

CHAPTER 1

Introduction

This document constitutes a framework for Amahlathi Municipality's (ALM) Performance Management System (PMS). It arises out of a revision of Amahlathi's previous performance management framework adopted in 2007. It replaces the PMS Framework version adopted in 2002.

The PMS framework is a municipal policy document that defines and describes the municipal performance management system, including how it operates, and is in line with the Municipal Planning and Performance Management Regulations (2001) as well as the Local Government Municipal Performance Management Regulation of August 2006, which stipulate that "a municipality's performance management-system entails a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organized and managed, including determining the roles of the different role-players".

The framework constitutes council policy with regards to:

- The requirements that a PMS for Amahlathi Municipality will need to fulfil,
- The principles that will inform its development and application,
- A model that describes what areas of performance will be managed, in Amahlathi Municipality
- What processes will be followed in managing performance
- What institutional arrangements are necessary for this
- Who will take responsibility for parts of the system
- How this links to personnel performance management, especially the Municipal manager and the Section 57 managers

In other words the framework is a documented record of the municipality's performance management system as it will be implemented. The PMS is in compliance with policy and legislation, which is summarized in Section 2 and reflected in the Annexure.

CHAPTER 2

Policy and Legal Context for Amahlathi Municipality PMS

The most important legislative and policy prerogatives that set the basis for the role of local government and the management of its performance in respect of that role are:

- The Constitution of the Republic of South Africa (Act 108 of 1996):
- The White Paper on Local Government (1998):
- Batho Pele (1998):
- Local Government Municipal Systems Acts:
- Local Government Municipal Finance Management Act: and
- Relevant Regulations.

2.1 The National Constitution (1996)

The Constitution is the founding legal document framing local government. Chapter 7 of The Constitution establishes the sphere of local government and forms the premise for subsequent policy and legislative documents on local government.

According to Chapter 7, the Objects of local government, Section 152 (1), are –

- (a) to provide democratic and accountable government for local communities;
- (b) to ensure the provision of services to communities in a sustainable manner;
- (c) to promote social and economic development;
- (d) to promote a safe and healthy environment; and
- (e) to encourage the involvement of communities and community organizations in the matters of local government.

152 (2) mentions that a municipality must strive, within its financial and administrative capacity, to achieve the objects set out in subsection (1).

Section 153, Developmental duties of municipalities, states that a municipality must -

- (a) secure and manage its administration and budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community; and
- (b) participate in national and provincial development programmes.

The Constitution does not make explicit mention of the development and implementation of a performance management system, but the importance of the effective provision of services, accountability, development and management are mentioned. The subsequent White Paper on Local Government (1998) brings forth the idea of a performance management system for municipalities.

2.2 The White Paper on Local Government (1998)

The White Paper on Local Government (1998) stated that local government should introduce the idea of *performance management systems*.

The white paper acknowledges that, "involving communities in developing some municipal key performance indicators increases the accountability of the municipality. Some communities may prioritise the amount of time it takes a municipality to answer a query, others will prioritise the cleanliness of an area or the provision of water to a certain number of households. Whatever the priorities, by involving communities in setting key performance indicators and reporting back to communities on performance, accountability is increased, and public trust in the local government system enhanced" (The White Paper on Local Government, 1998).

2.3 Batho Pele (1998)

The White Paper on Transforming Public Service Delivery (Batho Pele) puts forward eight principles for good public service. Our municipality is duty bound to uphold these principles:

Consultation:

Communities should be consulted about the level and quality of public service they receive, and, where possible, should be given a choice about the services which are provided.

Service standards:

Communities should know what standard of service to expect.

Access:

All communities should have equal access to the services to which they are entitled.

Courtesy:

Communities should be treated with courtesy and consideration.

Information:

Communities should be given full and accurate information about the public services they are entitled to receive.

Openness and transparency:

Communities should know how departments are run, how resources are spent, and who is in charge of particular services.

Redress:

If the promised standard of service is not delivered, communities should be offered an apology, a full explanation and a speedy and effective remedy; and when complaints are made communities should receive a sympathetic, positive response.

Value-for-money:

Public services should be provided economically and efficiently in order to give communities the best possible value-for-money.

Importantly, the Batho Pele White Paper notes that the development of a service-oriented culture requires the active participation of the wider community. Municipalities need constant feedback from service-users if they are to improve their operations. Local partners can be mobilized to assist in building a service culture. "For example, local businesses or non-governmental organisations may assist with funding a helpline, providing information about specific services, identifying service gaps or conducting a customer survey" - The White Paper on Local Government (1998).

2.4 The Municipal Systems Act (2000)

The Municipal Systems Act (2000) enforces the idea of a local government PMS and requires all municipalities to:

- Develop a performance management system
- Set *targets*, monitor and *review performance* based on indicators linked to their IDP
- Publish an *annual report* on performance for the councilors, 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 their annual performance report audited by the Auditor-General
- *Involve the community* in setting indicators and targets and reviewing municipal performance

2.5 Municipal Planning and Performance Management Regulations (2001)

The Municipal Planning and Performance Management Regulations set out in detail requirements for municipal PM systems. However, the regulations do not sufficiently constitute a framework that fully proposes how the system will work. Each component of the proposed framework in this document is strongly informed by the regulations.

2.6. Local Government Municipal Performance Regulations For Municipal Managers and Managers directly Accountable to the Municipal Manager, August 2006

Unlike the Municipal Planning and Performance Management Regulations of 2001, the Regulations of 2006, which seek to set out how the performance of municipal managers will be uniformly directed, monitored and improved. They also address both the Employment Contract of a municipal manager and managers directly accountable to municipal managers, as well as the performance Agreement that is entered into between respective municipalities, municipal managers directly accountable to municipal managers. These instruments will, in combination, ensure a basis for performance and continuous improvement in local government.

The Employment Contract provides to specifically delineate the terms of employment for municipal managers, and managers directly accountable to municipal managers. Similarly, the Performance Agreement provide assurance to the municipal council of what can and should be expected from their municipal managers and managers directly accountable to municipal managers.

It further provides a methodology for the performance management system as well as criteria for performance bonus payments. The regulations also provide an approach for addressing under-performance, should this occur. It also details the annexures to the Performance Agreement, namely, the Municipal Code of Conduct for Municipal Officials,

Financial Disclosures, Personal Development Plans, etc. This policy framework document is in line with these regulations.

The process of the performance evaluation is also detailed in these Regulations, including the periods of review of performance, performance evaluation panels as well as the Performance Audit Committee that would advise Council on matters of performance.

Finally, these instruments will be most effective when considered in the context of enabling the implementation of a municipality's Integrated Development Plan (IDP). As such, they should simultaneously create an enabling environment for enhanced performance and accountability.

2.7. Municipal Finance Management Act (2003)

The Municipal Finance Management Act states requirements for a municipality to include its annual municipal performance report with its financial statements and other requirements in constituting its annual report. This must be dealt with by the municipal council within 9 months of the end of the municipal financial year.

This also specifies the development of smart indicators and targets as well as performance auditing. It goes on to specify the timelines within which the SDBIP must be developed after adoption of the IDP.

The MFMA also specifies that the IDP, SDBIP and Performance Agreements be displayed on the Municipal website and offices of the municipality.

CHAPTER 3

Objectives of a Performance Management System

Beyond fulfilling legislative requirements, Amahlathi Municipality requires a performance management system that will be constituted as the primary mechanism to plan for performance management, monitor, review and improve the implementation of the municipality's IDP. This will have to be fulfilled by ensuring that the PMS achieves the following objectives:

3.1 Facilitate increased accountability

The performance management system should provide a mechanism for ensuring increased accountability between

- The communities of Amahlathi and the municipal council,
- The political and administrative components of the municipality,
- Each department and the office of the municipal manager.

