION**

In terms of Chapter 6 of the Local Government: Municipal Systems Act 32 of 2000, Council must prepare and adopt a Performance Management System to facilitate the implementation of the Integrated Development Plan and to ensure that Council and its employees perform to the best of their abilities. This is also coupled to the performance contracts entered into with contract employees in terms of the said Act.

The following proposed Performance Management System framework sets out a policy on:

- The requirements that a Performance Management System needs to fulfil,
- The principles that informs the development and use of that system,
- A preferred model that describes what areas of performance will be managed in the Emakhazeni Local Municipality,
- The process by which the system work and the delegation of responsibilities for different roles in the process.

This document provides a framework which serves as the guiding policy for the establishment of a Performance Management System in Emakhazeni Local Municipality. This is the first review since it was adopted by Council on 7 December 2006. The review process came as a result of changes taking place in the operating environment of the organisation, and also to ensure that performance management in the municipality adapts to these changes that impact on the business of service delivery.

While some success has been achieved regarding performance, the policy remains to be effectively implemented over a period of time in order to improve performance management in the municipality. One of the most daunting tasks is to gain buy-in from all employees regarding the benefits of establishing a performance management system. A change management strategy, institutional structures and leadership remain very critical to the success of establishing a sound performance management system.

This review focused on all key aspects of performance management legislation and regulations and the implications thereof, the state of performance management system implementation in the context of a new vision of government which has placed development planning and monitoring and evaluation high on its agenda. This framework will continue to guide policy implementation regarding the legal requirements of the municipal performance management system that must be fulfilled.

## **2. OBJECTIVES OF A PERFORMANCE MANAGEMENT SYSTEM FOR THE EMAKHAZENI LOCAL MUNICIPALITY**

Besides fulfilling of legislative requirements, Emakhazeni Local Municipality requires a Performance Management System that will be constituted as the primary mechanism to monitor, review and improve the implementation of Council's Integrated Development Plan. In doing so, it will fulfil the following functions:

### 2.1 Facilitate increased accountability

While ensuring that accountability is maximised, the performance management system must also provide a mechanism for learning and improvement. It should allow for the municipality to know which approaches are having the desired impact, and enable the municipality to improve delivery. It should form the basis for monitoring, evaluating and improving the Integrated Development Plan. The Performance Management System will provide a mechanism for ensuring increased accountability between:

- The residents of the Emakhazeni Local Municipality and Council,
- The political and administrative components of Council,
- Each department and the executive office.
- Facilitate learning and improvement

### 2.2 Provide early warning signals

The Performance Management System should provide Managers accountable to the Municipal Manager, the Municipal Manager, Section 79 Committees and the Mayoral Committee with early warning of non-performance of the full implementation of the Integrated Development Plan. It is important that the system ensures decision-makers are timeously informed of possible non-performance, so that they can facilitate intervention, if necessary.

### 2.3 Facilitate decision-making

The Performance Management System is meant to provide appropriate management information that will allow efficient, effective and informed decision-making, particularly on the allocation of resources.

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



### **3. PRINCIPLES GOVERNING PERFORMANCE MANAGEMENT**

The following principles are proposed to inform and guide the development and implementation of Council's Performance Management System:

#### 3.1 Simplicity

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

#### 3.2 Politically driven

Legislation clearly tasks Council as the owner of the Performance Management. The Municipal Manager will need to drive both the implementation and improvement of the system and may delegate responsibilities in this regard.

#### 3.3 Incremental implementation

It is important to note that the first step to implementing the management of performance will be to ensure that the system is effective on the management level and then it will be cascaded to employee level.

#### 3.4 Transparency and accountability

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

#### 3.5 Integration

The Performance Management System should be integrated into other management processes of Council, such that it becomes a tool for more efficient and effective management rather than an additional reporting burden. It should be seen as a central tool for ongoing management functions.

#### 3.6 Objectivity

Performance management must be founded on objectivity and should be democratic in pursuance of its objectives. Both the processes of managing performance and the information on which it relies need to be objective and credible. It should promote mutual respect, trust and ensure high levels of co-operation.

#### 3.7 Clear and acceptable

The intentions of Performance Management must be made clear and acceptable especially to officials, councillors and the public. Concerns and fears about the system must be heard and addressed appropriately to minimise suspicions and maximise the understanding and acceptance of change.



#### **4. LEGISLATIVE AND REGULATIONS CONTEXT**

Establishing a Performance Management System in Local Government is guided by a number of legislation and regulations. This chapter discusses the legislation and regulations in brief by indicating specific sections that have a significant impact on performance management in Local Government.

The White Paper on Local Government (1998) states that Integrated Development Planning, budgeting and performance management are powerful tools which can assist municipalities to develop an integrated perspective on development in their area. This enables a municipality to focus on priorities within an increasingly complex operating environment and diverse set of demands, and to direct resource allocations and institutional systems to a new set of development objectives.

The White Paper on Local Government proposed Performance Management System (PMS) as an essential tool that would enable municipalities to:

- (a) Set clear and measurable indicators for development priorities objectives and projects identified in the during the integrated development planning process;
- (b) Regularly monitor and review implementation of projects contained in the Integrated Development Plan (IDP);
- (c) Regularly report on performance to the community and other stakeholder; and
- (d) Define processes for performance improvement.

This policy framework is developed in the context of the following legislation:

- (a) Local Government: Municipal Systems Act, 2000 as Amended;
- (b) Local Government: Municipal Planning and Performance Management Regulations, 2001;
- (c) Local Government: Municipal Finance Management Act, 2003; and
- (d) Local Government: Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable To Municipal Managers, 2006.

##### 4.1 Municipal Systems Act

The Local Government: Municipal Systems Act, 2000 as Amended, requires municipalities to:

- (a) Promote a culture of performance management among their political structures, political office bearers councillors and administration;
- (b) Administer their affairs in an economic, effective, efficient and sustainable manner;
- (c) Establish mechanisms to monitor, and review its performance management system;
- (d) Set appropriate key performance indicators as a yard stick for measuring performance, including outcomes and impact;
- (e) Set measurable targets with regards to each of those development priorities and objectives identified the Integrated Development Plan (IDP);
- (f) Establish processes and systems to correct organizational underperformance;

- (g) Establish a process of regular reporting to – council, other political structures, political office bearers, members of staff, communities and appropriate organs of state;
- (h) Subject the results of performance measurements to auditing processes conducted by the internal audit unit and the office of the Auditor General; and
- (i) Prepare an annual report for each financial year reflecting on – municipal / service provider' performance, development and service delivery priorities for the next financial year and measures taken / to be taken to improve performance.

#### 4.2 Municipal Planning and Performance Management Regulations

Local Government: Municipal Planning and Performance Management Regulations (2001): The Minister responsible for local government through regulations prescribed the General Key Performance Indicators (GKPIs).

Municipalities are required to annual report on these GKPIs. These indicators focus on:

- (a) Basic Service Delivery;
- (b) Local Economic Development;
- (c) Municipal Transformation;
- (d) Financial Viability; and
- (e) Good Governance and Public Participation.

#### 4.3 Municipal Performance Regulations for Municipal Managers

Local Government: Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers, 2006: In order to ensure that organisational performance is properly linked to individual performance, the Minister responsible for Local Government (now Department of Cooperative Governance and Traditional Affairs – COGTA) published the Local Government: Municipal Performance Regulations for section 57 employees. These regulations seek to:

- (a) Provide a uniform framework for governing the relationship between the employee and the employer;
- (b) Entrench a culture of improved performance;
- (c) Set uniform standards to monitor and improve municipal performance;
- (d) Provide principles for managing and rewarding performance; and
- (e) Proactively identify performance barriers and provide targeted support.

#### 4.4 Municipal Finance Management Act

Local Government: Municipal Finance Management Act, 2003:– The accounting officer of a municipality must by 25 January of each year:

- (a) assess the performance of the municipality during the first half of the financial year taking into account:
  - i. the municipality's service delivery performance during the first half of the financial year, and service delivery targets and performance indicators set in the service delivery and budget implementation plan;
  - ii. the past year's annual report and progress on resolving problems identified in the annual report.

- (b) Submit a report on such assessment to – the mayor of the municipality; the national treasury and relevant provincial treasury.

