



2012

**PERFORMANCE MANAGEMENT (PMS)
POLICY FRAMEWORK**

OKHAHLAMBA LOCAL MUNICIPALITY

This document outlines the details of the performance management policy framework for the Okhahlamba/ Okhahlamba. Processes to be followed in developing and implementing performance management together with the detailed key performance indicators, the corresponding targets and timelines, monitoring, measurement, review, reporting and improvement frameworks are covered.

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PERFORMANCE MANAGEMENT FRAMEWORK

BACKGROUND

Integrated development planning, budgeting and performance management are powerful tools that can assist municipalities to develop an integrated perspective on development in their area. The performance management system monitors service delivery progress and provides focus towards priorities within an increasingly complex and diverse set of demands. It also links direct resources allocations and institutional systems to a new set of development objectives.

Chapters 6 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000), requires local government to:

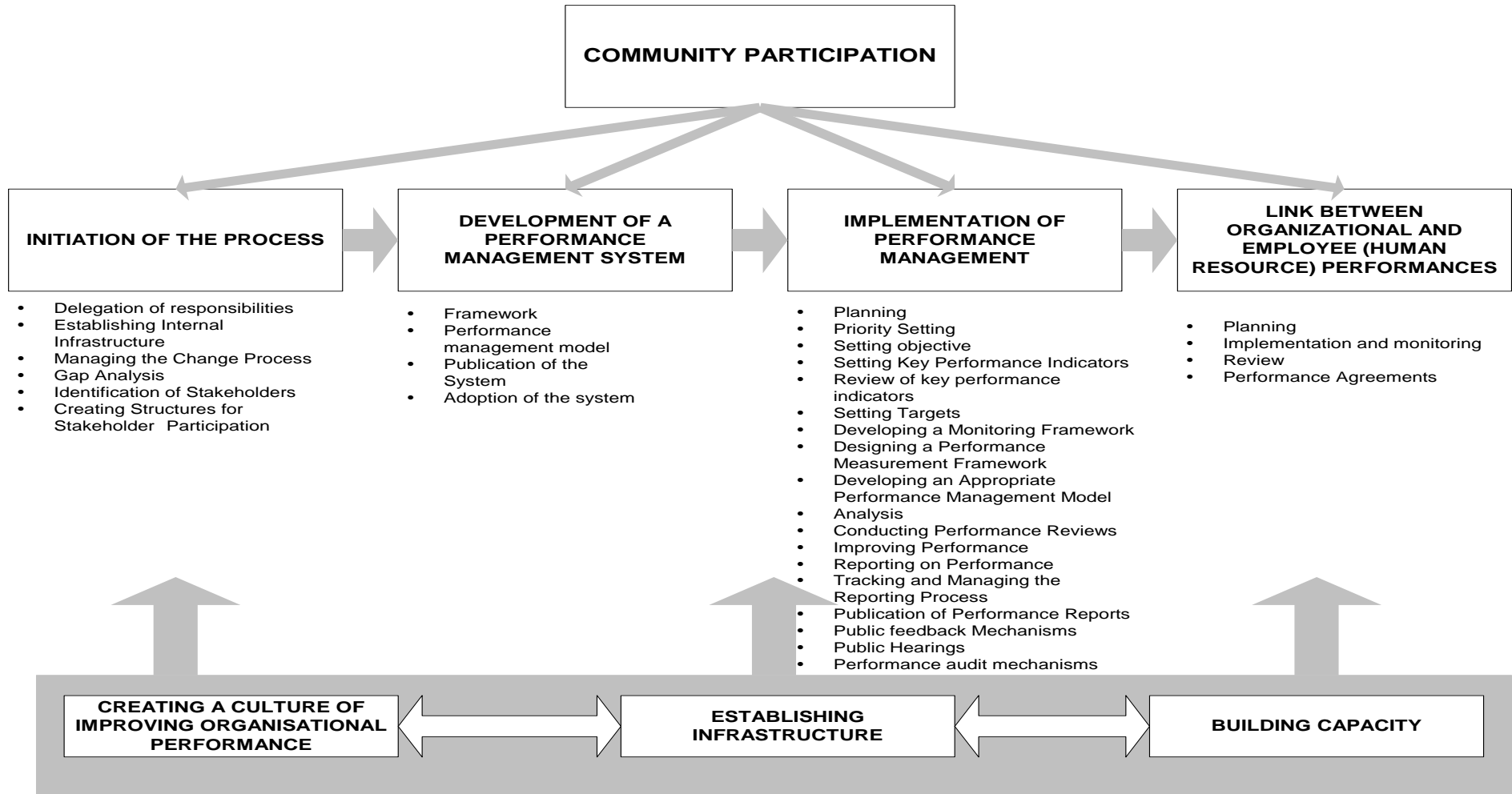
- Develop a performance management system.
- Set targets, monitor and review performance based on indicators linked to the Integrated Development Plan (IDP).
- Publish an annual report on performance management for the councillors, staff, the public and other spheres of government.
- Incorporate and report on a set of general indicators prescribed nationally by the Minister responsible for local government.
- Conduct an internal audit on performance before tabling the report.
- Have the annual performance report audited by the Auditor-General.
- Involve the community in setting indicators and targets and reviewing municipal performance through the IDP processes.

The purpose of this document is to, according to the requirements of the Municipal Systems Act, develop a performance management framework for the Okhahlamba Local Municipality. This framework caters for the development, implementation and roll out of performance management within the Municipality.

In developing the framework the following primary sources were consulted:

- The Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) - (*referred to as the Municipal Systems Act in short*);
- Local Government: Municipal Systems Act (32/2000): Municipal Planning and Performance Management Regulations, 2001, Chapter 3, by the Department of Provincial and Local Government (*referred to as Performance Management Regulations in short*);
- Local Government: Municipal Systems Amendment Act, 2002 (Act No. 44 of 2003) – (*referred to as the Municipal Systems Amendment act in short*)
- Performance Management Guidelines for Municipalities, 2001, by the Department of Provincial and Local Government (*referred to as Performance Management Guidelines in short*);
- Guide on Performance Agreements Workshop, 2001, by the South African Local Government Associations (*referred to as SALGA Guidelines in short*)
- DPLG. 2001. PMS Training Manuals (*referred to as PMS Training Manuals in short*);
- Local Government: Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to the Municipal Manager, 2006, Government Gazette No: 29089, 01 August 2006

SCHEMATIC PROCESS DESCRIPTION



INITIATION OF THE PROCESS¹

1. During this stage roles and responsibilities are delegated, the necessary infrastructure is developed to support the performance management process and a framework is set up to manage the change process.
2. Delegation of responsibilities²

The Municipal Systems Act places the responsibility on the Council to adopt a performance management system, while holding the Executive Committee responsible for the development and management of the system. The Executive Committee has assigned responsibilities to the Municipal Manager in this regard, but remains accountable for the development and management of the performance management system.