3.2 Facilitate learning and development

While ensuring that accountability is maximised, the performance management system must also provide a mechanism for learning and development. It should allow for the municipality to know which approaches have the desired impact, and enable the municipality to improve delivery. It should form the basis for monitoring, evaluation and improving IDP implementation.

3.3 Provide early warning signals

The performance management system should provide Heads of Departments (HoDs), the Municipal Manager, Portfolio Committees and the Mayoral Committee with a diagnostic signal of the potential risks that are likely to affect the realisation of full IDP implementation. It is important that the system ensure decision-makers are timeously informed of risks, so that they can facilitate interventions, where and when it is necessary and possible to do so.

3.4 Facilitate decision- making

The performance management system should provide appropriate management information that will allow efficient, effective and informed decision-making, particularly in so far as indicating where the allocation of limited resources should be prioritised.

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.

CHAPTER 4

4 Principles Governing PM

The following principles inform and guide the development and implementation of the Amahlathi DM performance management system:

4.1 Simplicity

The system must be a simple user-friendly system that enables the municipality to operate it within the existing capacity of its financial, human resources and information management system.

4.2 Politically driven

Legislation clearly tasks the municipal council and mayor as the owner of the performance management system. The Mayor **MUST** drive both the implementation and improvement of the system.

Legislation allows for the delegation of this responsibility or aspects of it to the municipal manager or other appropriate structures as the Mayor may deem fit.

4.3 Incremental implementation

It is important that while a holistic performance management system is being developed, the municipality should adopt a phased approach to implementation, dependent on the existing capacity and resources within the municipality.

It is also important to note that municipal performance management is still a relatively new approach to local government functioning and therefore requires adequate time to be given to the organization's process of change. The performance management system will not be perfect from the start, and it should be constantly improved based on its workability and practicality.

4.4 Transparency and accountability

Members of the organisation whose performance will be monitored and measured must ensure that the process of managing performance is inclusive, open and transparent. This can only be achieved by taking effective participation in the design and implementation of the system within the municipality.

Again, the process must involve and empower stakeholders so that they are able to understand how the municipality and its 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 available for other managers, employees, the public and specific interest groups.

4.5 Integration

The performance management system should be integrated into other management processes in the municipality, 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 to the ongoing management functions.

4.6 Objectivity

Performance management must be founded on objectivity and credibility. Both the processes of managing performance and the information on which it relies need to be objective and credible. Sources of data for measuring indicators should be scrutinized to enhance credibility of information and therefore objective decision-making.

CHAPTER 5

What do we Monitor and Review?

International experience in both the private and public sectors has shown that traditional approaches to measuring performance, which have been heavily reliant on only financial measures, are severely lacking.

It has become well accepted that in order to assess an organisation's performance, a balanced view is required, incorporating a multi-perspective assessment of how the organisation is performing as seen by differing categories of stakeholders. To ensure this balanced multi-perspective examination of Amahlathi Municipality's performance, a municipal scorecard model was adopted as in the previous PMS Framework to guide performance management in the entire municipal organisation. This reviewed framework uses an improved version of the municipal scorecard model.

5.1 What is a model?

A model for performance management is a conceptual framework that provides guidance as to what aspects of the municipality's performance should be measured and managed.

5.2 Why do we need a model?

Models have proved useful in performance management for the following reasons. They provide:

5.2.1 Balance

A good model will prompt the organisation to take a balanced view in terms of how it measures and manages its performance. It should prevent bias by ensuring that performance measurement does not rely heavily on one facet of performance (i.e. financial viability), but rather encapsulates a multi-perspective holistic assessment of the municipality's performance, thereby looking at all the Local Government Five Key Strategic Areas (KPAs).

5.2.2 Simplicity

A good model should organise simply, what would otherwise be a long list of indicators attempting to comprehensively cover performance, into a set of categories sufficiently covering all key areas of performance. Models differ most significantly in what they assert are the key aspects of performance.

5.2.3 Mapping of Inter-relationships

A good model will map out the inter-relationships between different areas of performance. These inter-relationships relate to the extent to which poor performance in one category would lead to poor performance in other related areas and the converse. These inter-relationships help in both the planning stage and the review stage, particularly in the diagnosis of causes of poor performance.

5.2.4 Alignment to the Integrated Development Planning (IDP) methodology

A good performance management model for a municipality in South Africa will align the processes of performance management to the IDP processes of the municipality. It

will ensure that the IDP is translated into performance plans that will be monitored and reviewed. The categories of key performance areas provided by a model should relate directly to the identified priority areas of the IDP.

5.3 The Revised Municipal Scorecard Model

As stated above, Amahlathi Municipality will make use of the Municipal Scorecard Model as its model for performance management. The Municipal Scorecard Model is based on two levels of scorecards namely, Organisational Scorecard (the indicators that are the responsibility of the Municipal Manager) and SDBIP Scorecard (departmental). The Municipal Scorecard Model embodies five Key Performance Areas adopted by the National Department of Cooperative Governance and Traditional Affairs (COGTA) in the Local Government Strategic Agenda. Performance is measured at appropriate level and according to the five KPAs, i.e. the Municipal Manager will be assessed according to the Organisational Scorecard, while each Head of Department of the municipality will be assessed based on the departmental scorecard.

5.3.1 The basis of the municipal scorecard model

The municipal scorecard model is:

- tightly aligned to the strategic planning and IDP processes of the municipality
- directly relevant to the notion of developmental local government
- a balanced view of performance based on municipal inputs, outputs, outcomes and process
- a simple portrayal of municipal performance, where inter-relationships can be mapped (municipal-wide, municipal departments and unit/programme levels)
- compliant with the requirements of the Municipal Systems act (2002) and its subsequent Regulations (2001 and 2006)
- based on the 5 Key Performance Areas for Local Government as determined in the Five Year Local Government Strategic Agenda and used in the Regulations and Vuna Awards for Performance Excellence.

The 5 Key Performance Areas for Local Government are:

1. Municipal Transformation & Organisational Development
2. Infrastructure Development and Service Delivery
3. Local Economic Development
4. Municipal Financial Viability & Management
5. Good Governance & Public Participation

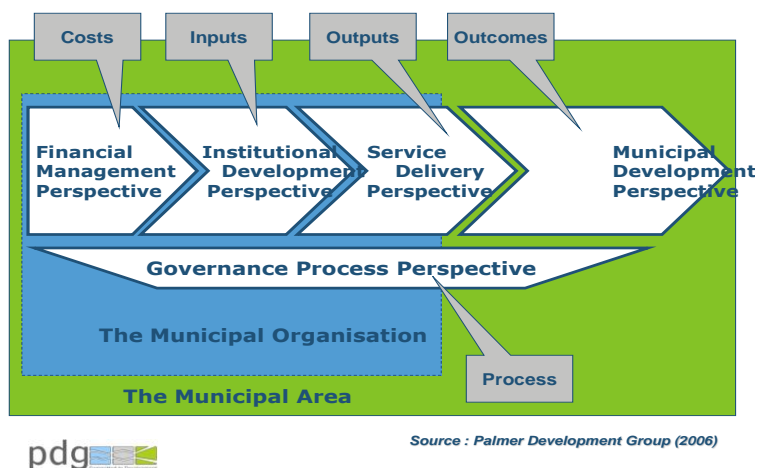
5.3.2 The key characteristics of the municipal scorecard model

The model has two main features. The first feature is that the model uses the 5 Key Performance Areas for Local Government as areas against which municipal performance must be measured and managed. The second feature is that it considers performance at two levels (organisational scorecard focusing on the indicators assigned to the municipal manager and the departmental scorecard focusing on those of the various Heads of Departments of the municipality. These main features of the model are discussed in detail below.

5.3.3 The 5 Key Performance Areas (KPA) of the model

The framework for a Municipal Scorecard Model is shown in figure 1 below.