## **5. PERFORMANCE MANAGEMENT SYSTEM PROCESS SET-UP**

### **5.1 Delegation of Responsibilities**

The Local Government: Municipal Systems Act (2000) places the responsibility of establishing a performance management system on the Executive Mayor. The act also allows the Executive Mayor to delegate the responsibility of establishing a Performance Management System to the Municipal Manager as the head of the administration. In establishing a performance management system of the municipality, the municipal manager shall establish a structure that will:

- (a) Communicate and raise the awareness and significance of developing and implementing a PMS in the municipality;
- (b) Ensure understanding and gain buy-in amongst all the stakeholders in the municipality; and
- (c) Ensure coordination in the development, implementation and maintenance of the municipal PMS

The following table shows the role players and stakeholders who play a significant contribution in the management of the PMS. It also outlines key processes, responsible persons and timeframes that this municipality follows in managing its performance.

### **5.2 PMS Process, Role Players and Stakeholders**

#### **Municipal's Council Political Oversight**

<b>Planning</b>		
1. Adopts priorities and objectives of the Integrated Development Plan. 2. Adopts the PMS framework. 3. Adopts the municipal top level Service Delivery and Budget Implementation Plan. 4. Assigns the responsibility for the management of the PMS to the Executive Mayor.		
<b>Monitoring</b>		
<b>Review</b>	<b>Reporting</b>	<b>Performance Audit</b>
1. Approves the annual review programme of the IDP, including the review of key performance indicators and performance targets. 2. Approves the annual performance measures of the municipality as part of	1. Receives audited performance reports from the Executive Mayor. 2. Reports on the municipal performance to the community. 3. Approves recommendations for the	1. Approves the municipal annual audit plan and any substantial changes to it. 2. Can receive performance reports directly from the Audit Committee. 3. Approves the implementation of

<p>the new municipal strategic scorecard.</p> <p>3. Approves any changes to the priorities, objectives, key performance indicators and performance targets of the municipality.</p> <p>4. Approves any adjustment budget.</p>	<p>improvement of the performance management system.</p> <p>4. Annually receives the appraisal of the Municipal Manager and Managers directly accountable to the Municipal Managers' performance.</p> <p>5. Submits the municipal annual report to the Auditor General and the MEC.</p>	<p>the recommendations of the Audit Committee with regard to both improvement in the performance of the municipality or improvement of the PMS itself.</p> <p>4. Receives the performance audit report from the Auditor General and approves the implementation of recommendations.</p>
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Executive Mayor

<b>Planning</b>		
<p>1. Submits priorities and objectives of the Integrated Development Plan to Council for approval.</p> <p>2. Submits the PMS framework for approval.</p> <p>3. Submits the municipal top level service delivery and Budget Implementation plan for approval.</p> <p>4. Approves the lower level Service Delivery and Budget Implementation Plan.</p> <p>5. Enters into a performance agreement with the Municipal manager on behalf of Council.</p> <p>6. Assigns the responsibility for the management of the PMS to the Municipal Manager.</p>		
<b>Monitoring</b>		
<b>Review</b>	<b>Reporting</b>	<b>Performance Audit</b>
<p>1. Proposes to Council, the annual review programme of the IDP, including the review of key performance indicators and performance targets.</p> <p>2. Proposes the annual performance measures of the municipality as part of the new municipal strategic scorecard.</p> <p>3. Proposes changes to the priorities, objectives, key performance indicators and performance targets of the municipality.</p> <p>4. Quarterly evaluates the performance of the municipality against adopted KPIs and targets.</p> <p>5. Quarterly reviews the performance of departments to improve the economy,</p>	<p>1. Receives performance reports quarterly from the internal auditor.</p> <p>2. Receives performance reports twice a year from the Audit Committee.</p> <p>3. Receives quarterly reports from the Municipal Manager on the performance of Managers and the rest of the staff.</p> <p>4. Reports to Council on the performance of the municipality twice a year.</p> <p>5. Reports to Council on the recommendations for the improvement of the performance management system.</p> <p>6. Annually reports on the performance of the Municipal Manager and Managers directly</p>	<p>1. Submits the municipal annual audit plan and any substantial changes to it to Council for approval.</p> <p>2. Approves the implementation of the recommendations of the internal auditor with regard to both improvement in the performance of the municipality or improvement of the performance management system itself.</p> <p>3. Receives performance audit report from the Auditor General and makes recommendations to Council.</p>

efficiency and effectiveness of the municipality. 6. Quarterly and annually evaluates the performance of the Municipal Manager.	accountable to the Municipal Manager.	
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### The Municipal Manager

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



evaluates the performance of Managers.	Executive Mayor and Council. 6. Annually reports on the performance of Managers. 4. Submit the municipal annual report to the Executive Mayor	
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### Senior Managers

Planning		Implementation	
<ol style="list-style-type: none"> <li>1. Participate in the formulation of strategic goals, objectives and priorities of the Integrated Development Plan.</li> <li>2. Participate in the formulation and revision of the municipal strategic scorecard that includes key performance indicators and performance targets.</li> <li>3. Develop departmental Service Delivery and budget Implementation Plan.</li> <li>4. Develop departmental scorecard.</li> <li>5. Manages the development of subordinates' performance measurement system.</li> <li>6. Enter into a performance agreement with the Municipal Manager.</li> </ol>		<ol style="list-style-type: none"> <li>1. Manage the implementation of the Departmental scorecard.</li> <li>2. Ensure that annual programmes are implemented according to the targets and timeframes agreed to.</li> <li>3. Implement performance improvement measures approved by the Executive Mayor and the Council.</li> <li>4. Manage the implementation of subordinates' performance measurement system.</li> <li>5. Ensure that performance objectives in the performance agreements are achieved.</li> </ol>	
Monitoring			
Review	Reporting	Performance Audit	
<ol style="list-style-type: none"> <li>1. Participates in the formulation of the annual review programmes of the IDP, including the review of KPIs and performance targets for the consideration of Council Committees and the Executive Mayor.</li> <li>2. Quarterly reviews the performance of the department to improve the economy, efficiency and effectiveness of the municipality.</li> <li>3. Quarterly and annually evaluates the performance of the department.</li> </ol>	<ol style="list-style-type: none"> <li>1. Submit monthly departmental performance reports.</li> <li>2. Reports on the implementation of improvement measures adopted by the Executive Mayor and Council.</li> <li>3. Annually reports on the performance of the department.</li> </ol>	<ol style="list-style-type: none"> <li>1. Participates in the formulation of the response to the recommendations of the internal auditor and the Audit Committee.</li> <li>2. Participates in the formulation of the response to performance audit report of the Auditor General and makes recommendations to the Executive Mayor.</li> </ol>	

Staff

<b>Planning</b>		<b>Implementation</b>	
1. Participates in the development of the departmental scorecard and annual plan. 2. Participates in the development of their own performance measurement.		1. Executes individual work plans.	
<b>Monitoring</b>			
<b>Review</b>		<b>Reporting</b>	
1. Participates in the review of departmental plans. 2. Participates in the review of own performance.		1. Reports to the line manager.	

Internal Audit

<b>Planning</b>	
1. Participates in the formulation of the annual audit plan.	
<b>Monitoring</b>	
<b>Review</b>	<b>Reporting</b>
1. Measures the performance of departments according to KPIs and performance targets set in the municipal scorecard and departmental scorecards. 2. Assess the functionality of the PMS. 3. Ensures that the system complies with the Act. 4. Audit the performance measures in the municipal scorecard and departmental scorecards.	1. Submit quarterly reports to the Municipal Manager. 2. Submit quarterly reports to the Performance Audit Committee.

Audit Committee

<b>Planning</b>	
1. Participates in the formulation of the annual audit plan.	
<b>Monitoring</b>	
<b>Review</b>	<b>Reporting</b>
1. Review quarterly reports from the internal audit committee.	1. Reports quarterly to the municipal Council.

Local Community

<b>Planning</b>	
1. Participates in the formulation of the annual review programmes of the IDP, including the review of KPIs and performance targets.	