The roles and responsibilities of the role-players on the various levels are depicted in the following table:

ROLES AND RESPONSIBILITIES OF THE ROLE PLAYERS

PROCESS	WHO/STRUCTURE	RESPONSIBLE PERSONS TO ASSIST WITH FUNCTION	TARGET DATE
PERFORMANCE PLANNING	Citizens communities and Councillors Executive Committee Executive Management Employees Organised Labour IDP processes	Ward Committee Councillors Municipal Manager	Concurrent with development of priorities and objectives of IDP
MEASURING (Setting of KPI's and targets)	Citizens communities and Councillors Executive Committee Executive Management Employees Organised Labour	Ward Committee Councillors Municipal Manager PMS Manager PMS Project Leader PMS Core Project Team	Concurrent with development of priorities and objectives of IDP

¹ Performance Management Guidelines (paragraph 3)

² Performance Management Guidelines (Paragraph 3.1)

PROCESS	WHO/STRUCTURE	RESPONSIBLE PERSONS TO ASSIST WITH FUNCTION	TARGET DATE
MONITORING	Citizens communities and Councillors Executive Committee Executive Management Employees Organised Labour	Ward Committee Councillors Municipal Manager PMS Coordinator PMS Project Leader PMS Core Project Team	Continuously
REVIEWING	Council Municipal Manager PMS Core Project Team PMS Project Team Performance Committee Audit	PMS Core Project Team Department of Development Planning and Local Government Auditor General	Quarterly ▪ July – Sept. ▪ Oct. – Dec. ▪ Jan. – March ▪ April - June
REPORTING	Council Municipal Manager Performance Committee Internal Auditors PMS Core Project Team Finance Audit	PMS Core Project Team Department of Development Planning and Local Government Auditor General	Quarterly and annually ▪ July – Sept. ▪ Oct. – Dec. ▪ Jan. – March ▪ April – June (final)

3. Establishing Internal/External Infrastructure³

The Manager Performance Management System is responsible for Individual and organisational performance management delegated by the municipal manager. The Manager Performance Management System will report to the Municipal Manager, who will in turn account to the Executive Committee, and finally Council.

Within the Okhahlamba/Okhahlamba the Organisational PMS is structured as follows:

³ Performance management Guidelines (Paragraph 3.2)

The Performance Management System Stakeholders.

Stakeholders	Planning	Implementation	Monitoring	Review
<u>Community and stakeholders</u>	Communities have a role to play during the planning of the Integrated Development Plan		Monitoring and measurement of the municipality's performance in relation to the key performance indicators and performance targets set by the municipality.	Review of the municipality's performance in relation to the key performance indicators and performance targets set by the municipality.
<u>The Mayor</u>	The responsibility for the development, of the performance management system	He will sign the performance agreement with the Municipal Manager	The responsibility for the monitoring of implementation of the performance management system	The responsibility for the measurement and review of the performance and performance management system
<u>Executive committee</u>	The responsibility for the development, of the performance management system		The responsibility for the monitoring of implementation of the performance management system	The responsibility for the measurement and review of the performance and performance management system
<u>Municipal Council</u>	The responsibility and accountability for the development, of the performance management system		The responsibility and accountability for the monitoring of implementation of the performance management system	The responsibility and accountability for the measurement and review of the performance and performance management system
<u>Municipal Manager</u>	The responsibility for the development, of the performance management system	Implementation and creation of support structures to integrate the system into the normal operations of the municipality	The responsibility for the monitoring of implementation of the performance management system	The responsibility for the measurement and review of the performance and performance management

Stakeholders	Planning	Implementation	Monitoring	Review
				system
<u>Municipal Officials</u>	Municipal employees provide technical expertise throughout the performance cycle from their different jobs, functions and contexts in the development of the system	Municipal employees provide technical expertise throughout the performance cycle from their different jobs, functions and contexts in the implementation of the system	Municipal employees provide technical expertise throughout the performance cycle from their different jobs, functions and contexts in the monitoring of the system	Municipal employees provide technical expertise throughout the performance cycle from their different jobs, functions and contexts in the review system
<u>Organised Labour</u>	Trade Unions represent members' interests, specifically in relation to the human resource planning aspect of the performance management system	Negotiation and communication of the implementation	The monitoring of implementation of the performance management system from a labour perspective	Participate in the public review of the performance management system
<u>Service Providers</u>	Service Providers have a role to play during the planning of the Integrated Development Plan		Monitor projects that are integrated into the IDP and which are subject to the municipalities' PMS	Review projects that are integrated into the IDP and which are subject to the municipalities' PMS
<u>uThukelal District Municipality</u>	The CDM plays a vital role as a partner throughout the performance management cycle of the IDP			
<u>Organised Local Government</u>	Ensures the system complies with legislation and assists with training		Monitors and promotes co-operate governance	Review and promotes co-operate governance
<u>MEC for Local Government</u>	Provides financial management		Monitors and improves the system,	Reviews and improves the system,

Stakeholders	Planning	Implementation	Monitoring	Review
	support for the system		promotes co-operative governance	promotes co-operative governance
<u>Minister for Provincial and Local Government</u>	Regulates PMS for municipalities and provides funding support			Receives MEC's reports, reports to the NCOP and review and adjust the general KPI's and make regulations concerning the design and operation of the PMS.
<u>Auditor-General</u>			Monitors, investigates and queries fiscal matters and investigates and reports to Council, MEC and Minister	Reviews the system, KPI's and performance targets annually

4. Managing the Change Process⁴

When introducing a performance management system, it is crucial that the officials be made aware of and understands the need for performance management. They must also understand what principles will govern its development and use at their municipality.

The role of leadership towards the reaching of the following goals is invaluable:

- Make change happen by mobilizing the organisation.
- Clarify and manage roles, responsibilities and expectations between the public and the municipality, between politicians and officials and among officials.
- Communicate these roles, responsibilities and expectations within the organisation and to the public.
- Deepen democracy by encouraging public participation through the communication of performance information and the creation of appropriate mechanisms to hold the council accountable in the periods between elections.
- Create a mechanism for efficient decision-making on the allocation of resources

⁴ Performance Management Guidelines (Paragraph 3.3)

- Introduce a diagnostic tool that indicates that the municipality is doing things right and also doing the right things.
- Redefine if necessary the incentive structure by rewarding successes and alternatively identifying opportunities for growth, learning and development.
- Ensure that the process of developing the system will be inclusive, participatory, transparent, simple and realistic, fair and objective, developmental and non-punitive.

5. DEVELOPMENT OF A PERFORMANCE MANAGEMENT SYSTEM⁵

This stage involves the development of a framework within which performance management processes will occur. At this point, the PMS manager plans how the process for developing the system is to be managed within the framework of the legislation. This includes the identification of stakeholders and establishment of structures to facilitate the development of the system.

6. Continuously Identify Current Realities⁶

The PMS Manager:

- Assesses how planning, implementation and monitoring takes place within the Municipality.
- Identifies the gaps between the IDP and performance management requirements.

7. Identification of Stakeholders⁷

The clear identification of stakeholders is crucial, including groups within citizens and communities, councillors, officials and partners. The different roles of each of these categories of stakeholders are depicted in the following table:

Stakeholders	IDP Planning	Development of IDP Priorities	Development of IDP objectives	Development of KPI's	Development of Performance Targets	Development and signing of performance	Monitor Performance	Review Performance
Community and stakeholders	X	X	X	X	X		X	X
The Mayor	X	X	X	X	X	X	X	X
Executive committee	X	X	X	X	X	X	X	X
Municipal Council	X	X	X	X	X	X	X	X
Municipal Manager	X	X	X	X	X	X	X	X
Municipal	X	X	X	X	X		X	X

⁵ Performance Management Guidelines (Paragraph 4)

⁶ Performance Management Guidelines (Paragraph 5.2)

⁷ Performance Management Guidelines (Paragraph 5.3)

Officials								
Organised Labour	X	X	X	X	X		X	X
Service Providers	X	X	X	X	X		X	X
uThukela District Municipality	X	X	X	X	X		X	X
Organised Local Government	X	X	X	X	X		X	X
MEC for Local Government							X	X
Minister for Provincial and Local Government							X	X
Auditor-General							X	X