Figure 1: Structure of the Municipal Scorecard



The Municipal Development Perspective

In this perspective, the municipality will assess whether the desired development impact in the municipal area is being achieved. It incorporates social, environmental and economic development aspects. This perspective will constitute the development of priorities for the municipal area and indicators that tell us whether the desired development outcomes are being achieved. It is expected that the development priorities and indicators, will often lie within the shared accountability of the municipality, other spheres of government and civil society. The measurement of developmental outcomes in the municipal area will be useful in informing whether policies and strategies are attaining the desired development impact. **However, it is worth noting that the Municipality does not have any authority over the sector departments, NGO and CBOs to account due to the limitations of the Intergovernmental Relations (IGR) Act. Therefore, reference to the municipal wide development outcomes are those entailed in the Municipal SDBIP.** This in turn would facilitate a geographic spread of municipal development programmes.

The Service Delivery Perspective

This perspective will assess performance with respect to the delivery of services and products. This relates to the output of the municipality.

The Institutional Development Perspective

This perspective will assess performance with respect to the management of municipal resources:

- Human Resources
- Information
- Organizational Infrastructure

- Asset management

This relates to the inputs of the municipality.

The Financial Management Perspective

This perspective will assess performance with respect to financial management and viability, including:

- Financial viability indicators
- Operating income vs. Operating expenditure performance
- Financing infrastructure investment vs. capital expenditure performance
- Financial management performance

Governance Process Perspective

This perspective will assess performance with respect to engagements and relationships with its stakeholders in the process of governance. This perspective will include, amongst others:

- Public participation, including the functionality and impact of ward committees
- Functionality and impact of municipal governance structures (council structures including the offices of the Speaker, and portfolio committees and executive)
- Access to information
- Intergovernmental relations
- Corporate Governance (internal audit, fraud and risk management, Audit and Performance Audit committees, etc)

This relates to the governance processes of the municipality.

5.3.4 SDBIP Scorecards

The SDBIP Scorecards will capture the performance of each municipal department. Unlike the Organisational Scorecard, which reflects on the strategic priorities of the municipality, a service scorecard will provide a comprehensive picture of the performance of that department. It will consist of objectives, indicators and targets derived from the service plan and service strategies.

It is crucial to ensure that the SDBIP Scorecards do not duplicate current reporting, but rather be integrated as a core component of the municipality's vertical reporting system. It should simplify all regular reporting from departments to the municipal manager and clusters.

SDBIP Scorecards will be comprised of the following components:

- A Development Perspective for departmental outcomes, which set out the developmental outcomes that the service is to impact on - the development perspective of this scorecard, will seek to assess the extent to which the strategies that are driven by the departments are contributing towards ensuring that the District Municipality makes its expected contribution.
- Service Deliverables, which set out the products and services that the department will deliver. This perspective will include service delivery targets and performance indicators for each quarter.

- Institutional Transformation Perspective, which sets out how the department will manage and develop its human resources, information and organisational infrastructure
- Financial Management Perspective will include
 - projections of revenue to be collected by source
 - projections of operational and capital expenditure by vote

Performance reporting on this section of the scorecard will be in terms of the actual against projections

- Stakeholder Relations, which sets out how the department will improve its relationship with its key stakeholders

Therefore, in addition to the requirements of the MFMA and the National Treasury Guidelines for SDBIPs, the SDBIP Scorecard approach thus provides an additional opportunity to set objectives, indicators, and targets for, as well as report against:

- Service Outcomes
- Institutional Transformation Issues
- Stakeholder Relations

Performance in the form of a SDBIP Scorecard will be reported to the Management Team (HOD Forum) and relevant Standing Committee and EXCO on a monthly basis; quarterly reports would also start at the Management Team Committee, relevant Standing Committee, EXCO, Council as well as the IDP Representative Forum. The annual reports will also follow the route of the quarterly reports.

The HoDs will be primarily responsible for performance on the SDBIP Scorecard. As such, the SDBIP Scorecard is the component of how an HoD's performance will be appraised. This is dealt with in more detail in the section on employee performance.

Furthermore, the SDBIP Scorecard will be cascaded down into the departments where it will be monitored. Departments in the municipality are constituted by units and unit managers, seldom sections and sectional heads reporting to the HOD. SDBIP Scorecards and performance reports must be formulated at departmental meetings constituted at least by the HoD and Unit Manager/Section Heads where applicable. Sectional planning must be informed by the SDBIP Scorecard and performance reporting of must feed into the SDBIP Scorecard report. Therefore each section must have its own implementation plan that contributes to the overall implementation of the SDBIP Scorecard. The Municipal Manager may from time to time participate in the departmental SDBIP performance review meetings. This will facilitate the process of exposure of the departmental indicator custodian to the Municipal Manager's interpretation of the Municipal Vision, objectives and strategies.

5.3.5 The implications of the adoption of the model

The adoption of the model suggests the need for the municipality to reorganize its systems and internal structures in order to make optimal use of the scorecards and the KPAs in all aspects of the PMS cycle, which includes performance planning, implementation, performance measurement and analysis, performance reviews and reporting.

This should be done in terms of the content of the above processes.

5.4 Scorecard concepts

The Organisational and SDBIP Scorecards should be presented in a consistent format so that they are easy to use and understand. Several concepts that are commonly used in the scorecard concept are defined below:

Objectives: are statements drawn from the IDP about what a service wants to achieve.

Indicators: are variables (qualitative or quantitative) that tell us whether we are making progress towards achieving our objectives.

A baseline measure: is the value (or status quo) of the indicator before the start of the programme or prior to the period over which performance is to be monitored and reviewed. For the purpose of standardising the setting of baselines and for the sake of clarity, the following descriptions will be used:

- If the indicator is measurable on an annual basis, the baseline will be its measure in the last financial year.
- The baseline for annual targets that are incrementally measurable per quarter or per month will be the measure at the end of the last financial year but the targets can be set incrementally.
- The baseline for quarterly targets that are not incrementally contributing to an annual target will be the indicator's measure in the last quarter it was measured unless by its nature it is seasonally variable in which case it will be an average of the last four quarterly measures.
- The baseline for monthly targets, that are not incrementally contributing to a quarterly or annual target, will be its measure in the last month it was measured unless by its nature it varies monthly in which case it will be an average of the last three monthly measurements.

A target: is the value (or desired state of progress) of the indicator that is intended to be achieved by a specified time period.

The measurement source and frequency: should indicate where the data for measuring will emanate from, and how frequently the indicator will be measured and reported. This information is crucial for the auditing process.

Indicator custodian: refers to the person that takes responsibility for the monitoring of change in the indicator and reports on it.

The performance management plan for Amahlathi Municipality will have various indicators for the goals that are set in the IDP. These indicators, including those that will be further developed for SDBIP Scorecards, should be assessed against the following criteria.

5.5 Criteria for setting good indicators

In developing indicators, the municipality will ensure that they adhere to the following principles:

5.5.1 Focused and Specific

Indicators should be clearly focused and stated unambiguously.

5.5.2 Measurable

An indicator should by definition contain a unit of measurement.

5.5.3 Valid and Relevant

Validity is the degree to which an indicator measures what is intended to be measured. This correlates strongly with the relevance of the indicator to the objective being measured. It is also important that the whole set of indicators chosen should be contextually relevant to the Amahlathi municipal and South African contexts.

5.5.4 Reliable

Reliability is the degree to which repeated measures, under exactly the same set of conditions will produce the same result.

5.5.5 Simple

Good indicators will be simple, easy to communicate such that their relevance is apparent.

5.5.6 Minimise perverse consequences

Poorly chosen indicators, while nobly intended, can have perverse consequences in the behaviours it incentivizes. Chosen indicators should ensure that the performance behaviours likely to emerge from its pursuance are those that are intended to contribute to the objectives.