<b>Monitoring</b>	
<b>Review</b>	<b>Reporting</b>
1. Participate in the review of Municipal Performance Management System	1. Participate in the formulation of annual performance reports by making inputs

#### ROLES AND RESPONSIBILITIES OF A PMS MANAGER

- Compiling and submitting to Executive Mayor and council the Annual Performance Report.
- Compiling and submitting to Executive Mayor a summary of the previous three months service scorecards.
- Researching the availability of data on indicators.
- Interacting with stakeholders such as Trade Unions, IDP Forum and ward committees on the PMS.
- Commenting on any proposed amendments to any performance indicator or targets.
- Preparing reports on the national indicators to the Department of Provincial and Local Government.
- Monitoring compliance to the PMS Framework as agreed to by council.
- Maintaining adequate records of the PMS.
- Advising staff on the PMS via internal communication.
- Facilitating the annual review of the PMS.
- Providing administrative support to the Performance Management Committee.
- Collecting data and compiling of the quarterly scorecard to be submitted to the Executive Mayor.
- Submitting to Corporate Management the services and strategic scorecards before these are submitted to the Executive Mayor.
- Obtaining public input on the annual performance report.
- Forwarding the minutes of the council meetings at which the annual performance report was considered to the MEC and Auditor-General.
- Forwarding copies of the annual performance report to the MEC and Auditor-General.

#### 5.2.1. Performance Planning

This involves the development or refinement of the municipal strategic and operational plans and cascading of these plans to departmental levels in the municipality. The basis for performance planning is the IDP process, linked and followed by detailed planning on other levels than organizational level.

This planning process includes the setting of key performance indicators and targets in accordance with its integrated development plan as required by legislation.

In order to ensure that the municipality meets its organisational performance indicators and targets, it is appropriate to introduce performance measurement plans for the individual employees within the municipality. Thus each individual is given performance objectives, indicators and targets that are linked to the objectives of the department and ultimately to those of council.

It is again crucial that objectives, indicators and targets are developed for all the priorities in the Integrated Development Plan. The planning process takes place once a year and is driven from the office of the municipal manager.

### 5.2.2. Performance Measurement

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

This measurement process includes the comparison of current performance with targets, past performance and possibly the performance of other municipalities, where data is available, to determine whether or not performance is poor. The reasons for poor performance are analysed and bring about suggestions for corrective action where necessary.

Measurement of performance progress will be on an ongoing basis at both the municipal and individual employee levels.

### 5.2.3. Performance Monitoring

Performance monitoring is a process that runs parallel to the implementation of the approved IDP. It is a continuous process of measuring, assessing, analysing and evaluating the performance of the organisation with regard to the municipality's set indicators and targets as reflected in the IDP and performance plans. Mechanisms, systems and processes for monitoring should provide for reporting at least once a quarter to the municipal council, it should enable detection of early indication of underperformance and provide for corrective measures to be taken in cases of underperformance.

The Head of Department will be responsible for each indicator on the departmental plan. While this official will not necessarily be accountable for performance on this indicator, he/she will be responsible for conducting measurements of that indicator, analysing and reporting these for reviews.

### 5.2.4. Performance Review

This phase involves a process where an assessment is done on actual performance against expectations at the end of the performance cycle to review and document planned versus actual performance.

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

### 5.2.5. Performance Reporting

Section 57 Managers report to the Municipal Manager on a quarterly basis. The reports must reflect whether key performance indicators and performance targets are achieved. The reasons for underperformance must be clearly spelt out, as well as measures to address under performance.

Copies of these reports are made available to the internal audit unit which makes comments and report to the Municipal Manager. These reports are tabled at a management team meeting before they are submitted to the Executive Mayor.

The Audit Committee receives reports from the internal auditor through the Municipal Manager and makes recommendations to Council quarterly. Council receives performance reports from the Executive mayor, accompanied by the Audit committee report at the end of every quarter.

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

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

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

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

### 5.3 Municipal Internal Structure

In view of the strategic nature of PMS and the fact that the responsibility of establishing the system is delegated to the municipal manager, this function is coordinated from the municipal manager's office.

In this regard a PMS Manager has been tasked with the following responsibilities:

- (a) Setting up of institutional arrangements, processes and systems for the establishment of the system;
- (b) Developing a performance measurement framework for the municipality;
- (c) Developing a monitoring framework for the municipality;
- (d) Developing reporting framework for the municipality;
- (e) Developing a performance review framework for the municipality; and
- (f) Compiling quarterly and annual reports for the municipality.

## **6. DEVELOPING THE PERFORMANCE MANAGEMENT SYSTEM**

The performance management system in ELM focuses on both organisational and employee performance. This section outlines the approach within which the performance management system processes are being undertaken.

### **6.1 Internal and External Stakeholders**

The following stakeholders and institutional structures, with their roles and responsibilities, were identified as key players to facilitate the development of the municipal performance management system.

<b>STAKEHOLDER</b>	<b>ROLE, RESPONSIBILITIES AND/OR EXPECTATIONS</b>
<b>Minister of Cooperative Governance &amp; Traditional Affairs</b>	In terms of section 48(1) of the Act the Minister must: <ul style="list-style-type: none"> <li>• Annually compile and submit to Parliament a consolidated report of local government performance in respect of the general KPIs.</li> <li>• Publish the report in the Government Gazette</li> </ul>
<b>MEC for Cooperative Governance &amp; Traditional Affairs</b>	In terms of section 47 of the Local Government: Municipal Systems Act, 2000 <ul style="list-style-type: none"> <li>• The MEC for COGTA must annually compile and submit to the provincial legislature and the Minister of COGTA a consolidated report on the performance of</li> </ul>

	<p>municipalities in the province.</p> <ul style="list-style-type: none"> <li>The MEC for COGTA must also publish the report in the Provincial Gazette and submit a copy of the report to the National Council of Provinces</li> </ul>
<b>Auditor General</b>	In terms of section 45(b) of the Act the AG must annually audit the results of performance measurements in terms of section 41(1)(c) of the Act
<p><b>Communities</b></p> <p><b>includes:</b> Civic Organisations; Non-Governmental Organisations (NGOs); Businesses; Community Based Organisations</p>	<ul style="list-style-type: none"> <li>Consultation on the needs and priority issues</li> <li>Consultation in the development of the long term vision for the municipality</li> <li>Influence the choice of indicators and setting of targets</li> <li>Monitor and "audit" performance against commitments</li> <li>Consultation during the review of municipal performance and suggest new indicators and targets</li> </ul>



<b>STAKEHOLDER</b>	<b>ROLE, RESPONSIBILITIES AND/OR EXPECTATIONS</b>
<p><b>Council:</b></p> <p>Executive Mayor; Mayoral Committee</p>	<ul style="list-style-type: none"> <li>Play the leading role in giving strategic direction and developing strategies and policies for the organisation</li> <li>Manage the development of PMS</li> <li>Identify indicators and set targets</li> <li>Communicate the plan to other stakeholders</li> <li>Monitor municipal performance</li> <li>Commission audits of performance where necessary</li> <li>Conduct major reviews of municipal performance</li> <li>Determining where goals have or have not been met, what the causal reasons are and to adopt response strategies</li> </ul>
<b>Portfolio Committees</b>	<ul style="list-style-type: none"> <li>Facilitate the development of a long term vision</li> <li>Develop strategies to achieve vision</li> <li>Identify priorities</li> <li>Adopt indicators and set targets</li> </ul>

	<ul style="list-style-type: none"> <li>• Monitor municipal performance</li> <li>• Review municipal performance from time to time</li> <li>• Review the performance of the Mayoral Committee</li> </ul>
<b>Management:</b> Municipal Manager and Senior Managers	<ul style="list-style-type: none"> <li>• Provide strategic direction and develop strategies and policies</li> <li>• Manage the development of the IDP</li> <li>• Identify realistic indicators and set targets</li> <li>• Communicate with stakeholders</li> <li>• Manage the implementation of the IDP &amp; PMS</li> <li>• Regularly monitor the implementation of the IDP &amp; PMS</li> </ul>
<b>Management:</b> Municipal Manager and Senior Managers	<ul style="list-style-type: none"> <li>• Measure performance against agreed indicators &amp; targets</li> <li>• Propose response strategies to Mayoral Committee or council</li> <li>• Conduct reviews of performance against plan</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Align personal goals and plan with the organisational plan</li> <li>• Implement the IDP &amp; PMS and achieve the personal plan</li> <li>• Monitor own performance continuously</li> <li>• Participate in review of own performance</li> <li>• Participate in the review of organisational performance</li> </ul>