Planning	Implementing	Monitoring	Reviewing & reporting
MUNICIPALITY			
Municipal Manager/Line Management			
Assist the executive committee in providing strategic direction and developing strategies and policies for the organisation	Manage the implementation of the IDP & PMS – make it a reality	Regularly monitor the implementation of the IDP & PMS, identifying risks early	Conduct regular reviews of performance e.g. monthly
Manage the development of the IDP		Ensure that regular monitoring measurement, analysis and reporting) is happening in the organisation	Organise the performance reviews at the political level
Ensure that the plan is integrated		Intervene in performance problems on a daily operational basis	Ensure the availability of information
Identify indicators and set targets		Measure performance according to agreed indicators, analyse and report regularly, e.g. monthly	Propose response strategies to the executive committee or council
			Conduct reviews of team performance against plan before executive reviews

Communicate the plan to other stakeholders			
Employees			
Contribute ideas to the integrated development plan Adopt IDP by aligning personal goals and plan with the organisational plan	Implement the IDP & PMS and fulfil the personal plan	Monitor performance continuously Monitor and audit the performance of the organisation and respective team	Participate in review of own performance Participate in the review of organisational performance where necessary
Organised Labour			
Play a contributory role in giving strategic direction and developing long-term vision for the organisation and municipal area Contribute to the development of an IDP Ensure support of members of the IDP & PMS		Monitor and audit the performance of the organisation, especially from a labour perspective	Participate in the public review of municipal performance
Planning	Implementing	Monitoring	Reviewing & reporting
AUDITING			

Internal & external auditors			
		Must on a continuous basis audit the performance measurement of the municipality	Must submit quarterly reports on their audits to the municipal manager and the performance audit committee
Performance Audit Committee			
		<p>Must meet at least twice during the financial year</p> <p>May communicate directly to the Council, MM or the internal or external auditors</p> <p>Access any municipal records containing information that is needed to perform its duties or exercise its powers</p> <p>Request any relevant person to attend its meetings and, if necessary, to provide information to the Committee</p> <p>Investigate any matter it deems necessary for the performance of its duties</p>	<p>Must review the quarterly reports submitted to it</p> <p>Review the municipality's PMS and make recommendations in this regard to the Council</p> <p>At least twice during the financial year submit an audit report to the Council</p>
Auditor General			
			In terms of section 45(b) of the Act the AG must annually audit <u>the results of performance measurements</u> in terms of section 41(1)(c) of the Act
CITIZENS & COMMUNITIES:			
Civics/Community Based Organisations/Ward Committees/NGOs/Businesses & Organised Business			
Be consulted on needs		Be able to monitor and "audit" performance against	Be given the opportunity to review municipal

Develop the long term vision for the area		commitments	performance and suggest new indicators and targets
Influence the identification of priorities			
Influence the choice of indicators and setting of targets			

Planning	Implementing	Monitoring	Reviewing & reporting
PARTNERS: Public Partners/Private Partners/Service Providers			
The KPIs must inform the indicators set for every municipal entity and service provider with whom the municipality has entered into a service delivery agreement			Review the KPIs set which for every municipal entity and service provider with whom the municipality has entered into a service delivery agreement

8. Creating Structures for Stakeholder Participation⁸

To ensure the meaningful participation of all stakeholders the following performance management structures will be utilised:

8.1 For community participation the Performance Management structures will be linked to the following IDP structures:

- Ward committees.
- IDP Steering Committee.
- Local Newspapers/ Municipality notice boards.

8.2 For internal participation by Top Management monthly/quarterly interaction meetings will be held as per the municipal manager.

9. Developing a Performance Management System⁹

9.1 The Municipal System Act requires municipalities to develop a performance management system suitable for their own circumstances but which have to address the following:

- a) A framework that describes " how" the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and

⁸ Performance Management Guidelines (Paragraph 5.4)

⁹ Performance Management Guidelines Paragraph 5.4)

improvement will be conducted, organized and managed, including determining the roles of the different players.

- b) A performance management model which describes “what” aspects or dimensions of performance will be measured. Different models give different pictures of performance by emphasizing different things to measure. The model that a municipality chooses (or develops by itself) will influence which indicators it decides to use, and how it will group these indicators together into areas of performance (efficiency, customer management, etc). If a framework is about process (how), a **model** is about **content** – ‘**what**’ aspects of performance get to be measured and managed.

In developing its performance management system, a municipality must ensure that the system:

- Complies with all the requirements set out in the Act.
- Demonstrates how it is to operate and be managed from the planning stage up to the stages of performance review and reporting.
- Clarifies the roles and responsibilities of each role player, including the local community, in the functioning of the system.
- Clarifies the processes of implementing the system within the framework of the integrated development planning process.
- Determines the frequency of reporting and the lines of accountability for performance.
- Relates to the municipality’s employee performance management processes.
- Provides for the procedure by which the system is linked to the municipality’s integrated development planning processes.
- Implement a strategic focus model inline with the municipality IDP processes.
- Adoption of performance management system.

9.2 Adoption of the system¹⁰

Following incorporation of the public comments into the draft system the PMS Manager prepares the final draft for submission to Council. Council adopts the system when it is satisfied that the process was handled in accordance with the legislation and the proposed system complies with the requirements of the law, especially the regulations governing the nature of the system.

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 the its integrated development plan.**

10. IMPLEMENTATION OF PERFORMANCE MANAGEMENT¹¹

- 10.1. The current Municipal Manager has mandated the PMS manager to facilitate the implementation thereof. The PMS manager has developed an implementation “Roll-out” strategy. This strategy is linked to the IDP implementation framework and entails planning, implementation, monitoring and reviewing.

10.2 Planning for Performance Management:

¹⁰ Performance Management Guidelines (Paragraph 5.7) and Performance Management Regulations (Chapter 3, Regulation 8)

¹¹ Performance management Guidelines (Paragraph 5)