5.5.7 Data Availability

Good indicators will also rely on data that is, or intended to be, available on a regular basis.

5.6 Core Local Government Indicators

5.6.1 National Indicators

The municipality's performance management indicators will incorporate the following indicators prescribed by the Minister of Provincial and Local Government as per the Municipal Planning and Performance Management Regulations of 2001:

1. The percentage of households with access to basic level of water, sanitation, electricity and solid waste removal;
2. The percentage of households earning less than R1100 per month with access to free basic services;
3. 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;
4. The number of jobs created through municipality's local economic development initiatives including capital projects;
5. 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;
6. The percentage of a municipality's budget actually spent on implementing its workplace skills plan; and
7. Financial viability as expressed by the following ratios:

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$$(i) \quad A = \frac{B - C}{D}$$

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;

$$(ii) \quad A = \frac{B}{C}$$

Where -

"A" represents outstanding service debtors to revenue

"B" represents total outstanding service debtors

"C" represents annual revenue actually received for services;

$$(iii) \quad A = \frac{B + C}{D}$$

Where -

"A" represents cost coverage

"B" represents all available cash at a particular time

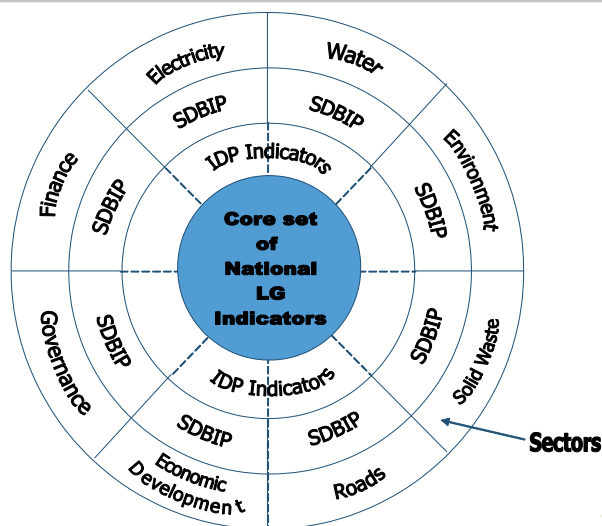
"C" represents investments "D" represents monthly fixed operating expenditure.

While there is no legal requirement to incorporate any other local government performance monitoring indicators used by other spheres of government other than those prescribed by the Minister, Amahlathi Municipality will, in addition to indicators prescribed by the Minister, as practically feasible as possible incorporate a core set of local government indicators used by other spheres of government into its performance management system. Among these will be the indicators for the Vuna Awards for Municipal Performance Excellence for the following reasons:

- It will ensure that the municipality is tracking its performance in line with national priorities, at least the indicators that are valued nationally
- It will ensure that the municipality has the performance information on hand to enter the Vuna Awards

It will allow benchmarking and comparison with other municipalities who are also using the same set of indicators.

A core set of Local Government indicators



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Figure 2: Local Government Indicators

The schematic above suggests an approach to incorporating a core set of LG indicators such as those used in the Vuna Awards into a municipal set of indicators. It notes that they need to be complemented for local use with IDP indicators and SDBIP indicators. Other sets of indicators deemed to be important, in each sector, such as the water sector benchmarking indicators can be included.

There is also a national initiative aimed at establishing a local government M&E system, which intends to include a core set of local government indicators. If these differ from the Vuna indicators, and are available in time, they may be included as part of the municipality’s scorecard.

CHAPTER 6

The Process of Managing Organisational Performance

The process of performance management is central to modern notions of management i.e. it is inseparable from the things that a manager must do. It is important that performance management is mainstreamed in municipalities as an approach to daily management.



Figure 3: Performance Management as an Approach to Management

The annual process of managing the performance of the Amahlathi Municipality will involve the following components:

- Co-ordination
- Performance Planning
- Performance Measurement, Analysis
- Performance Reviews & Reporting
- Performance Auditing

For each of these components, this chapter sets out the role stakeholders in the performance management system will play and how these components are to happen.

6.1 Co-ordination

The executive authority with regards to the implementation of this policy framework will be the responsibility of the Mayor. The Mayor will be accountable to the Council in this regard.

The Municipal Manager will be responsible for the management and administrative responsibilities related to implementation of the performance management system and will be accountable to the Mayor in this regard. The Strategic Management sub section in the Office of the Municipal Manager, as a form of support to the Municipal Manager, will be responsible for co-ordinating the implementation of the planning, measurement, reporting and review processes of the PMS.

The office of the Municipal Manager will develop planning and reporting templates and will coordinate their completion, submission and analysis. It will also ensure that the Standing Committees, Mayoral Committee, Council and the IGR Forum have the necessary technical support to meet their responsibilities in terms of the performance management system.

6.2 Performance Planning

The IDP, budget and the Municipal Service Delivery and Budget Implementation Plans constitute the planning components of municipal performance management. Through the IDP review processes, the strategic objectives, strategies and the Organisational and Departmental Scorecards will be developed.

The Organisational Scorecard will be approved by Council as a planning framework that must guide the development of Departmental Scorecards of municipality.

Once the Organisational Scorecard is approved as part of the IDP, the next step will be to develop Departmental Scorecards that should support the realisation of the objectives and targets set in the Organisational Scorecard. These Departmental Scorecards will also be referred to as Service Delivery and Budget Implementation Plan Scorecards (SDBIP Scorecards).

The SDBIP scorecard, which provides a comprehensive picture of the performance of each department, will be diffused through each department, into the departmental sections, and will be monitored within each department.

Each department is made up of sections and the head of each section is responsible for reporting to the HOD. Sectional reporting must be fed into the SDBIP scorecard report, which implies that each section must have its own implementation plans that contribute to the overall implementation of the SDBIP Scorecards.

With these in place, the Municipality is now on track to implement and monitor the implementation of the IDP.

The following diagram shows the links among the plans referred to above.

Figure 4: Municipal planning

6.3 Measurement and Analysis

Measurement is the act of collecting data on identified performance indicators while analysis is the act of interpreting the meaning of such data in terms of performance.

For each Municipal Scorecard indicator (indicators in the Organisational and SDBIP Scorecards), a relevant custodian has to be designated. The custodian will be accountable for performance and will be responsible for conducting measurements of the applicable indicators, analysing and reporting these for reviews.

Analysis requires that current performance be compared with targets and past performance, where data is available, to determine whether or not performance is poor. It should provide reasons for performance levels and suggest corrective action where necessary.

There may be indicators that would require data gathering on municipal-wide outcome indicators and satisfaction surveys. This may need to be co-ordinated centrally instead of each department doing its own. The Office of the Municipal Manager will be responsible for this.

The Office of the Municipal Manager may also undertake the following annual surveys to provide data for indicators organisationally:

- An annual citizen satisfaction survey conducted for households and business in the Amahlathi DM area.
- An employee satisfaction survey that is conducted internally.

Reviews will be undertaken by the Municipal Manager, The Mayoral Committee, and Council. Prior to reviews taking place, performance reporting will need to be tracked and co-ordinated. The Municipal Manager's Office will be responsible for this process.

The Municipal Manager's Office will provide an overall analysis of municipal performance, for quarterly and annual reviews. Such an analysis will aim to pick up trends in performance over time and over all departments.

6.4 Performance Reporting & Reviews

Comment [t1]: This is one of the main areas which ADM should revisit when reviewing the PMS. The municipality should do an introspection into current processes when reviewing the framework. Current framework does not reflect the reporting and review systems in place.

It was recommended that reporting goes from Management Co to Mayco, followed by the audit process and that standing committees are not included in this chain of reporting.

It was also proposed that monthly monitoring meetings be formalised in departments and that written records of meetings be kept.

6.4.1 Departmental Reviews

It is intended that departments review their performance monthly, using their SDBIP Scorecards. Decision-makers should be immediately warned of any emerging failures to service delivery such that they may intervene if necessary.