<b>STAKEHOLDER</b>	<b>ROLE, RESPONSIBILITIES AND/OR EXPECTATIONS</b>
<b>Local Labour Forum</b>	<ul style="list-style-type: none"> <li>• Contribute to the strategic direction and developing of long-term vision for the municipality</li> <li>• Contribute to the development of the IDP</li> <li>• Monitor and audit the performance of the organisation, especially from a labour perspective</li> <li>• Participate in the public review of municipal</li> </ul>

	performance
<b>Performance</b>	• Must review quarterly reports
<b>Management Unit</b>	• Review and recommend on the municipality's PMS
<b>Social Partners:</b> Public and Private Partners; Service Providers	• Review the KPIs set which for every municipal entity and service provider with whom the municipality has entered into a service delivery agreement

## 6.2 Structures for Stakeholder Participation

In order for the municipality to ensure meaningful participation of all stakeholders in the development of its PMS consistent with the legislation, the following are critical to this effect:

- Ward Committees
- IDP Steering Committee
- IDP Representative Forum
- National and provincial departments
- Media and publication agencies

## 6.3 Performance Management Model

The municipality adopted the Balanced Scorecard as its performance management model. The Balanced Scorecard has proved to be the most popular performance and strategic management tool used by both public and private organisations. The benefits of implementing the Balanced Scorecard are that it brings strategic focus and direction to the organisation, improves governance and accountability, promotes alignment and transparency, and improves management effectiveness.

An organisational scorecard was designed according to the service delivery indicators and perspectives of the IDP and SDBIP. The organisation scorecard remains to be cascaded to all levels of the municipality that is departments, business units, teams and individuals. The objective of cascading the scorecard is to achieve synergy across the municipality, maximise

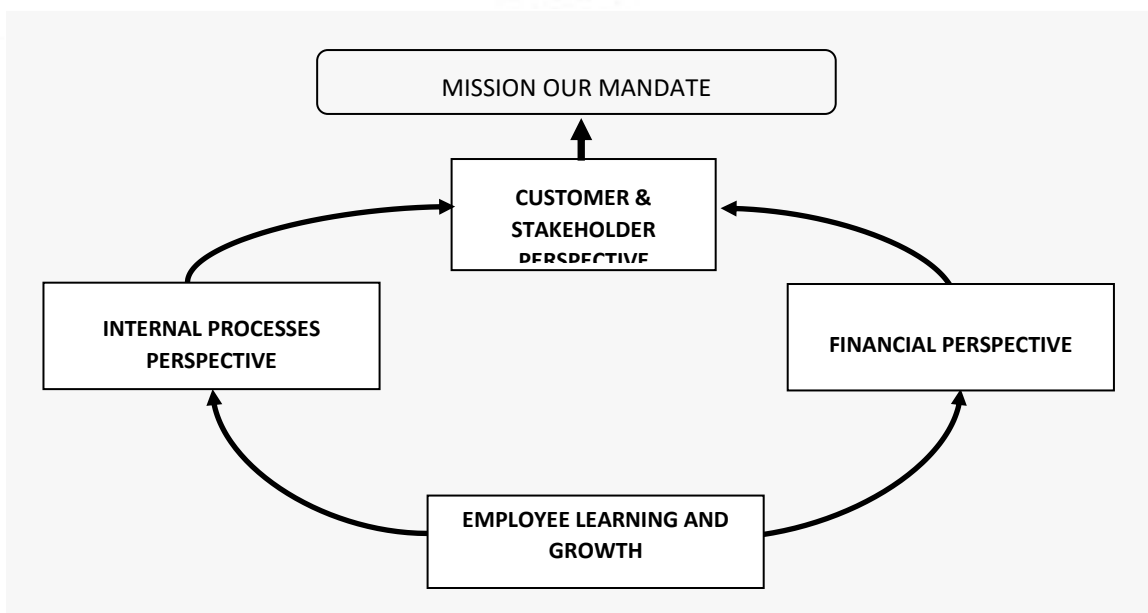


internal business process efficiencies (e.g. supply chain, information technology, human resources, etc.), and maximise efficient allocation of resources (financial and human) across the business entity.

The design approach of the Balanced Scorecard was customised to meet the needs of the municipality. With an emphasis on the “balanced” the municipal Scorecard follows the traditional design perspectives promulgated by Kaplan and Norton, Financial, Customer, Internal Processes and Learning & Growth.

- **Customer and Stakeholder Perspective** – managers need know if the municipality is meeting the needs of communities. They must determine the answer to the question: Is the municipality delivering the services the community needs? Managers must also know if the municipality is achieving its service delivery mandate by answering the question: Is the municipality contributing towards the developmental needs of the country?
- **Financial Perspective** – Managers need to focus on how to meet service delivery needs in an economic, efficient and effective manner. They must answer the question: Is the service delivered at a good price or cost?
- **Internal Processes Perspective** – Managers need to focus on those critical operations that enable them to satisfy the community and stakeholders. Managers must answer the question: Can the municipality improve upon a service by changing the way a service is delivered?
- **Employee Learning and Growth Perspective** – An organisation’s ability to improve and meet citizen demands ties directly to the employees’ ability to meet those demands. Managers must answer the question: Is the municipality maintaining technology and employee training for continuous improvement?

Emakhazeni Local Municipality



#### 6.4 Publication of the System

Following the development of the Performance Management System the municipality publishes the draft system in the local media for public comment for a period of 30 days. This will ensure that public comments are incorporated into the system.

#### 6.5 Adoption of the System

Following incorporation of the public comments into the system, the final draft is prepared for submission to Council. Council then adopts the system when it is satisfied that the process was handled in accordance with the legislation, especially the regulations governing the nature of the system.

*Performance Management Regulations (Chapter 3, Regulation 8* requires that – a performance management system must be adopted before or at the same time as the commencement by the municipality of the process of setting key performance indicators and targets in accordance with its integrated development plan.

#### 6.6 Cascading the PMS to lower levels of the Municipality

The legislative framework as set out above provides for performance management at various levels in the municipality including strategic (sometimes also referred to as municipal, organisational or corporate) level, operational (also referred to as services, departmental or section/team) level and lastly, individual level.

The municipality plans to cascade the Performance Management System to the all employee levels in a span of three (03) years. The organisational KPIs and quarterly targets are cascaded into Departmental SDBIPs which serves as high-level plans for individual

departments. The implication is that once organisational objectives and targets have been set it is possible to cascade these down to the relevant departments and individuals. In turn, individuals and departments by achieving their objectives and targets contribute towards the council achieving the objectives and targets in the IDP.

By cascading performance measures from strategic to operational level, both the IDP and the SDBIP, forms the link to individual performance management. This ensures that performance management at the various levels relate to one another which is a requirement of the Municipal Planning and Performance Regulations. The MFMA specifically requires that the annual performance agreements of managers must be linked to the SDBIP of a municipality and the measurable performance objectives approved with the budget.

## **7. IMPLEMENTING THE PERFORMANCE MANAGEMENT SYSTEM**

### **7.1 Identification of Priority Issues**

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

The IDP has identified service delivery priorities and objectives, internal transformation strategies, and projects that contribute to the achievement of the above objectives. These priorities are essentially the issues that the municipality has pronounced to focus on in order of addressing the needs of the community. Priorities are clustered into the following key performance areas, which represent the broad development mandate of local government:

- (a) Basic Service Delivery;
- (b) Local Economic Development;
- (c) Municipal Institutional Development and Transformation;
- (d) Municipal Financial Viability and Management; and
- (e) Good Governance and Public Participation.

### **7.2. Developing Strategic Objectives**

After identifying priorities for the year, Council identifies areas of focus in line with the strategic performance areas. This process begins with an annual retreat and strategy session during the IDP processes. The annual retreat provides Council and management to

agree on the strategic objectives for the period. Strategic objectives are then clustered into local government key performance areas. Once the strategy for the year is finalised, employees start to work on the plan to implement as part of the IDP.

This process ensures that all priorities of the IDP are translated into a set of clear and tangible objectives. The PMS Task Team facilitates the processes of ensuring that the strategic objectives are realistic, tangible, measurable and unambiguous.

In setting objectives, the municipality:

- (a) Carefully considers the performance results desired
- (b) Reviews the precise wording and intention of the objectives
- (c) Avoids overly broad result statements
- (d) Is clear about the scope and nature of change desired
- (e) Ensures that objectives are outcome and impact focused

7.3. Development of Performance Measures

The Local Government: Municipal Systems Act requires municipalities as part of establishing a performance management system to define performance measures or key performance indicators in terms of input, output and outcome measurements. The development of performance measures forms the basis for establishing a standard system on monitoring and reporting.