10.2.1 Planning¹²

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

10.2.2 Priority Setting¹³

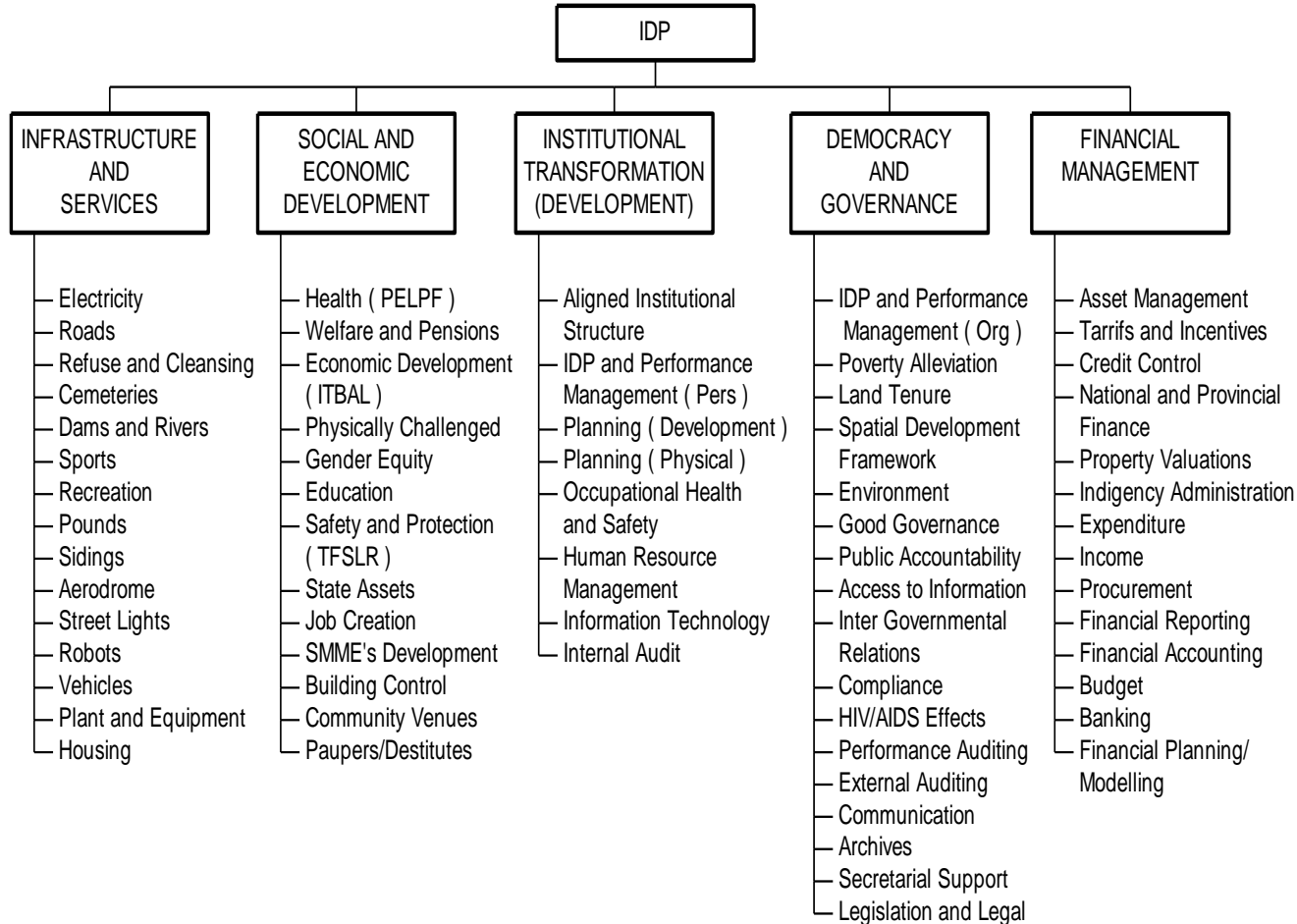
The IDP delivers products such as, amongst others a set of delivery priorities and objectives, a set of internal transformation strategies, priorities and objectives, identified projects that contribute to the achievement of the above objectives and a financial plan.

These priorities are essentially the issues that a municipality pronounces to focus on in its responsibility to address the needs of the community. Priorities may be clustered into the following key performance areas (Municipal Priority Issues), which represent the broad development mandate of local government:

- a) Infrastructure and services
- b) Social and economic development
- c) Institutional transformation
- d) Democracy and governance
- e) Financial Management

¹² Performance Management Guidelines (Paragraph 5.1.1)

¹³ Performance Management Guidelines (Paragraph 5.1.2)



10.2.3 Setting objectives¹⁴

All components of the IDP need to be translated into a set of clear and tangible objectives. The statement of objectives requires a tangible, measurable and unambiguous commitment to be made. In setting objectives, a municipality needs to:

- Carefully consider the results desired
- Review the precise wording and intention of the objective
- Avoid overly broad results statements
- Be clear about the scope and nature of change desired
- Ensure that objectives are outcome and impact focused

11. Key Performance Indicators¹⁵

11.1 Indicators are statements of measurement and are used to indicate whether progress is being made in achieving the goals. Indicators are important as they:

- Provide a common framework for gathering data for measurements and reporting.
- Translate complex concepts into simple operational measurable variables.
- Enables the review of goals and objectives.
- Assist in policy review processes.
- Help provide feedback to the municipality and staff.

11.2 Types of Indicators:

- **Baseline indicators:**

¹⁴ Performance Management Guidelines (Paragraph 5.1.3)

¹⁵ Performance Management Guidelines (Paragraph 5.2)

These are indicators that measure conditions before a project or programme is implemented.

- **Input Indicators:**

These are indicators that measure what it cost the municipality to purchase the essentials for producing desired outputs (economy), and whether the organization achieves more with less, in resources terms (efficiency) without compromising quality. The economy indicators may be the amount of time, money or number of people it took the municipality to deliver a service.

- **Output Indicators:**

These are the indicators that measure whether a set of activities or processes yields the desired products – effectiveness indicators. They are usually expressed in quantitative terms. These indicators relate to programme activities or processes.

11.3.1 Indicators should be measurable, simple, precise, relevant, adequate and objective. The choice of an indicator must be guided by the availability of data for its measurement and the capacity to collect it.

11.3.2 The priorities and objectives contained in the DIP will guide the identification of indicators. The development of objectives should be clustered into key performance areas such as service delivery development, institutional transformation, governance and financial issues among others. The activities and processes identified in the DIP for achieving the developmental objectives as well as the resources earmarked must also be taken into account.

11.3.3 Setting of key performance indicators¹⁶

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

In setting key performance indicators, a municipality must ensure that communities are involved. A municipality must also ensure that key performance indicators inform the indicators set for all its administrative units and employees as well as every municipal entity and **service provider** with whom the municipality has entered into a service delivery agreement.

The following National/ general key performance indicators are prescribed in terms of section 43 of the Act¹⁷:

- The percentage of households with access to basic level of water, sanitation, electricity and solid waste removal.
- The percentage of households earning less than R1100 per month with access to free basic services.
- The percentage of a municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plan.

¹⁶ Performance Management Regulations (Chapter 3) Regulation 9

¹⁷ Regulation 10: General key performance indicators

- The number of jobs created through municipality's local economic development initiatives including capital projects.
- The number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan.
- The percentage of a municipality's budget actually spent on implementing its workplace skills plan.
- Financial viability as expressed by the following ratios:

$$A = \frac{B - C}{D}$$

Where:

"A" represents debt coverage

"B" represents total operating revenue received

"C" represents operating grants

"D" represents debt service payments (i.e. interest redemption) due within the financial year;

$$A = \frac{B}{C}$$

Where:

"A" represents outstanding services debtors to revenue

"B" represents total outstanding service debtors

"C" represents annual revenue actually received for services

$$A = \frac{B + C}{D}$$

Where:

"A" represents cost coverage

"B" represents all available cash at a particular time

"C" represents investments

"D" represents monthly fixed operating expenditure

11.3.4 **The Okhahlamba/Okhahlamba Performance Manager**, has developed an integrated performance indicators driven by input indicators and output indicators in respect of each of the development priorities and objectives referred to in Section 26(c) of the Municipal System Act, (Act no. 32 of 2000). These key performance indicators are measurable, relevant, objective and precise.

The general key performance indicators prescribed in terms of section 43 of the Municipal Systems Act are being incorporated.

11.3.4 Review of key performance indicators¹⁸

The Okhahlamba Local Municipality **must** review its key performance indicators annually as part of the performance review process referred to in regulation 13. Whenever a municipality amends its integrated development plan in terms of section

¹⁸ Performance Management Regulations (Chapter 3, Regulation 11)

34 of the Act, the municipality **must**, as part of the process referred to in regulation 3, review those key performance indicators that will be affected by such an amendment.

12. Setting Targets

Performance targets are the planned level of performance or the milestones an organisation sets for itself for each identified indicator. **Baseline measurements, which is the measurement of the chosen indicator at the start of the period, must be set. It is important to know how the organisation is performing at the current moment in order to determine, after a period of time, if any positive progress was made.** This step also tests whether the chosen indicator is in fact measurable and whether there are any problems. The targets need to be realistic, measurable and be commensurate with available resources and capacity.

Section 46(1)(b) of the Municipal Systems Act requires that "A municipality must prepare for each financial year a performance report reflecting a comparison of the performances referred to in section (a) with targets set for and performances in the previous financial year."