Departments should use these reviews as an opportunity for reflection on their goals and programmes and whether these are being achieved. Minutes of these reviews should be forwarded to the office of the Municipal Manager. Changes in indicators and targets may be proposed at this meeting but can only be recommended for approval by the Municipal Manager to the Mayor.

On a monthly basis the HoD (Head of the Department) will submit a report on the department's performance using the SDBIP Scorecards through the Management Committee to the Portfolio Head who will facilitate and chair the Standing Committee meeting for performance management purposes by the Standing Committee.

HODs will formulate their SDBIP Scorecard reports by taking into account the performance of the various units/sections within each department. The SDBIP Scorecard requires inputs from each unit/section such that a comprehensive report is collated on the performance of each department. The Unit Manager/Sectional Head is responsible for the provision of unit/sectional reports to the HOD, of course with indicator custodians providing the written reports and evidence on the performance of the activities feeding into their indicators.

6.4.2 Municipal Manager's Review Panel

Twice annually, the review panel setup by the Municipal Manager will review the departmental performance (HoD or manager reporting directly to the municipal manager) using the SDBIP Scorecards for departments. It will then submit reports from this review to the Municipal Manager for Management Committee meeting, Mayor for Mayoral Committee and submit to council.

The Municipal Manager's Review Panel will need to reflect on whether targets are being achieved, what are the reasons for targets not being achieved where applicable and corrective action that may be necessary. Where targets need to be changed, the Municipal Manager can endorse these, for recommendation to the Mayor for approval.

In preparation for and prior these reviews, the office of the Municipal Manager must develop an analysis of performance.

6.4.3 Mayor's Review Panel

Twice annually, the review panel setup by the Mayor will review the organisational performance (municipal manager) using the Organisational Scorecard. It will then submit reports from this review to the Mayor for Mayoral Committee and Council.

The Mayor's Review Panel will need to reflect on whether targets are being achieved, what are the reasons for targets not being achieved where applicable and corrective action that may be necessary. Where targets need to be changed, a recommendation will be submitted to the Mayor for approval.

In preparation for and prior these reviews, the office of the Municipal Manager must develop an analysis of performance.

6.4.4 Performance Audit Committee Reviews

On a quarterly basis, the Performance Audit Committee will review the departmental and municipal performance using both the SDBIP and Organisational Scorecards respectively. Other function that is linked to the Performance Audit committee is the

auditing and assurance guarantee on the assessment and processes of the framework and the system. This is further detailed in section dealing with Auditing and Quality Control.

The quarterly report will be submitted to the Mayor and biannually to council.

The Performance Audit Committee will need to reflect on whether targets are being achieved, what are the reasons for targets not being achieved where applicable and corrective action that may be necessary. Furthermore, they will verify and give assurance to the process of reviews undertaken by the panels and recommendation.

Where targets need to be changed, a recommendation will be submitted to the Mayor for approval.

6.4.5 Council Reviews

At least twice annually, the council will be required to review municipal performance based on the performance report submitted by the Mayor. The council will use the report submitted by the Mayor from the Performance Audit Committee.

The first review will be in January in preparation for the budget adjustments. The second review will be an annual performance review. This will form part of the annual report as required by the Municipal Systems Act.

A report annually will be submitted to the provincial government in the form of an annual report.

A report annually will be submitted to the Inter-Governmental Forums as well as to the IDP Representative Forum established by Amahlathi Municipality in the form of a citizen's report on performance of the municipality.

6.4.6 Public Reviews

The Municipal Systems Act requires the public to be given the opportunity to review municipal performance and they will be part of the panels established by the municipality. This would be catered for through the Ward Committee member who would be appointed by the Council to participate in both the Mayors Review Panels. Furthermore, a citizen's report will be produced for public consumption and submitted to the IGR structures and IDP Representative Forum established by Amahlathi Municipality. A citizen's report should be a simple, easily readable and attractive document that summarises the performance of the municipality public consumption.

Annually an annual report will be developed and be open for public comments on the assessment of the municipality's performance.

It is also proposed that a public campaign be annually embarked on to involve communities in the review of municipal performance. Such a campaign could involve the following methodologies:

- Various forms of media including radio, newspapers and billboards can be used to convey the communities' report. The public should be invited to submit comment via telephone, fax, email and public hearings to be held in a variety of locations and any form of communication which the people of Amahlathi can afford.
- The public reviews should be concluded by a review by the IDP Representative Forum.

Summary of Reviews

<i>Reporting Structure</i>	<i>Reviewing structure</i>	<i>Report</i>	<i>When</i>
Units/Sections (Unit Managers/Sectional Heads)	Department (Director/HoD)	SDBIP Scorecard	Monthly
Departments (Director/HoD)	Municipal Manager's Review Panel	SDBIP Scorecard	Twice-yearly
Organisation (Municipal Manager)	Mayor's Review Panel	Organisational Scorecard	Twice-yearly
Organisation (Municipal Manager)	Performance Audit Committee	Organisational Scorecard	Quarterly
Organisation (Municipal Manager)	Council	Organisational Scorecard	Twice-yearly

Summary of Reports

<i>Reporting Structure</i>	<i>Report structure to</i>	<i>Report</i>	<i>When</i>
Unit	Department	SDBIP Scorecard	Monthly
Department	Standing Committee	SDBIP Scorecard	Monthly
Cluster	HOD Forum	Organisational Scorecard	Monthly
HOD Forum	Municipal Manager's Review Panel	SDBIP Scorecard	Twice-yearly
HOD Forum	Mayor's Panel Review	Organisational Scorecard	Twice-yearly
Municipal Manager's Review Panel	Mayor	Organisational Scorecard	Twice-yearly
Mayor's Review Panel	Mayor	Organisational Scorecard	Twice-yearly
Mayor	Council	Organisational Scorecard	Twice-yearly
Council	IGR Forums	Citizen's Report	Annually
Council	Province	Annual Report	Annually
Council	Public	Citizen's Report	Annually

6.5 Critical dates and timelines

The Municipality will facilitate the implementation of a coordinated annual cycle of municipal performance management. This cycle will have agreed critical dates and timelines for the following activities:

1. Development of Organisational Scorecard (as part Municipal IDP Process), with the same being submitted to the District Municipality.
2. Development of SDBIP Scorecards by all departments at Amahlathi DM (as part of the IDP processes)
3. Conclusion of Performance Contracts, Performance Agreements, Accountability Agreements and Performance Promises
4. Completion of the first quarter reviews and audits
5. Completion of the midyear/ second quarter reviews and audits
6. Completion of the third quarter reviews and audits
7. Completion of the annual reviews and audits
8. Submission of inputs to the Annual Report

Stakeholders	Performance Planning	Measurement and Analysis	Performance Reporting & Reviews
<i>Community Structures and IDP Forum</i>	<ul style="list-style-type: none"> • Be consulted on needs • Develop the long term vision for the area • Influence the identification of priorities • Influence the choice of indicators and setting of targets 		<ul style="list-style-type: none"> • Be given the opportunity to review municipal performance and suggest new indicators and targets
<i>Council</i>	<ul style="list-style-type: none"> • Facilitate the development of a long-term vision. • Develop strategies to achieve vision • Identify priorities • Adopt indicators and set targets 		<ul style="list-style-type: none"> • Review municipal performance bi-annually
<i>Standing Committees</i>	<ul style="list-style-type: none"> • Influence the preparation of SDBIP scorecards • Adopt SDBIP scorecards • Ensure involvement of communities in the setting of municipal targets (IDP) 	<ul style="list-style-type: none"> • Monitor performance of relevant services 	<ul style="list-style-type: none"> • Receive reports from service managers • Review monthly SDBIP scorecards • Report to EXCO • Adopt corrective actions where necessary and recommend to EXCO
<i>Executive Committee</i>	<ul style="list-style-type: none"> • Play the leading role in giving strategic direction and developing strategies and policies for the organisation • Manage the development of an IDP • Approve and adopt indicators and set targets • Communicate the plan to other stakeholders 		<ul style="list-style-type: none"> • Conduct the major reviews of municipal performance, determining where goals had or had not been met, what the causal reasons were and to adopt response strategies