In this instance, performance measures are important for:

- (a) Providing a common framework for data gathering, measuring, and reporting;
- (b) Creating synergy across the various Strategic Business Units (SBUs) and divisions;
- (c) Ensuring standardisation of a feedback mechanism in planning and implementation;
- (d) Assisting in the policy and programmatic review process; and
- (e) Focusing the organisation on strategic and priority areas.

In identifying indicators, the municipality considers the priorities and objectives as set out in the IDP. In setting performance measures, the municipality seeks to ensure that communities are involved through the IDP structures. Key Performance Indicators are set for all administrative units and employees.

The municipality will develop the following types of indicators according to the Performance Management Regulations (Chapter 3) Regulation 9: *Setting Key Performance Indicators*.

Indicators or performance measures will be developed in respect of each of the development priorities and objects referred to in section 26(c) of the Municipal Systems Act, (Act no. 32 of 2000).

- **Baseline indicators:** These indicators measure conditions before a project or programme is implemented.
- **Input Indicators:** These indicators measure what it costs the municipality to purchase the essentials for producing desired outputs (economy), and whether the municipality achieves more with less, in resource terms (efficiency) without compromising quality. The economy indicators include the amount of time, money or number of people it takes the municipality to deliver a service.
- **Output Indicators:** These indicators measure whether a set of activities or processes yield the desired products – effectiveness indicators (usually expressed in quantitative terms). These indicators relate to programme activities or processes.
- **Outcome Indicators:** These indicators measure the quality as well as the impact of the products in terms of the achievement of the overall objectives. In terms of quality, they measure whether the products meet the set standards in terms of the perceptions of the beneficiaries of the service rendered. In terms of impact, they measure the net effect of the products or services on the overall objective. Outcome indicators relate to priority issues or programme objectives.

The performance management system will incorporate the General Key Performance Indicators as prescribed in terms of section 43 of the Municipal Systems Act, (Act no. 32 of 2000) and Performance Management Regulations, Regulation 10 General Key Performance Indicators.

The General Key Performance Indicators are:

- Percentage of households with access to basic level of water, sanitation, electricity and solid waste removal
- Percentage of households earning less than R1100 per month with access to free basic services
- 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

- Number of jobs created through municipality's local economic development initiatives including capital projects
- Number of people from Employment Equity target groups employed in the three highest levels of management in compliance with the approved Employment Equity Plan.
- The percentage of a municipality's budget actually spent on implementing its Workplace Skills Plan
- Financial viability: Debt Coverage; Cost Coverage and Service Debtors to Revenue

#### 7.4. Setting Performance Targets

*According to Performance Management Regulations (Chapter 3, Regulation 12), a municipality must, for each financial year set performance targets for each of the key performance indicators set by it. A performance target set in terms of sub-regulation (1) must be practical and realistic. It must measure the efficiency, effectiveness, quality and impact of the performance of the municipality. It must also identify administrative components, structures, bodies or persons for whom a target has been set.*

Performance targets are the planned level of performance or the milestones that the municipality sets for itself for each indicator identified. The municipality still has to identify baseline targets for each indicator at the start of the period. In setting targets, it is important to know how the organisation is performing at the current moment.

The PMS Unit through consultation with all stakeholders facilitates processes of ensuring that the targets are realistic, measurable, commensurate with available resources, and capacity. The municipality's political leadership gives a clear direction on the targets in order to address the expectations of community needs. Targets are informed by the development needs of communities and the development priorities of the municipality identified during the integrated development planning process.

Managers directly accountable to the Municipal Manager advise as to what a realistic and achievable commitment for a target is, given the available resources and capacity. Managers advise on seasonal changes and other externalities that are considered in the process of target setting.



### 7.5. Review of Performance Measures and Targets

The municipality reviews its key performance indicators and targets annually as part of the performance review process referred to in regulation 13 of the Performance Management Regulations. Whenever the municipality amends its integrated development plan in terms of section 34 of the Act, the municipality as part of the process referred to in regulation 3 reviews those key performance indicators that are affected by such an amendment.

### 7.6. Developing a Monitoring Framework (Measuring Performance)

Emakhazeni Local Municipality, after consultation with the local community has to effectively develop and implement mechanisms, systems and processes for the monitoring and review of performance in respect of the performance measures and targets set by it. This shall assist in reporting by Council at least twice a year. The system has to be designed in a manner that will enable the municipality to detect early indications of under-performance and will provide for corrective measures where under-performance has been identified.

Performance monitoring is an ongoing process which runs parallel to the implementation of the IDP. For each year, a Service Delivery and Budget Implementation Plan (SDBIP) is developed which should be based on the IDP. The SDBIP clearly spells out the priorities, strategic objectives, measurable outputs and targets, and a set of activities to achieve those priorities, objectives and outputs contained in the IDP.

#### The following will constitute the monitoring framework for Emakhazeni Local Municipality:

- Role players in monitoring and measuring the performance of the municipality.
- Allocation of specific tasks to the gathering of data and submission of reports.
- Determining the data that must be collected in order to assess performance, how that data is to be collected, stored, verified and analysed and how reports on that data are to be compiled.
- Providing for reporting to the municipal council at least twice a year.
- Be designed in a manner that enables the municipality to detect early indications of under-performance.
- Providing for corrective measures where under-performance has been identified (organisational and employee performance management)
- Comparing current performance with performance during the previous financial year and baseline indicators



### 7.7. Using the Performance Management Model (Monitoring)

Emakhazeni Local Municipality adopted the Balanced Scorecard for monitoring the implementation of the IDP. The Balanced Scorecard provides a performance measurement framework and by its design aims to enable the municipality to analyse data for its measurement mechanism. The metrics system of the Balanced Scorecard shall provide the municipality with measurement information that is time-specific, source-specific, valid, reliable, clear and accurate.

It is intended that performance measures will be cascaded to all levels of the municipality. The Municipal Manager manages performance measures in the IDP centrally. This is important that line managers see measurement and reporting as central to their management duties.

The Balanced Scorecard fulfils the following requirements in performance management:

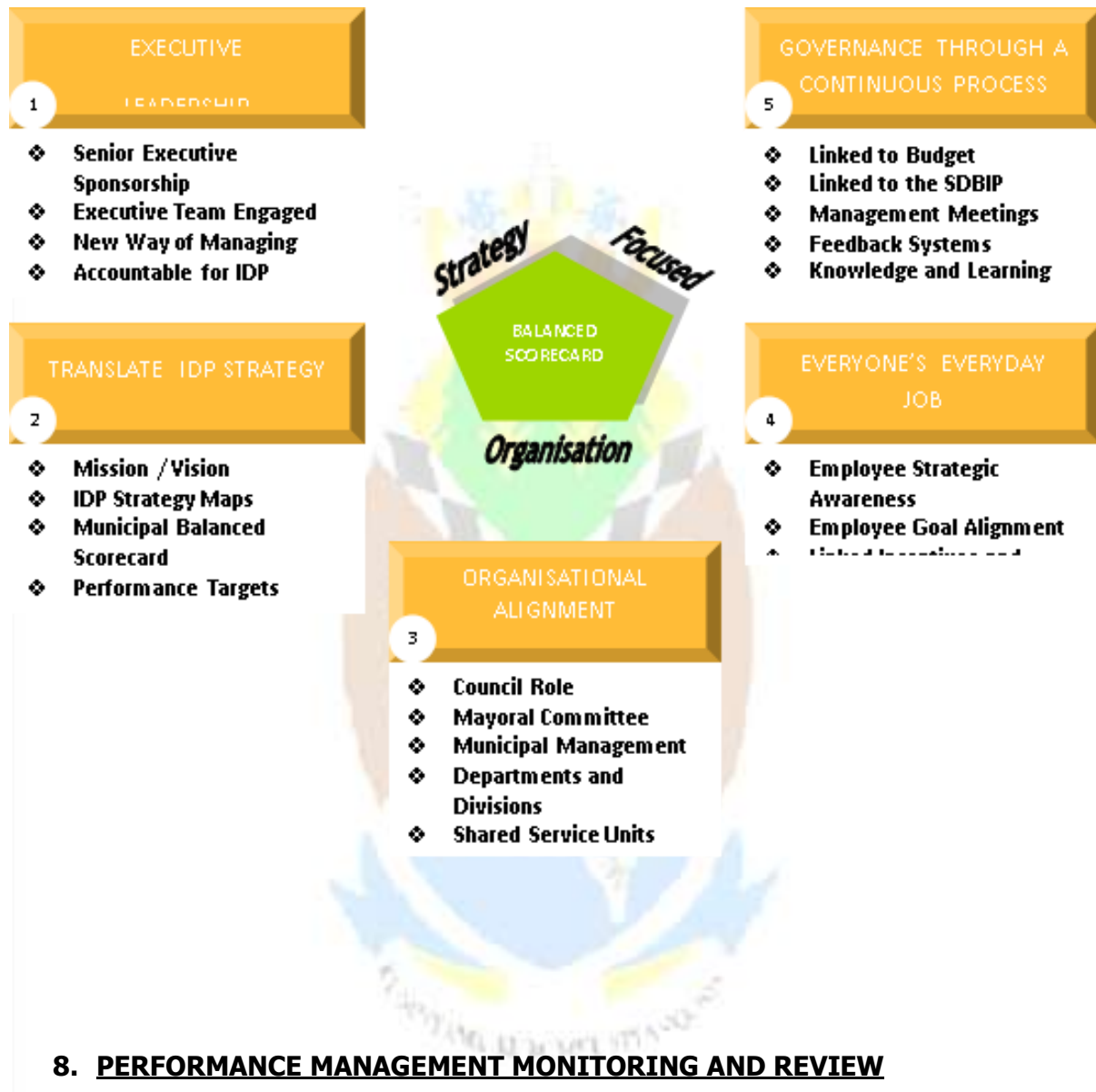
- It fully integrates with the IDP as the IDP provides the basic framework of performance expectations.
- Performance measures and targets set for each priority initiative and objective in the IDP can be mapped into the Balanced Scorecard.
- The metrics system of the Balanced Scorecard caters for all types of performance measures and targets.
- It is a tool that promotes accountability through a process of cascading the system from organisational level strategy to individual performance measurement.
- It is a proven tool that creates synergy and enables alignment of priorities and coherent reporting.

The benefits and value of using the Balanced Scorecard in the municipality are that:

- Integration of perspectives enables a more holistic assessment of performance (the whole picture is necessary all the time to get a strategic sense of how the municipality will be performing – from each perspective simultaneously – and enables strategic management).
- Has a strong emphasis on learning and development (continuous learning).
- Clearly links planning, measurement and strategy management.
- The links between perspectives can be used to diagnose performance problems.
- Can form the basis for staff and organisational performance management.

- Simplifies long lists of indicators by organising them into a set of categories chosen to sufficiently represent effective performance.

The Balanced Scorecard design process for the municipality follows key principles shown in the figure below:



### 8.1. Planning Cycle of the PMS

The planning cycle of the performance management system runs at the same time as the integrated development planning process and development of the SDBIP. The timeframe is according to the adopted IDP Process Plan for the year.

## 8.2. PMS Implementation and Review

The municipal manager coordinates the implementation of the performance management system. In ensuring that the review process is carried out senior managers constantly monitor and assess performance targets.

This is done to ensure that:

- (a) There is a proactive identification of structural constraints and trends of underperformance, and develop alternative courses of actions to remedy the situation;
- (b) Coordinate the quality of performance reports submitted to council, communities and other state organs;

## 8.3. Institutional Review Mechanism

The municipality needs to establish effective performance review processes and structures in order to ensure that the performance is appropriately reviewed.

<b>REVIEW MECHANISM</b>	
<b>WHO</b>	<b>REQUIRED</b>
Community / Public	Review the performance of the municipality and public representatives on a quarterly and annual basis
Council	Review the performance of the mayoral committee, portfolio committees and the administration on quarterly and annual basis
Mayoral Committee	Review the performance of the administration on a quarterly basis and the performance of the municipal manager on an annual basis
Municipal Manager	Review the performance of heads of departments both quarterly and annually, and constantly review the overall administration on a monthly and quarterly basis, and remain accountable for reporting on performance
Heads of Departments	Review the performance of managers reporting directly to them on a monthly and quarterly basis before reporting to Council
Supervisors	Review performance of individual or groups of

REVIEW MECHANISM	
WHO	REQUIRED
	employees reporting directly to them
Portfolio Committees	Review performance of the organisational priorities that lie within their portfolio monthly, while maintaining a strategic role

#### 8.4. Approach to Performance Management System Review

Performance review is a process where the municipality, after measuring its own performance, assesses whether it is doing the right thing. The PMS Task Team facilitates the analysis of performance across the organisation in terms of all the priorities for the period and provide an interpretation of the measurements to determine whether targets have been met or exceeded, and projections on whether future targets will be met. Where targets are not being met, the analysis requires that the reasons be examined and corrective action recommended.

Line managers also continuously analyse the measurements in their control since they are best placed, and have an in-depth understanding of their department, to analyse whether targets are met, and will be met in the future, what the contributing factors are to the level of performance and what remedial action needs to be taken.

The different methods used in conducting reviews are:

- The first method to conduct performance reviews is to look at whether the current level of performance is better than that of the previous year, using baseline indicators.
- The second method is to look at the performance of the municipality by comparing with other similar municipalities, by way of a benchmarking exercise.
- The third method is to look at what the people think about the performance of the municipality across the range of services, by way of customer surveys or other community feedback mechanisms.

These review approaches are consistent with the “best value” review framework of challenge, compare, consult and compete. The framework calls for the municipality to challenge the current level of performance, compare it to others, consult with the customers

or communities and find ways of competing with others to provide best value when delivering services.

#### 8.5. Improving Performance

The municipality is committed to constantly improve good or excellent performance. Poor performance will be considered for improvement as a priority. In doing this, the municipality analyses the causal and contributing reasons for poor performance. The Municipal Manager implements the appropriate response strategy to improve the performance.

The following table shows some of the potential areas of poor performance and the corrective strategy that the municipality will consider to remedy the situation.

<b>AREA OF POOR PERFORMANCE</b>	<b>CORRECTIVE STRATEGY</b>
Poor systems and processes	Systems and process improvement initiative
Inappropriate structures to deliver services	Organisational restructuring
Inappropriate organisational culture	Change management and continuous education
Absence of appropriate strategy	Revision of strategy by management
Lack of skills and capacity	Training and outsourcing additional capacity

#### 8.6. Reporting on Performance

In order to comply with the provisions of the Municipal Systems Act (2000) and thereby entrenching a culture of accountability as encapsulated in the act, the municipal manager is required to compile and submit a performance report to the Executive Mayor on a quarterly basis for submission to Council.

The Executive Mayor assisted by the Municipal Manager convenes quarterly performance review meetings attended by the Mayoral Committee. During the quarterly review meetings, Departments present reports reflecting progress made towards achieving quarterly targets as well as outlining activities for the remaining year. The quarterly review serves as the basis for the compilation of the annual performance report to be submitted to Council, and the MEC of Cooperative Governance and Traditional Affairs.

The annual performance report forms the basis for the formulation of the Service Delivery and Budget Implementation Plan for the incoming annual cycle. Significantly, the annual report also serves as a performance linkage between quarterly reports.

<b>PERFORMANCE REPORTING</b>	<b>ACCOUNTABLE TO</b>	<b>PERIOD</b>
Minister for Cooperative Governance and Traditional Affairs	Parliament and Public	Annually
Provincial MEC for Cooperative Governance and Traditional Affairs	Minister for COGTA National Council of Provinces; Provincial Legislature and Public	Annually
Council (including Ward Committees)	Provincial MEC of COGTA Public	Bi-annually, Annually
Municipality	Citizens and Communities	Bi-annually, Annually
Executive Committee	Council	Bi-annually, Annually
Administration	Executive Committee / Executive Mayor	Monthly, Quarterly, Annually
Section 57/Service Delivery Managers and Municipal Manager	Executive Management (Municipal Manager; Standing / Portfolio Committees	Monthly, Quarterly, Annually
Employees	Municipality	Monthly, Quarterly

### 8.7. Publication of Performance Reports

The municipality is required to publish performance reports. The annual report is required by legislation and is usually made available to the public. The municipality needs to frequently inform stakeholders on its performance depending on resources and capacity through accessible media means and other forms.