The setting of targets entails a two-way communication:

- Politicians need to give clear direction as to the importance of the target and how it will address the public need. Targets should be informed by the development needs of communities and the development priorities of the municipality.
- Line managers need to advise as to what a realistic and achievable commitment for a target is, given the available resources and capacity. Managers will need to advise on seasonal changes and other externalities that should be considered in the process of target setting. There must be clear timelines related to the set targets.

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)¹⁹ 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. It is important that the set target is commensurate with available resources and the municipality's capacity. Finally targets need to be consistent with the municipality's development priorities and objectives set out in its integrated development plan.

13. Developing a Monitoring Framework²⁰

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

- Identify the roles of the different role players in monitoring and measuring the municipality's performance.
- The Performance manager will gather performance data and submit quarterly summary reports.
- Determine the data that must be collected in order to assess performance, how that data is to be collected, stored, verified and analyzed and how reports on that data are to be compiled.

¹⁹ Performance Management Regulations (Chapter 3, Regulation 12)

²⁰ Performance Management Guidelines (Paragraph 5.4)

- Provide for reporting to the municipal council at least twice a year.
- Be designed in a manner that enables the municipality to detect early indications of under-performance (organisational and employee performance management).
- Provide for corrective measures where under-performance has been identified (organisational and employee performance management).
- Compare current performance with performance during the previous financial year and baseline indicators.

A municipality **must**, after consultation with the local community, develop and implement mechanisms, systems and processes for the monitoring, measurement and review of performance in respect of the performance indicators and performance targets set by it²¹.

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

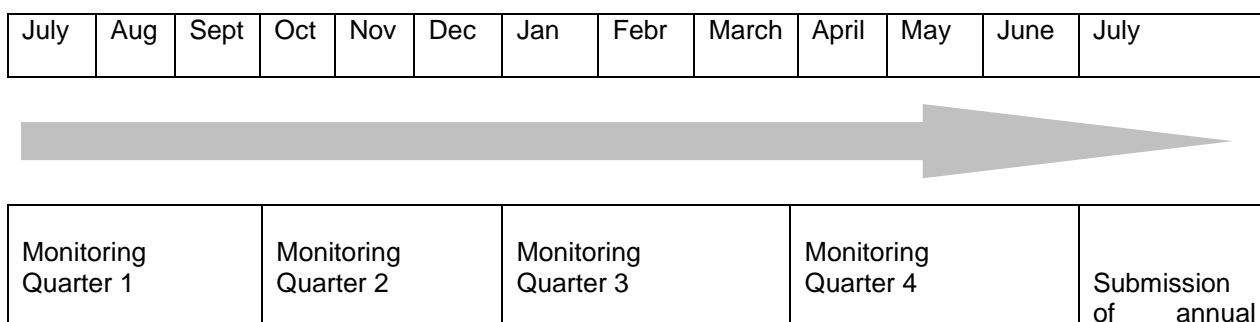
14. Designing a Performance Measurement Framework²²

A municipality is expected to develop a framework for undertaking performance measurements. It is essentially the process of analyzing the data provided by the monitoring system in order to assess performance.

A municipality has the choice of using any of the existing models or developing its own performance measurement model. Good measurement is time-specific, source-specific, valid, reliable, clear and accurate.

It is highly recommended that line managers should be responsible for most measurements and that only measurements that are of a central nature need be undertaken centrally. Line managers should therefore see measurement and reporting as central to their management duties.

**Table 1
Designing & building a measurement framework**



²¹ Performance Management Regulations (Chapter 3, Regulation 13)

²² Performance Measurement Guidelines (Paragraph 5.4.1)

Internal Audit Performance Report to Municipal Manager Section 57 employees	Internal Audit Performance Report to Council	Internal Audit Performance Report to Municipal Manager	Internal Audit Performance Report to Council	report to the MEC for Local Government
Performance Audit Committee Report		Performance Audit Committee Report		

Table 2

Components of a performance measurement framework: (To be utilised by the organisational PMS Manager as a monitoring tool)

Indicators	Baseline measurement / previous	Targets for this financial year	Performance measurements							
			1 st quarter		2 nd quarter		3 rd quarter		End-of-the-year	
			Estimated	Actual	Estimated	Actual	Estimated	Actual	Estimated	Actual
(i)	(ii)	(iii)	(iv)	(v)						
Indicator 1										
Indicator 2										

Explanation of table:

- (i) The “bank” of indicators that the municipality has decided to use to reflect its performance.
- (ii) The first measurements that the municipality will take using each of the indicators.
- (iii) The set of targets for the indicators.
- (iv) The estimated reaching of targets for the first quarter (of four quarters)
- (v) The in-year performance for the first quarter (of four quarters) of the year

A municipality must, after consultation with the local community, develop and implement mechanisms, systems and processes for the monitoring, measurement and review of performance in respect of the key performance indicators and performance targets set by it²³.

Performance measurement in terms of sub-regulation (1) must include the measurement of:

- Costs, resources and time used to produce outputs in accordance with the input indicators referred to in regulation 9.
- The extent to which the municipality’s activities or processes produced outputs in accordance with the output indicators referred to in regulation 9.
- The total improvement brought by outputs in accordance with the outcome indicators referred to in regulation 9.

14. Developing an Appropriate Performance Management Model

15. The Okhahlamba/Okhahlamba Performance Management System Manager must cover the following in the roll-out plan:

²³ Performance Management Regulations (Chapter 3, Regulation 13)

- *Process and cycle* – A framework of **HOW** and **WHEN** each stage of the performance cycle will take place from planning through monitoring & measuring to evaluating and re-planning for improvement.
- *Content* – **WHAT** aspects of performance must be planned, monitored, measured & evaluated in order to form a reliable & adequate picture of how well the organisation is performing.
- A *framework* tells **HOW** performance will be managed.
- A *model* reflects decisions about content - **WHAT ASPECTS OF PERFORMANCE** should be managed.
- A *system* must outline choices on both the **PROCESS & CONTENT**

16 Developing a model: requirements

- The PMS must be fully integrated with the IDP – the IDP provides the basic framework of performance expectations.
- Key performance indicators (KPI) and targets must be set for each priority area & objective in the IDP & for national (N)KPIs.
- Performance indicators and targets should cover inputs, outputs and outcomes.
- The involvement of communities and other key stakeholders in planning, monitoring, measuring and evaluating performance is not optional.
- There are clear requirements on accountability.
- There are clear requirements regarding what the system within which the model will function must cover including its relationship to the municipality's employee performance management processes.
- Must enable alignment of priorities & coherent reporting formats – within the municipality & between spheres of government.

16.1 What is the value of a model?

- Simplifies otherwise long lists of indicators by organising them into a set of categories chosen to sufficiently represent effective performance.
- Different models differ enormously on what they see as the key aspects of performance and can help us make our own decisions that are right for our context.
- Models can help us see the relationship between areas of performance when planning & evaluating.
- Models help align strategic planning and PM by directly linking key performance areas to priority areas of the strategic plan.
- Building our own model allows us to agree on what areas of performance should be integrated, managed and measured and what values should inform our indicators and standards of achievement.

16.2 The Municipal Score Card Model

The Balanced Score Card Model shall be chosen where appropriate as the model to be used in the Okhahlamba Local Municipality.

The Initial Balanced Score Card (BSC) model:

- Draw on both the Excellence and Best Value type models but translate the two dimensions into a set of linked perspectives that should be taken into account in managing performance.
- Do not use the linear system view that assumes fixed causes and effects and fixed beginning and end points.
- Assume that the whole picture is necessary all the time to get a strategic sense of how you are doing – from each perspective simultaneously – and enable strategic management.
- Are based on a cyclical and iterative view that does not assume fixed beginnings and ends.
- The BSC models stress the importance of being able to assess the organisation from all perspectives at the same time.
- Initially put the financial perspective in the “top” position and vision and strategy at the centre.