Stakeholders	Performance Planning	Measurement and Analysis	Performance Reporting & Reviews
Management Team	Assist the Executive Committee in <ul style="list-style-type: none"> • providing strategic direction and developing strategies and policies for the organisation • Manage the development of the IDP • Ensure that the plan is integrated • Identify and propose indicators and targets • Communicate the plan to other stakeholders • Develop SDBIPs & Budget 	<ul style="list-style-type: none"> • Regularly monitor the implementation of the IDP, identifying risks early • Ensure that regular monitoring (measurement, analysis and reporting) is happening in the organisation • Intervene in performance problems on a daily operational basis 	<ul style="list-style-type: none"> • Conduct quarterly reviews of performance • Ensure that performance reviews at the political level are organised • Ensure the availability of information • Propose response strategies to the Executive Committee • Report to Exco
HODs or Departmental Managers	<ul style="list-style-type: none"> • Develop service plans for integration with other sectors within the strategy of the organisation 	<ul style="list-style-type: none"> • Measure performance according to agreed indicators, analyse and report regularly • Manage implementation and intervene where necessary • Inform decision-makers of risks to service delivery timeously 	<ul style="list-style-type: none"> • Conduct reviews of service performance against plan before other reviews
Internal Audit			<ul style="list-style-type: none"> • Produce quarterly audit reports for MM and Audit committee • Conduct the audit of performance
Performance Audit Committee			<ul style="list-style-type: none"> • Review internal audit reports • Assess system and indicators • Provide audit report twice annually to council

CHAPTER 7

7.1 Auditing and Quality Control

All auditing will comply with Section 14 of the Municipal Planning and Performance Management Regulations (2001). Auditing of performance reports will be conducted by the internal audit unit prior to submission to the municipality's Performance Audit Committee and Auditor General.

7.1.1 Quality Control and Co-ordination

The Office of the Municipal Manager will be required on an ongoing basis to co-ordinate and ensure good quality of reporting and reviews. It will be its role to ensure conformity to reporting formats and check the reliability of reported information, where possible.

7.1.2 Performance Investigations

The Mayor or Performance Audit Committee will be able to commission in-depth performance investigations where there is either continued poor performance, a lack of reliability in the information being provided or on a random ad-hoc basis. Performance investigations should assess

- The reliability of reported information
- The extent of performance gaps from targets
- The reasons for performance gaps
- Corrective action and improvement strategies

While the internal audit function may be used to conduct these investigations, it is preferable that external service providers, preferably academic institutions, who are experts in the area to be audited, should be used. Clear terms of reference will need to be adopted for this purpose.

7.1.3 Internal Audit

The municipality's internal audit function will be continuously involved in auditing the performance reports and scorecards both Organisation and SDBIP. As required by the regulations, they will be required to produce an audit report on a quarterly basis, to be submitted to the Municipal Manager, Mayor and Performance Audit Committee.

Auditing is necessary to prevent:

- Inconsistencies in performance management definition or methodology of data collection;
- Incorrect processing and poor documentation of performance management;
- Biased information collection and reporting by those whose image is at stake in the performance management process.

The Regulations specify that any auditing must include assessment of:

- The functionality of the municipality's performance management system;
- The compliance of the system with the legislation; and
- The extent to which performance measurements are reliable in measuring performance of the municipality

Comment [t2]: ADM needs to revisit this section of the framework. The framework should reflect the current situation, i.e. that there is both a Performance Audit Committee and an Audit Committee in place at ADM. Their roles and relationship to each other should be clearly stated.

7.1.4 Performance Audit Committee

The Municipal Council will ensure that there is a Performance Audit Committee. To this end, the Council will ensure that the

- majority of members of the Performance Audit Committee are not councillors or employees of the municipality;
- chairperson of the Performance Audit Committee is neither a councillor nor an employee of the municipality;
- members of the Performance Audit Committee have credibility within all Amahlathi communities and organs of civil society; and the
- composition of the Performance Audit Committee sufficiently caters for the following competencies:
 - an understanding of performance management
 - an understanding of municipal finances
 - an understanding of development, including rural development
 - an insight into the municipality's IDP objectives

The operation of the Performance Audit Committee will be governed by section 14 (2-3) of the regulations.

As per the regulations, the performance audit committee will:

- review the quarterly reports submitted to it by the internal audit unit
- review the municipality's performance management system and make recommendations in this regard to the council of the municipality
- assess whether the performance indicators are sufficient
- at least twice during a financial year submit an audit report to the municipal council

The Performance Audit Committee will also be tasked with assessing the reliability of information reported.

In order to fulfil its function a performance audit committee may, according to the regulations,

- communicate directly with the Council, Municipal Manager or the internal; and external auditors of the municipality concerned;
- access any municipal 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.

CHAPTER 8

Responding to Employee and Organisational Performance

Employee Performance

This section focuses on the performance management arrangements for employees of the municipality. The legal framework that underpins it requires that it be enforced for all Section 57 Managers. The municipality will incrementally roll-out this system for all employees. In other words, the framework is applicable to all employees, with the only exception residing in cases where the nature of the employment contract places limitations on its applicability.

The legislation upon which this is based includes:

- *The Local Government Municipal Systems Act, No. 32 of 2000.*
- *The Local Government Municipal Systems Amendment Act, No. 44 of 2003.*
- *Local Government Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers, 2006. Regulation Gazette No. 29089.*
- *Draft competency guidelines for Municipal Managers and Managers directly accountable to Municipal Managers, 2006.*

8.1 Responsibilities for implementing system

The Municipal Manager, as head of the administration (see section 55 Municipal Systems Act or MSA) or as accounting officer (see section 60 Municipal Finance Management Act or MFMA) is responsible and accountable for the formation and development of an accountable administration operating in accordance with the municipality's performance management system. She or he is also responsible for the management of the administration in accordance with legislation.

The final responsibility for ensuring that employment contracts for all staff are in place rests with the Municipal Manager. The final responsibility for ensuring that performance agreements with the relevant managers, including his or her own, are in place rests with the Municipal Manager.

8.2 Employment Contract

The Systems Act (see section 57) provides that there must be a written employment contract between the municipality, the Municipal Manager and managers directly accountable to Municipal Managers (hence the reference, to managers employed in terms of these contracts, as Section 57 Managers). Furthermore, an employment contract must also be entered into with Acting Managers reporting directly to the Municipal Manager for the period appointed for.

8.2.1 Applicable legislation

The regulations (see sub-regulation 4(1)) provide that the employment contract must be subject to the terms and conditions of the Systems Act, the MFMA, and other applicable legislation. In the event that the employment contract does not refer to the applicability of other legislation, that omission will not affect the legal validity of the employment contract. The employment contract will, in any event, be subordinate to any legislation even in the case where the parties themselves are unaware of such legislation.

8.2.2 Validity of employment contract

The regulations (see sub-regulation 4(4)(a)) further provide that employment in terms of an employment contract must be subject to the signing of a separate performance agreement within 90 calendar days after assumption of duty and annually within one month after the commencement of the financial year. The question arises whether the validity of the employment contract will be affected in the absence of a performance agreement as per the dictates of the regulation. It is important to bear in mind that both the employment contract and the performance agreement are entered into separately by the parties. In the event that the performance agreement has not been entered into after the expiration of the time limit, it amounts to a breach of the employment conditions and the party responsible for such breach must be put on terms. It is important to emphasise that the failure to enter into a performance agreement does not automatically render the employment contract invalid. The party responsible for this breach must be given an opportunity to remedy the breach. Failure by the party responsible for the breach to remedy the breach may result in the other party initiating a contract termination process if it so feels.