To ensure that the reporting process runs smoothly and effectively, the PMS Task Team needs to manage the processes centrally, to communicate timeframes of all reporting processes for the year, track and monitor reporting processes and analyze performance reports at the organizational level.

The following are the minimum elements that appear in the reporting templates:

<b>REPORTING ELEMENT</b>	<b>DESCRIPTION</b>
<b>Key Performance Area</b>	These are according to the broad mandate of local government
<b>Priority Issues</b>	As identified through consultation with relevant service recipients
<b>Strategic Objective</b>	The aim of the municipality within the defined priority issue and KPA as related to the specific service to be delivered
<b>Baseline Indicator</b>	Estimate current level or measure of the situation
<b>Performance Measures or key performance indicators</b>	Quantifiable and qualitative measures showing where performance currently is in relation to the baseline and target
<b>Measurement source &amp; frequency</b>	Source and frequency of where data is gathered for monitoring performance
<b>Target date or period</b>	Period in which service is or will be delivered
<b>Budget / Budget Estimate</b>	Current budget as allocated on the IDP for a specific objective
<b>Performance against target</b>	Quantifiable level that indicates how the current quantifiable measure compare with the set quantifiable targets for the period
<b>Beneficiaries</b>	Cleared defined groups or communities that will benefit from the project or programme

#### 8.8. Public Feedback and Hearings

Public feedback on reported performance need to be obtained through ongoing awareness performance reporting programmes, were feedback shall be gathered in the most suitable form. The public shall be encouraged to provide feedback by calling into the municipality and using feedback boxes. Public hearings shall be held every mid-term and during the annual IDP review to report to communities on municipal performance.



## **9. INDIVIDUAL OR EMPLOYEE PERFORMANCE MANAGEMENT**

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

### **9.1. Planning**

The PMS yields a set of indicators and targets. These become an undertaking of the municipality to the community. These are however incorporated into the Municipal Manager's performance agreement, as he/she is responsible for the implementation of the strategy or IDP. The Municipal Manager cascades performance measures or indicators relevant departments. These performance measures or indicators then become the responsibility of the Head of Department (HOD) which are incorporated into the HOD's performance agreement. The HOD needs to cascade the indicators and targets to lower levels in line with the scope of responsibilities at that level.

### **9.2. Implementation and Monitoring**

When projects and programmes are implemented, the Municipal Manager will set up a framework to track performance of all managers who would in turn do the same for lower level employees during the cascading process. The framework, in terms of employee performance management, clarifies the following:

- Targets for all levels in the organisation.
- Methods for tracking performance.
- Intervals for reporting.
- Lines of accountability.
- Institutional arrangements.

The Municipal Manager will, within the parameters of an employee performance management system, set up a framework for performance reviews of staff. The framework, in terms of employee performance management clarifies the following:

- Areas of performance to be reviewed flowing from IDP.
- Review methods to be used.
- Review intervals.

The municipal manager as the head of the administration compiles executive strategic reports that capture the strategic thrust and executive synopsis of the implementation progress. The executive report will provide information on:

- Policy and legislative trends.
- Institutional trends.
- Financial information and budget.
- Capital projects.
- Implementation challenges.

### 9.3. Performance Management for Senior Managers

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.

#### 9.3.1. 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. 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 bottom layer (technical) Service Delivery and Budget Implementation Plan (SDBIP).

#### Performance Agreement between the Municipal Manager and the Municipality

The municipal manger as the head of the administration enters into a performance agreement with the municipality (represented by the Executive Mayor).

#### Performance Agreement between managers directly accountable to the Municipal Manager and the municipality

Managers directly accountable to the municipal manager enter into performance agreement with the municipality (represented by the municipal manager).

### 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.

### 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 of 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.

### 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:

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

#### 9.3.2. 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:

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

<b>Key Performance Areas for Municipal Managers</b>	<b>Weighting</b>
Basic Service Delivery	
Municipal Institutional Development and Transformation	
Local Economic Development	
Municipal Financial Viability and Management	
Good Government and Public Participation	
Spatial Rationale	
Total	<b>100%</b>
<b>The KPA must constitute 100% and be converted to 80%</b>	

### 9.3.3. Core Competency Requirements

The regulations of section 57 managers require that performance of section 57 managers be assessed in terms CCRs. These competencies describe general managerial and occupational skills. The Core Competency Requirements will make up the other 20% of the Employee's assessment score. Core Competency Requirements that are deemed to be most critical for the Employee's specific job should be selected from the list below as agreed to between the Employer and Employee. Three of the CCRs are compulsory for Municipal Managers:

<b>CORE COMPETENCY REQUIREMENTS (CCR) FOR EMPLOYEES</b>		
<b>CORE MANAGERIAL COMPETENCIES (CMC)</b>	<b>√</b>	<b>WEIGHT</b>
Strategic Capability and Leadership		
Programme and Project Management		
Financial Management	compulsory	
Change Management		
Knowledge Management		
Service Delivery Innovation		
Problem Solving and Analysis		
People Management and Empowerment	compulsory	
Client Orientation and Customer Focus	compulsory	
Communication		
Honesty and Integrity		
Competence in Self-Management		
Interpretation of and implementation within the legislative and national policy frameworks		
Knowledge of Performance Management and Reporting		
Knowledge of global and South African specific political, social and economic contexts		
Competence in policy conceptualisation, analysis and implementation		

<b>CORE COMPETENCY REQUIREMENTS (CCR) FOR EMPLOYEES</b>		
<b>CORE MANAGERIAL COMPETENCIES (CMC)</b>	<b>√</b>	<b>WEIGHT</b>
Knowledge of more than one functional municipal field / discipline		
Skills in Mediation		
Skills in Governance		
Competence as required by other national line sector departments		
Exceptional and dynamic creativity to improve the functioning of the municipality		
Total percentage		<b>100%</b>
<b>The CCR must constitute 100% and be converted to 20%</b>		

#### 9.3.4 Assessment of the Core Competency Requirements

- (a) Each CCR should be assessed according to the extent to which the specified standards have been met.
- (b) An indicative rating on the five-point scale should be provided for each CCR.
- (c) This rating should be multiplied by the weighting given to each CCR during the contracting process, to provide a score.
- (d) The applicable assessment rating calculator must then be used to add the scores and calculate a final CCR score.

#### 9.3.5 Overall rating

An overall rating is calculated by using the applicable assessment-rating calculator. Such overall rating represents the outcome of the performance appraisal.

### 9.4 Performance Rating Scale

The assessment of the performance of the Employee will be based on the following rating scale for KPA's and CCRs:

Level	Terminology	Description	Rating					Performance Bonus Ratios
			1	2	3	4	5	
5	Outstanding performance	Performance far exceeds the standard expected of an employee at this level. The appraisal indicates that the Employee has achieved above fully effective results against all performance criteria and indicators as specified in the PA and Performance plan and maintained this in all areas of responsibility throughout the year.	5					Maximum bonus allowed into. Regulation is between 10% and 14% of the person's all inclusive annual remuneration package. The percentages are as follows: 75-76%=10% 77-78%=11% 79-80%=12% 81-84%=13% 85-100%=14%



Level	Terminology	Description	Rating					Performance Bonus Ratios
			1	2	3	4	5	
4	Performance significantly above expectations	Performance is significantly higher than the standard expected in the job. The appraisal indicates that the Employee has achieved above fully effective results against more than half of the performance criteria and indicators and fully achieved all others throughout the year.	4					<p>Maximum bonus allowed into. Regulation is between 5% and 9% of the person's all inclusive annual remuneration package. The percentages are as follows:</p> <p>65-66%=5%  67-68%=6%  69-70%=7%  71-72%=8%  73-74%=9%</p>
3	Fully effective	Performance fully meets the standards expected in all areas of the job. The appraisal indicates that the Employee has fully achieved effective results against all significant performance criteria and indicators as specified in the PA and Performance Plan.	3					No Bonus

Level	Terminology	Description	Rating					Performance Bonus Ratios
			1	2	3	4	5	
2	Not fully effective	Performance is below the standard required for the job in key areas. Performance meets some of the standards expected for the job. The review/assessment indicates that the employee has achieved below fully effective results against more than half the key performance criteria and indicators as specified in the PA and Performance Plan.	2					No Bonus