Adaption of the Balanced Score Card Model

- In the Okhahlamba/Ladysmith municipality environment where service delivery to our external client, our communities, is the ultimate goal, the term “customer perspective” is substituted in favour of the term “service delivery perspective”, which is put in the “top” position.
- The adapted model assesses performance from the following four perspectives:

A Service Delivery Perspective: “how does the community see us?”

A Financial perspective: “how do we look to shareholders?”

An Internal Process Perspective: “what must we excel at?”

An Innovation and Learning Perspective: “how can we continue to improve?”

Strengths of the balanced score card model

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

Weaknesses of the balanced score card model

- Initial version was criticized for lack of relevance to public sector context:
 - i. Customer, not citizen and service user perspective (maintained in public sector version).
 - ii. The prioritisation of the financial perspective is relevant to private sector but not public.
 - iii. Failure to recognise the policy and service orientation of public sector organisations.

- Relevance of priority areas to developmental local government have been questioned – the categorization and prioritization of perspectives are not necessarily the ones prioritized in policy and the IDP.
- Is based on a different planning methodology than the IDP.

16.3 The Performance Management Model of the Okhahlamba Municipality

- (i) The Okhahlamba Municipality had to adapt its Performance Management Model according to the Five National Key Performance Indicators in terms of the 2006, regulation.

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

17. Conducting Performance Reviews²⁴

- (1) The performance plan sets out -
the standards and procedures for evaluating the employee's performance; and
the intervals for the evaluation of the employee's performance.

Despite the establishment of agreed intervals for evaluation, the employer may in addition review the employee's performance at any stage while the employment contract remains in force.

Personal growth and development needs identified during any performance review discussion must be documented in a personal development plan as well as the actions agreed to and implementation must take place within set time frames.

The annual performance appraisal must involve:

- (a) Assessment of the achievement of results as outlined in the performance plan:
- (i) Each KPA should be assessed according to the extent to which the specified standards or performance indicators have been met and with due regard to ad hoc tasks that had to be performed under the KPA.
- (ii) An indicative rating on the five-point scale should be provided for each KPA.

²⁴ Performance Management Regulations of 2006 paragraph 27

(iii) The applicable assessment rating calculator must then be used to add the scores and calculate a final KPA score.

(b) Assessment of the CCRs

(i) Each CCR should be assessed according to the extent to which the specified standards have been met.

(ii) An indicative rating on the five-point scale should be provided for each CCR.

(iii) This rating should be multiplied by the weighting given to each CCR during the contracting process, to provide a score.

(iv) The applicable assessment-rating calculator must then be used to add the scores and calculate a final CCR score.

(c) Overall rating

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

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

Level	Terminology	Description	Rating				
			1	2	3	4	5
5	Outstanding performance	Performance far exceeds the standard expected of an employee at this level. The appraisal indicates that the Employee has achieved above fully effective results against all performance criteria and indicators as specified in the PA and Performance plan and maintained this in all areas of responsibility throughout the year.					
4	Performance significantly above expectations	Performance is significantly higher than the standard expected in the job. The appraisal indicates that the Employee has achieved above fully effective results against more than half of the performance criteria and indicators and fully achieved all others throughout the year.					
3	Fully effective	Performance fully meets the standards expected in all areas of the job. The appraisal indicates that the Employee has fully achieved effective results against all significant performance criteria and indicators as specified in the PA and Performance Plan.					
2	Performance not fully effective	Performance is below the standard required for the job in key areas. Performance meets some of the standards expected for the job. The review/assessment indicates that the employee has achieved below fully effective results against more than half the key performance criteria and indicators as specified in the PA and Performance Plan.					
	Unacceptable	Performance does not meet the standard					

1	performance	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.	
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Who Conducts Reviews²⁵?

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

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

For purposes of evaluating the annual performance of managers directly accountable to the municipal managers, an evaluation panel constituted of the following persons must be established -

- (i) Municipal Manager;
- (ii) Chairperson of the performance audit committee or the audit committee in the absence of a performance audit committee;
- (iii) Member of the mayoral or executive committee or in respect of a plenary type municipality, another member of council; and Municipal manager from another municipality.

The manager responsible for human resources of the municipality must provide secretariat services to the evaluation panels referred to in sub-regulations-

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

UNIT/PERSON	RESPONSIBILITY
Supervisors	Review performance of individual or groups of employees reporting directly to them, depending on the type of employee performance management system that is adopted
Line/ Functional Managers	Review performance of their respective areas regularly (monthly). The reviews should at least cover all the organizational priorities respective to these functions.
Executive Management	Review performance of the organization monthly, prior

²⁵ Performance Measurement Regulation of 200 paragraph 27

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

18. Improving Performance²⁶

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

REASONS FOR POOR PERFORMANCE	APPROPRIATE REMEDIAL ACTION
Inappropriate structure	Restructuring
Poor systems and processes	Process and system improvement
Lack of skills and capacity	Training and sourcing additional capacity
Inappropriate organisational culture.	Change management and education programmes

²⁶ Performance Regulation of 2006 Paragraph 27

Absence of appropriate strategy	Revision of strategy by key decision-makers Alternative service delivery strategies
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The Municipal Manager will implement the appropriate response strategy to improve performance on Municipality level.

19. Reporting on Performance

1. 19.1 Reporting requires that the municipality takes the priorities of the organization, its performance objectives, indicators, targets, measurements and analysis, and present this information in a simple and accessible format, relevant and useful to the specific target group, for review.
 - a. The Okhahlamba Local Municipality’s score card and section 57 employees performance plan to be adopted by executive committee. The format can also be adapted for other uses thereby providing for the quarterly planning for performance and the quarterly measurement of actual performance.
 - b. The key performance indicators that are being developed for the Okhahlamba Local Municipality are to be reviewed annually in-line with the IDP review.
 - c. Section 46 (1) (b) of the Municipal Systems Act requires that a Municipality must prepare for each financial year a performance report reflecting a comparison of the performance referred to in section (a) with targets set for and performances in the previous financial year.

19.2 Performance management in local government is a tool to ensure accountability, and it is necessary that the reporting process follows the following lines of accountability:

Performance Reporting		Lines of Accountability
Minister for Provincial and Local Government	➔	Parliament Public
MEC for Local Government	➔	Minister for Provincial and Local Government National Council of Provinces Kwazulu-Natal Public
Municipal Manager	➔	MEC for Local Government
Municipality	➔	Citizens & Communities
Executive Committee	➔	Council
Administration	➔	Executive Committee
Line/Functional/ Sectoral Managers	➔	Executive Management (Municipal Manager & his/her management team), Portfolio & Standing Committees



19.3 Tracking and Managing the Reporting Process²⁷

The reporting process will be run centrally with a view to timetable all reporting processes for the year, track and monitor reporting processes and analyse performance reports at municipality level.

19.4 Publication of Performance Reports²⁸

A technical and popular performance report will be prepared. The annual report is required by legislation to be made available to the public. Due to constraints such as limited resources and capacity the public will be informed of performance information through accessible media means in the areas.

19.5 Public feedback Mechanisms²⁹

Public feedback on reported performance can be obtained, if the public is aware of dedicated mechanisms for submitting feedback, such as toll-free lines, addresses, feedback boxes, the municipality's contact details and persons etc.

19.6 Public Hearings³⁰

Public hearings can be held to report to communities on municipal performance and engage communities in a review of past performance and the identification of future priorities. These public hearings can be held as often as the municipality can afford, within resources and capacity restraints.