8.3 Performance Agreement

The performance agreement (see sub regulation 8(2) read with sub-regulation 23) provides the basis upon which the municipality may act in response to a level of employee's performance. Performance Agreements form the basis upon which the performance of Section 57 staff are measured and monitored against targets. The performance agreement is put in place to comply with the provisions of Section 57 (1)(b), (4A),(4B) and (5) of the Municipal Systems Act as well as the employment contract entered into between the parties. This agreement must be entered into for each financial year and be reviewed annually in June. Furthermore, as part of this contract, the agreement must be co-signed with the unit managers or sectional heads reporting to the Head of Department (managers reporting to the municipal manager)

A performance agreement must also be entered into with Acting Managers reporting directly to the Municipal Manager for the period appointed for.

According to the Performance Regulations for Municipal Managers and managers directly accountable to Municipal Managers (2006), the performance agreements fulfil the following key purposes:

- specify objectives and targets defined and agreed with the employee and to communicate to the employee the employer's expectations of the employee's performance and accountabilities in alignment with the Integrated Development Plan, Service Delivery and Budget Implementation Plan (SDBIP) and the Budget of the municipality;
- specify accountabilities as set out in a performance plan, which forms an annexure to the performance agreement;
- monitor and measure performance against set targeted outputs;
- use the performance agreement as the basis for assessing whether the employee has met the performance expectations applicable to his or her job;
- and in the event of outstanding performance, to appropriately reward the employee; and

- give effect to the employer's commitment to a performance-orientated relationship with its employee in attaining equitable and improved service delivery.

8.3.1 Retrospectivity

The question arises whether it would be possible to enter into a performance agreement retrospectively, even after the end of the financial year. The language of the MSA (see section 57(2)) is peremptory in this regard. It provides that a "performance agreement **must** be concluded with a reasonable time after a person has been appointed" (own emphasis). The regulation provides that the performance agreement must be signed within 90 calendar days after assumption of duty. The Municipal Council does not have the authority to change these prescripts. The absence of a performance agreement at the end of a financial year will fatally affect the ability of the municipality to pay a performance bonus to the affected employee.

8.3.2 Legal validity after 90 days

A further issue which may arise is the legal validity of a performance agreement that is concluded after the period of 90 days has lapsed. In this regard, it is instructive to consider that the regulation provides that **employment** is subject to the compliance with sub-regulation 4(4)(a). The municipality and the employee will still be able to enter into a valid performance agreement after the 90 day period provided that there is consensus between the parties that the employment contract is still in force. Thus, where the performance agreement is entered into after the expiry of the 90 day limit, the agreement can still be entered into for part of that financial year (see sub-regulation 24(1)).

It is understood that a performance agreement comprises a performance plan and a personal development plan.

8.3.3 Performance Plan

The performance plan establishes:

- a detailed set of objectives and targets to be met by the Section 57 employee as well as;
- the time frames within which these should be met.

The specifics of the performance plan will be determined by the Mayor, in consultation with the employee, and will be based on the IDP, SDBIP and the Budget. It shall include the following elements:

- Key Objectives
- Key Performance Indicators
- Targets
- Weightings

In addition, the employee will be measured in terms of their contribution to the goals and strategic planning as set out in the municipality's IDP.

Section 57 staff will be assessed against **two components**, weighted as follows:

Key Performance Area (KPA) which is weighted at 80%

The employees assessment will in part be based on his/her performance in terms of outcomes/outputs (performance indicators) identified in the performance plan which are linked to the KPAs. This contributes to 80% of the overall assessment result. The weightings per KPA will be agreed upon between the Mayor and the employee. For managers directly responsible to the Municipal Manager, the KPAs are those related to their key functional areas.

For the municipal manager this will be the organizational scorecard representing the IDP. For managers reporting to the municipal manager, this component will be their department's SDBIP Scorecards.

For all other staff that this system will be rolled out to, this component will need to be drawn up for them and align with their job description.

Core Competency Requirement (CCR) which is weighted at 20%

The CCRs which are deemed most critical to the employee's specific function will be selected from a list and agreed upon with the employer, with consideration for proficiency levels as agreed between the two parties. Weights will further be assigned to the CCRs selected.

This refers to a separate component dealing with competency and expected behavior.

Table 1: Core Competency Requirements from Regulations (2006)

CORE COMPETENCY REQUIREMENTS FOR EMPLOYEES (CCR)		
Core Managerial and Occupational Competencies	✓ (Indicate choice)	Weight
Core Managerial Competencies		
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		
Core Occupational Competencies		
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 conceptualization, 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%

8.3.4 Personal Development Plan

As part of the performance agreement, a personal development plan will be included. This section should state the activities, including training, that the employee wishes to undertake to improve themselves or is required to take to better fulfill the needs of the job.

8.4 Accountability Agreements and Performance Promises

This section deals with cascading the system to the levels below the managers reporting directly to the Municipal manager using the Accountability Agreements for post levels 2 – 6, then Performance Promises for level 7 – 19. Rewarding performance is dealt with in sections below. These have implementation plans with activities contributing to the SDBIP Scorecards, hence these contribute to departmental performance.

8.5 Evaluating performance

The Performance Regulations for Municipal Managers and managers directly accountable to Municipal Managers (2006) stipulates in detail how the evaluation process should be undertaken.

8.5.1 Evaluators

For purposes of evaluating the annual performance of the Municipal Manager (Organisation), The Mayor must establish an evaluation panel, herein referred to Mayor’s Review Panel, constituted of the following persons:

- Mayor;
- Chairperson of the performance audit committee or the audit committee in the absence of a performance audit committee;
- Member of the Mayoral Committee
- Mayor and/or municipal manager from another municipality; and
- Member of a ward committee as nominated by the Mayor.

For purposes of evaluating the annual performance of managers directly accountable to the municipal manager (HoD/Department), the Municipal Manager must establish an evaluation panel, herein referred to Municipal Manager’s Review Panel, constituted of the following persons:

- Municipal Manager;
- Chairperson of the performance audit committee or the audit committee in the absence of a performance audit committee;

- Member of the Mayoral Committee
- Municipal Manager from another municipality.

8.5.2 Process & Scoring

Performance will be reviewed on a quarterly basis within two weeks after completion of the evaluation of a unit (department or section) to which the employee belongs or is responsible for managing. The employer will keep a record of all the review meetings which take place during the financial year. The performance plan will include a Personal Development Plan, in order to address any weaknesses or skills gaps which may have been identified.

In summary, the annual performance appraisal will involve an assessment of results as outlined in the performance plan, discussed below:

KPA assessment

1. Each KPA will be assessed according to whether performance indicators have been met
2. An indicative rating on a 5-point scale will be provided for each KPA
3. The applicable assessment rating calculator will be used to add to the scores and calculate the final KPA score based on a weighted average score.

CCR assessment

1. Each CCR will be assessed according to performance indicators have been met
2. An indicative rating on a 5-point scale will be provided for each CCR
3. The rating is multiplied by the weighting given to each CCR, to provide a score
4. The applicable assessment rating calculator will be used to add to the scores and calculate the final CCR score, based on a weighted average score.

Table 2: Scoring suggested by the Regulations (2006)

Level	Terminology	Description
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.