Level	Terminology	Description	Rating					Performance Bonus Ratios
			1	2	3	4	5	
1	Unacceptable performance	Performance does not meet the standard expected for the job. The review/assessment indicates that the employee has achieved below fully effective results against almost all of the performance criteria and indicators as specified in the PA and Performance Plan. The employee has failed to demonstrate the commitment or ability to bring performance up to the level expected in the job despite management efforts to encourage improvement.	1					No Bonus

Conversion of the scores to percentages as per the performance regulations; all the scores must be multiplied by 2 to establish the percentage of 130% to 150%. While weighting will be as follows:

Weighting					
	1	2	3	4	5
1	0.2	0.4	0.6	0.8	1
2	0.4	0.8	1.2	1.6	2
3	0.6	1.2	1.8	2.4	3
4	0.8	1.6	2.4	3.2	4
5	1	2	3	4	5
6	1.2	2.4	3.6	4.8	6
7	1.4	2.8	4.2	5.6	7
8	1.6	3.2	4.8	6.4	8
9	1.8	3.6	5.4	7.2	9
10	2	4	6	8	10

11	2.2	4.4	6.6	8.8	11
12	2.4	4.8	7.2	9.6	12
13	2.6	5.2	7.8	10.4	13
PERFORMANCE LEVELS					
Weighting	1	2	3	4	5
14	2.8	5.6	8.4	11.2	14
15	3	6	9	12	15
20	4	8	12	16	20
25	5	10	15	20	25
30	6	12	18	21	30
35	7	14	21	28	35
40	8	16	24	32	40
45	9	18	27	36	45
50	10	20	30	40	50

### 9.5 Performance Bonuses

In terms of Section 32 (1) and 2 of Local Government: Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers, 2006:

- i. The evaluation of the employee's performance will form basis for rewarding outstanding performance or correcting unacceptable or poor performance.
- ii. Performance rewards can only be made after independent verification of evidence and performance plan by the Internal Audit.
- iii. Performance bonus must be paid once a year provided the municipality has budget for bonuses and Council has approved that payments can be made.

### 9.6 Bonus Calculating Formula

The following formula will be used to calculate the final score:

$$\text{KPA Score} = (\text{Total final Scores as weighted} \times 100\%) / (\text{Total Weights of the above scores}) = 100\% \times 0.8 = \text{Final Score}$$

### 9.7 Performance Appraisal Feedback

The key to ensuring that performance becomes a norm and ensuring that the performance management system benefits everyone is to promote improvement through feedback, learning and support rather than judgement, sanctions and punishment.

Performance appraisal feedback shall be conveyed to employees in writing or discussed with employees on a regular basis to prevent a scenario where employees only find out about the gaps in their performance during mid-year or during the review.

## Management of Poor or Non-Performance

In case of unsatisfactory performance, Managers shall manage the employee's performance closely; the Municipality shall also provide systematic remedial or development support to assist the employees to improve their performances through counselling, coaching, training and Employee Assistance Programmes.

After exhausting all support and remedial systems by the employer, including being formally registered with an incapacity programme, disciplinary process will be instituted as guided by Labour Relations Act 66 of 1995.

### 9.8 Confidentiality

All members involved in performance assessments must maintain confidentiality on all scores and performance outcomes obtained during the assessment process. Only Managers are allowed to discuss the outcomes of the assessment with their subordinates. Unlawful disclosure of information prior or after notification of employees about their performance outcomes shall constitute misconduct. All panel members will have to complete the Emakhazeni Local Municipality Declaration of Confidentiality on the day of each assessment. However, it must be noted that such performance information is confidential until considered by Council, thereafter the information will become public information.

### 9.10 Appeal

#### 9.10.1 For the Municipal Manager

In case of the Municipal Manager, he/she will apply in writing for the review of the performance outcome to the MEC for Corporative Governance and Traditional Affairs in the province within 14 working days from the date of receipt of assessment results. Then the MEC will, within thirty (30) days of receipt of a formal dispute mediate on the matter. The decision shall be final and binding to both parties.

#### 9.10.2 For Managers Directly Accountable to the Municipal Manager (Section 56 Managers)

Managers directly accountable to the Municipal Manager may apply to the Executive Mayor within 14 working days from the date of receipt of assessment results for the review of performance outcome. The Executive Mayor must mediate on the matter within 30 days of receipt of a formal dispute. The decision shall be final and binding to both parties.

#### 9.10.3 Non Section 56 Employees

In a case where the employee is not satisfied with the assessment proceedings or results, the employee must apply in writing for reconsidering the performance review. The application for the appeal must be submitted within 14 working days from the date in which the assessment feedback has been communicated with the concerned employee. All employees are entitled to a representative by the Union of their choice.

The application must be submitted to the Municipal Manager and the Municipal Manager must appoint an Appeals Committee to deal with such appeals. The findings of the Appeals Committee should be forwarded to the Municipal Manager with

recommendations. The Municipal Manager must make a final decision on the matter and his/her decision will be regarded as final and binding.

## **10.SCHEDULE FOR PERFORMANCE REVIEWS**

### 10.1 Schedule for performance review

Performance reviews must be conducted as follows:

<b>Review Term</b>	<b>Term Description</b>	<b>Type of Review</b>
First Quarter	July to September	Informal reviews if performance is satisfactory (If achieved targets for the quarter are 50% and above) If not satisfactory, formal reviews will be conducted
Second Quarter	October to December	Formal
Third Quarter	January to March	Informal reviews if performance is satisfactory (If achieved targets for the quarter are 75% and above) If not satisfactory, formal reviews will be conducted
Fourth Quarter	April to June	Formal

### 10.2. Panel for evaluation of performance

During the formal performance reviews, the immediate Manager together with the established panels should review the employee performance. In case of the informal assessment the Manager will review the employee performance. Each employee's deliverables are defined in a performance plan where evidence required for each key performance indicator (KPI) is documented. The employer should keep records of all review assessment.

Evaluation panels must be constituted as follows:

#### Municipal Manager

- Executive Mayor
- Chairperson of Audit Committee



- Member of Mayoral Committee
- Executive Mayor or Municipal Manager from another Municipality
- Member of Ward Committee as nominated by the Executive Mayor
- Performance Management Officer (Secretariat)

#### Managers Directly Accountable to the Municipal Manager

- Municipal Manager
- Chairperson of Audit Committee
- Member of Mayoral Committee
- Municipal Manager from another Municipality
- Performance Management Officer (Secretariat)

#### Deputy Managers Reporting Directly to Section 56 Managers

- Manager responsible for the department as appointed by the Municipal Manager
- Manager from another department as appointed by the Municipal Manager
- Deputy Manager
- Performance Management Officer (Secretariat)

#### Level 3 Officials Directly Accountable to Deputy Managers

- Manager responsible for the department
- Manager from another department as appointed by the Municipal Manager
- Deputy Manager responsible for the section
- Performance Management Officer (Secretariat)

All employees lower than level 3 will be assessed by committees appointed by the Municipal Manager.

### 10.3. Performance Evaluation System

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

- (a) The performance assessed against KPAs which counts for 80% of the total assessment.
- (b) The performance assessed against CCRs which counts for 20% of the assessment.

The criterion upon which performance for other employees is assessed consists only of the performance plan which is agreed upon by both the managers and the employees.

Employees are assessed on the extent to which objectives under each KPA have been achieved. A score of 1 to 5 is allocated to each KPA (depending on the extent to which the objectives have been achieved). The detailed description of the rating levels is contained in section 27(4) of the regulations.

### 10.4. Performance Reviews

Performance reviews are conducted on a quarterly basis. These reviews culminate into an annual performance appraisal.

### 10.6. Management of Evaluation Outcomes

The evaluation of an employee's performance forms the basis for:

- (a) Rewarding outstanding performance; and
- (b) Correcting unsatisfactory performance.

In the case of unsatisfactory performance, the municipality provides systematic remedial or developmental support to assist the employee to improve his/her performance.

### 10.7. Personal Development Plan

The Local Government: Municipal Performance Regulations for Municipal 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.

11. EFFECTIVE DATE OF THE POLICY

The policy will be effective from the day of approval of the policy by Council.

12. POLICY REVIEW

The policy will be reviewed or amended annually and when necessary and any amendments should be approved by Council.

13. AUTHORITY

Council Approval

Date:.....

Municipal Manager

Date:.....