The PMS manager proposes the following issues in respect of reporting on performance management:

- To follow the following lines of responsibility in the reporting process:
 - The municipality to the citizens and communities
 - The executive Committee to the Council
 - The Administration to the Executive Committee
 - The line/functional management to the executive management and portfolio committees; and
 - The employees of the municipality.
- To set up the capacity centrally to track and monitor reporting processes.
- To determine the requirements for the publication of performance reports on an annual basis.
- To inform the public of performance information through various mechanisms.
- To establish public feedback mechanisms.

²⁷ Performance Management Guidelines (Paragraph 5.8.4)

²⁸ Performance Management Guidelines (Paragraph 5.8.5)

²⁹ Performance Management Guidelines (Paragraph 5.8.6)

³⁰ Performance Management Guidelines (Paragraph 5.8.7)

- To utilise the suitable forums (e.g. Public hearings) to report to communities on municipal performance and engage communities in review of past performance and the identification of future priorities.

20. Using performance audit mechanisms³¹

In order for the performance management system to enjoy credibility and legitimacy from the public and other stakeholders, performance reports must be audited. Audits should ensure that reported performance information is accurate, valid and reliable.

20.1 Legal Requirements³²

The requirement according to the Municipal Systems Act is that the annual performance report must be audited internally, before being tabled and made public. The Auditor General will also audit its annual performance report/questionnaire after being reviewed by the Council. The annual report must then be audited by the Auditor General and thereafter be submitted to the MEC for local government in the province. The MEC is required to complete a consolidated annual report of the performance of all municipalities in the province, identifying poor performing municipalities and proposing remedial action. The MEC must then submit it to the national minister. The national minister will present a consolidated report of all nine provinces to parliament.

20.2 Internal Audits³³

Quarterly performance reports and any performance report tabled to the Executive Committee will undergo some form of internal audit. A variety of social, economic and service delivery indicators should be audited.

Where the internal audit capacity needs to be complemented with new skills, it is advisable to contract with specialists in particular sectors. Often, over and above verification of information, audits require more than in-depth expert analysis of why poor performance is occurring.

It is important to involve stakeholders such as citizens, community organizations, Non Governmental Organisations (NGOs), employees and trade unions in the audit process. This will increase the credibility and legitimacy of the performance reports and the audit process.

A municipality **must** develop and implement mechanisms, systems and processes for auditing the results of performance measurements as part of its internal auditing processes. Any auditing must include assessments of the following:

- The functionality of the municipality's performance management system.
- Whether the municipality's performance system complies with the Act.
- The extent to which the municipality's performance measurements are reliable in measuring performance of municipalities on the set indicators.

20.3 Internal Auditors:

³¹ Performance Management Guidelines (Paragraph 5.8.8)

³² Performance Management Guidelines (Paragraph 5.8.8.1)

³³ Performance Management Guidelines (Paragraph 5.8.2.2) and Performance Management Regulations (Chapter 3, Regulation 14)

A municipality's internal auditors **must**:

- On a continuous basis audit the performance measurements of the municipality.
- Submit quarterly reports on their audits to the Municipal Manager and the performance audit committee.

20.4 Performance Audit Committee:

The Okhahlamba Local Municipality **must** on an annual basis appoint and budget for a performance audit committee consisting of at least three members, the majority of which may not be involved in the municipality as a councillor or an employee.

A performance management audit committee appointed **must** include at least one person who is knowledgeable in performance management. A municipality may utilise any audit committee established in terms of other applicable legislation as the envisaged performance audit committee, in which case the provisions of this sub-regulation, read with the necessary changes, apply to such an audit committee.

The council of a municipality must designate a member of the performance audit committee who is not a councillor or an employee of the municipality as chairperson of the committee. If the chairperson of the performance audit committee is absent from a specific meeting of the committee, the members present must elect a chairperson to act for that meeting.

In the event of a vacancy occurring amongst the members of the performance audit committee, the Okhahlamba/Okhahlamba Municipality must fill that vacancy for the unexpired portion of the vacating member's term of appointment.

A municipality **must** provide secretariat services for its performance audit committee.

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

A performance audit committee **must** meet at least twice during the financial year of the municipality. A special meeting of the performance audit committee may be called through the performance manager of PMS unit.

A performance audit committee may determine its own procedures after consultation with the executive committee of the municipality as the case may be.

A performance audit committee **must**:

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

In reviewing the municipality's performance and the management thereof, the performance audit committee must focus on economy, efficiency, and effectiveness and impact in so far as the key performance indicators and performance targets set by the municipality are concerned.

A performance audit committee **may**:

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

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

21. LINK BETWEEN ORGANIZATIONAL AND EMPLOYEE (HUMAN RESOURCE) PERFORMANCE.

21.1 Organisational performance measurement rests on the following two pillars:

- The identification of the critical few Strategic Objectives, inclusive of the 7 NKPI's, which summarises the performance of the whole organisation and which are the result of focussed strategic planning. These objectives are captured in the bottom down design of municipal Score Cards³⁴.
- Individual performance measurement which provides the bottom up measurement data for the measurement of performance of 1st level strategic objectives.

21.2 **The performance of an organization is therefore integrally linked to that of staff.**

The relationship is created whilst implementing the following phases of the performance management cycle:

22.3 Individual Performance Management Policy

Throughout all these processes SALGA's guidelines has been taken as a guide for the drafting of an Individual Performance Management Policy for Section 57

An Individual Performance Management Policy for Permanent Employees is being will be submitted to Council in due course for adoption.

22. BUILDING CAPACITY AND ESTABLISHING INFRASTRUCTURE³⁵

The success of the implementation of the performance management system rests on the capacity of line managers, executive management, councillors, citizens and communities to fulfil their roles.

22.1 Training and support for role players³⁶

All stakeholder groups will need some level of training and support to fulfil their commitments in planning, monitoring, reviewing and improving performance. Training and support should be customised for each group:

- Employees, including managers: Training and ongoing support will need to be provided for employees in order for them to fulfil their roles in improving performance. This can be integrated into other forms of employee training.

³⁵ Performance Management Guidelines (Paragraph 6)

³⁶ Performance Management Guidelines (Paragraph 6.1)

- Councillors: A special training and support programme for councillors could be integrated into a holistic councillor-training programme.
- Public: Some form of ongoing public education campaign on their role in managing municipal performance would be practical and useful. A training programme for the leadership of civic and community organisations can be strategic.

22.2 Summary of Additional Capacity³⁷

Additional capacity will also be required for:

- Collating, documenting and managing a database of performance management plans, reports and outcomes of reviews.
- Measuring all central and long term indicators.
- Analysing all performance measures at a corporate level.
- Time tabling all reporting and review processes for the year.
- Developing and improving reporting formats and controlling the quality of reports.
- Tracking and managing the performance reporting and review process.
- Conducting internal audits of performance.
- Compiling organisational reports and the annual report.
- Documenting and archiving all relevant documentation.
- Reviewing the performance management process and suggesting improvements.

22.3 Resourcing³⁸

It is preferable to provide all the above-mentioned additional functions within the municipality and if necessary that external service providers only be contracted if internal capacity is constrained or where specialists are needed.

The approved municipal performance management system will have to be designed, developed and project managed by the performance manager. The performance manager as a project leader to ensure the implementation of a workable and effective performance management system.

This unit is responsible for managing and improving the performance management system. The performance manager reports directly to the Municipal Manager.

The Performance manager shall be a non-section 57 municipal employees. Municipal employees, rather than external contractors, are in a better position to understand the municipality, its needs, and the dynamics between stakeholders and consultative processes, therefore it is crucial that the Okhahlamba Local Municipality does not contract out the development of their entire performance management system to consultants.

In order to ensure that the performance management system is useful and effective, it is important to regularly evaluate the performance management system in terms of all its users. At least once a year, preferably after the annual review process it may be useful, together with a sample group that is representative of all stakeholders, and key decision-makers in the municipality, to evaluate the performance management system. If within the resources of the organisation, it may be useful to commission an independent organisation to evaluate the performance management system, possibly after the first year and every three years thereafter. These evaluations should result

³⁷ Performance management Guidelines (Paragraph 6.2)

³⁸ Performance Management Guidelines (Paragraph 6.3)

in an improvement plan for the performance management that should be implemented immediately afterwards.

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

23. COMMUNITY PARTICIPATION

- . In terms of chapter 4 of the Performance Management Regulations, community participation must take place both in respect of the IDP and the PMS.
- . Community participation is essential to determine KPIs and targets linked to each strategic objective as determined by the IDP. **The structures that are going to be used are inter alia the IDP Steering Committee and ward committees.**

24. CREATING A CULTURE OF IMPROVING ORGANISATIONAL PERFORMANCE

In terms of regulation 7(1) read with Section 49 (1) (a) of the Local Government Municipal Systems Act, incentives to ensure that municipalities performance are improved, may be developed and implemented.

Examples of appropriate mechanisms are as follows:

- Floating trophies for units that excelled.
 - Floating trophies for best practice to improve on the seven national KPIs.
 - Public recognition in recognised newsletters and publications.
- . Okhahlamba/Okhahlamba municipality shall develop among others a bonus reward and non-financial reward policy. This rewards must be inline with the Mayoral annual wards to give special recognition to employees who have performed extra ordinary *outside their scope of duty*.

25. EVALUATION OF PERFORMANCE MANAGEMENT SYSTEMS

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

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

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

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

The criteria upon which the performance of the employee must be assessed consist of two components, both of which must be contained in the performance agreement. The employee

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

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

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

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

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

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

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

25.1 Evaluating performance

(1) The performance plan sets out - the standards and procedures for evaluating the employee's performance; and the intervals for the evaluation of the employee's performance.

Despite the establishment of agreed intervals for evaluation, the employer may in addition review the employee's performance at any stage while the employment contract remains in force.

Personal growth and development needs identified during any performance review discussion must be documented in a personal development plan as well as the actions agreed to and implementation must take place within set time frames.

25.2 The annual performance appraisal must involve:

- (a) Assessment of the achievement of results as outlined in the performance plan:
- (i) Each KPA should be assessed according to the extent to which the specified standards or performance indicators have been met and with due regard to ad hoc tasks that had to be performed under the KPA.
 - (ii) An indicative rating on the five-point scale should be provided for each KPA.
 - (iii) The applicable assessment rating calculator must then be used to add the scores and calculate a final KPA score.
- (b) Assessment of the CCRs
- (i) Each CCR should be assessed according to the extent to which the specified standards have been met.
 - (ii) An indicative rating on the five-point scale should be provided for each CCR.
 - (iii) This rating should be multiplied by the weighting given to each CCR during the contracting process, to provide a score.
 - (iv) The applicable assessment-rating calculator must then be used to add the scores and calculate a final CCR score.
- (c) **Overall rating**
- (i) An overall rating is calculated by using the applicable assessment-rating calculator. Such overall rating represents the outcome of the performance appraisal.

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

Level	Terminology	Description	Rating				
			1	2	3	4	5
5	Outstanding performance	Performance far exceeds the standard expected of an employee at this level. The appraisal indicates that the Employee has achieved above fully effective results against all performance criteria and indicators as specified in the PA and Performance plan and maintained this in all areas of responsibility throughout the year.					
4	Performance significantly above expectations	Performance is significantly higher than the standard expected in the job. The appraisal indicates that the Employee has achieved above fully effective results against more than half of the performance criteria and indicators and fully achieved all others throughout the year.					
3	Fully effective	Performance fully meets the standards expected in all areas of the job. The appraisal indicates that the Employee has fully achieved effective results against all significant performance criteria and indicators as specified in the PA and Performance Plan.					
2	Performance not fully effective	Performance is below the standard required for the job in key areas. Performance meets some of the standards expected for the job. The review/assessment indicates that the employee has achieved below fully effective results against more than half the key performance criteria and indicators as specified in the PA and Performance Plan.					
1	Unacceptable performance	Performance does not meet the standard expected for the job. The review/assessment indicates that the employee has achieved below fully effective results against almost all of the performance criteria and indicators as specified in the PA and Performance Plan. The employee has failed to demonstrate the commitment or ability to bring performance up to the level expected in the job despite management efforts to encourage improvement.					

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

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

(e) For purposes of evaluating the annual performance of managers directly accountable to the municipal managers, an evaluation panel constituted of the following persons must be established -

- (i) Municipal Manager;
- (ii) Chairperson of the performance audit committee or the audit committee in the absence of a performance audit committee;
- (iii) Member of the mayoral or executive committee or in respect of a plenary type municipality, another member of council; and
Municipal manager from another municipality.

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

25.3 Schedule for performance reviews

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

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

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

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

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

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

25. 4 Developmental requirements

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

Obligations of the employer

(2) The Employer must –

(3) Create an enabling environment to facilitate effective performance by the employee;

(4) Provide access to skills development and capacity building opportunities;

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

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

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

26. CONSULTATION

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

A direct effect on the performance of any of the employee's functions;

Commit the employee to implement or to give effect to a decision made by the employer, and a substantial financial effect on the employer.

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

(3) Management of evaluation outcomes

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

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

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

(4) Steps to Improve Performance where targets are not met

(A) In a case where targets are not met by the department in the Performance Agreement and the Service Delivery Budget Implementation Plan

- The Quarterly Service Delivery Budget Improvement Plan Provides for corrective measures where targets are not met.
- The Report is sent to the Management Committee, to the portfolio committee, the executive committee and council
- The department needs to ensure that adequate resources are provided for and the target remains until are met.

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

- Provide systematic remedial or developmental support to assist the employee to improve his or her performance;
- After appropriate performance counselling and having provided the necessary guidance and/or support and reasonable time for improvement in performance, and performance does not improve, the employer may consider steps to terminate the

contract of employment of the employee on grounds of unfitness or incapacity to carry out his or her duties.

27. RESOLUTION BY COUNCIL

That the assessment range for the measurement of performance score in terms of the assessment-rating calculator is recommended to simplify the range gaps as outlined in the Performance Regulation Policy for the year 2009/2010.

Assessment Score	130%- 139%	140%- 149%	150%- 153%	154%- 157%	158%- 161%	162%- 165%	166%- 167%
Recommended Bonuses	08%	9%	10%	11%	12%	13%	14%

28. DISPUTE RESOLUTION

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

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

In the case of managers directly accountable to the municipal manager, the executive mayor or mayor within thirty (30) days of receipt of a formal dispute from the employee; whose decision shall be final and binding on both parties.

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

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

In the case of managers directly accountable to the municipal manager, a member of the municipal council, provided that such member was not part of the evaluation panel provided for in sub-regulation 27(4)(e), within thirty (30) days of receipt of a formal dispute from the employee; whose decision shall be final and binding on both parties.

29. General

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

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

(3) The performance assessment results of the municipal manager must be submitted to the MEC responsible for local government in the relevant province as well as the national

minister responsible for local government, within fourteen (14) days after the conclusion of the assessment.

CONCLUSION

The policy framework for performance management supplies the necessary guidelines and direction for the development, implementation and management of performance within the Okhahlamba Local Municipality.