The combined KPA and CCR assessment scores, weighted 80% and 20% respectively, will make up the overall assessment of the individual manager's score. Where the KPA

portion is the departmental performance score from the SDBIP scorecards, and CCR is the result of an assessment on it's own. The following table depicts the split as follows:

Table 3 HOD's performance measurement

Component	Weighting	Source
Score for departmental performance	80%	SDBIP scorecard score
CCR score of a manager	20%	CCR appraisal result

The combined KPA and CCR assessment scores, weighted 80% and 20% respectively, will make up the overall assessment of the individual manager's score. Where the KPA portion is the organisational performance score from the Organisational scorecard, and CCR is the result of an assessment on it's own. The following table depicts the split as follows:

Table 4 Municipal Manager's performance measurement

Component	Weighting	Source
Score for organisational performance	80%	Overall municipal performance based on the Organisational Scorecard score
CCR score of a manager	20%	CCR appraisal result

The regulations do not deal with the detail of how to convert the points from the 5-point rating scale into percentage of performance even though the bonus calculation, as per regulations, will be based on the percentage level of performance achieved.

In Amahlathi M the scoring will take the score obtained and divide it by 3 to reach a % score. In this way a score of 3 from the scale, which means that performance fully meets the standards expected in all areas of the job, will then result to 3/3 which will be 100%; 4/3 will be 133% and 5/3 will be 166%.

8.5.3 Dispute resolution

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 –

- (a) 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
- (b) In the case of managers directly accountable to the Municipal Manager, the Mayor within thirty (30) days of receipt of a formal dispute from the employee;

whose decision shall be final and binding on both parties.

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

- (c) 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

- (d) 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.

8.5.4 Employees on fixed term performance related contracts

Bonuses

A performance bonus, based on affordability may be paid to the employees, after:

1. the annual report for the financial year under review has been tabled and adopted by the municipal council
2. an evaluation of performance in accordance with the provisions of the Regulation
3. approval of such evaluation by the municipal council as a reward for a level of performance deserving of a performance bonus in terms of the bonus criteria

In addition to the annual cost-of-living increase, the employee shall be eligible to be considered for a performance related increase (pay progression) on an annual basis.

Performance Bonus criteria

The regulations provide that a performance bonus between 5% and 14% of the inclusive annual remuneration package may be paid to the employee after the end of the financial year and only after an evaluation of performance and approval of such evaluation by the Municipal Council, as a reward for a level of performance deserving of a bonus in terms of the bonus criteria. In determining the bonus payment, the regulations specify that the relevant percentage depends on the overall rating, calculated by using the applicable assessment rating calculator:

1. A score of 130% - 149% is awarded a performance bonus ranging between 5%-9%.
2. A score of 150% and above is awarded a performance bonus ranging 10% - 15%.
3. In addition to what is suggested in the regulations in Amahlathi a score of 100%-120% should result in a bonus of 0% to 5%.

Salary Adjustment

The respective employee's salary can be adjusted if it is understood that the high levels of performance can be sustained and are not once-off. This salary adjustment is over and above any inflationary adjustment.

8.5.5 Employees not on fixed term performance related contracts

Mayor's Merit Award –

A Mayor's merit award will be introduced for all employees who are not on fixed term performance related contracts that perform excellently based on the following awards, but not limited to :

Score obtained on Performance Scorecard	The Employee may be eligible to choose ONE of the options listed below
Platinum (>100%)	Medal plus: a) Employee is granted 6 “free” leave days. or b) The Employee is able to attend a conference/seminar relevant to his/her work that costs a maximum of 6 leave days for that employee or c) The Employee may select a work tool that will enhance his/her ability to perform better in his/her job that costs a maximum of 6 leave days for that employee
Gold (90% – 100%)	Medal plus: a) Employee is granted 4 “free” leave days or b) The Employee is able to attend a conference/seminar relevant to his/her work that costs a maximum of 4 leave days for that employee or c) The Employee may select a work tool that will enhance his/her ability to perform better in his/her job that costs a maximum of 4 leave days for that employee
Silver (80% - 89.9%)	Medal plus: a) Employee is granted 2 leave days or b) The Employee is able to attend a conference/seminar relevant to his/her work that costs a maximum of 2 leave days for that employee or c) The Employee may select a work tool that will enhance his/her ability to perform better in his/her job that costs a maximum of 2 leave days for that employee
60 % - 79.9%	No specific reward
< 60	Compulsory performance counselling

Should an employee who has received a non financial reward in the form of a work tool, leave the employment of Amahlathi Municipality and wishes to take the work tool, the employee will be required to pay tax on the value of the tool.

Special Opportunities

Special opportunities will be created such as special study opportunities and exchange programmes that could benefit high performing employees.

Promotion

Employees who consistently perform well will be given more responsibility and promoted where opportunities arise.

8.6 Addressing Poor Employee Performance

8.6.1 Employees on fixed term performance related contracts

The municipality will base its actions against a poorly performing Section 57 Manager on the midyear and annual performance review processes. Having set performance targets in the form of a performance agreement at the beginning of the year and reviewed progress in September as per the Regulations, during the midyear review if a manager achieves a score of less than 60%, an appropriately designated person within the municipality will, together with the manager concerned, develop a Remedial and Developmental Support Plan within 30 days of the midyear performance review to assist the employee to improve his/her performance. The design of the plan will be

Comment [t3]: ADM needs to look at instituting an approach for addressing poor performance. There is also a need to look at corrective action where performance has been poor.

such that there should be performance improvement within 6 months of its implementation. The plan will clearly specify the responsibilities of the employer as well as the responsibilities of the employee with regard to its implementation. If after 6 months, during the end-year performance review, the manager concerned still achieves a score of less than 60% and the municipality has evidence or proof that it met its responsibilities in terms of implementing the remedial and developmental support plan, the municipality will consider steps to terminate the contract of the employee on the grounds of poor performance or operational incapacity.

8.6.2 Employees not on fixed term performance related contracts

In the case of unacceptable performance by an employee who is not on fixed term performance related contracts, the municipality shall, together with the employee concerned, develop a Remedial and Developmental Support Plan within 30 days of a review in which the employee achieves a score of less than 60%.

The plan will clearly specify the responsibilities of the employer as well as the responsibilities of the employee with regard to its implementation.

The timeframes of the plan shall be determined by the support and remedial needs identified in the plan.

After the timeframe determined in the plan has lapsed and based on the targets set in the plan, the performance of the employee will be assessed. If the employee concerned still achieves a score of less than 60% and the municipality has evidence or proof that it met its responsibilities in terms of implementing the Remedial and Developmental Support Plan, the municipality will consider steps to terminate employment on the grounds of poor performance or operational incapacity.

Organisational Performance

This section outlines how the municipality may reward good organisational performance and address poor organisational performance.

8.6.3 Good or Exceptional Organisational Performance

There will be a Mayoral Award for excellent performance that can take the form of rotating trophies or plaques for the best three departments / units annually. These can be designated:

- Platinum
- Gold
- Silver

An annual entertainment fund will be used to provide funds for at least the Platinum winners to entertain themselves as determined by the Mayoral Committee on an annual basis.

8.6.4 Poor Performance

Poorly performing departments will be asked to provide an explanation and analysis of poor performance. If this is insufficient, an investigation will be conducted to deepen the understanding of the underlying problems, whether they are policy-related, systemic, structural or attributed to the poor performance of individuals.

This section does not deal with rewarding good employee performance and addressing poor employee performance. These are dealt with at the end of the next section.

CHAPTER 9

Evaluation and Improvement of the Performance Management System

The Municipal Systems Act requires the municipality to annually evaluate its performance management system. It is proposed that after the full cycle of the annual review is complete, the performance management team will initiate an evaluation report annually, taking into account the input provided by departments. This report will then be discussed by the Management Team and finally submitted to the Executive Committee for discussion and approval. The evaluation should assess:

- The adherence of the performance management system to the Municipal Systems Act.
- The fulfilment of the objectives for a performance management system captured in Section 3 of this document.
- The adherence of the performance management system to the objectives and principles captured in Section 4 of this document.
- Opportunities for improvement and a proposed action plan.

It must once again be emphasised that there are no definitive solutions to managing municipal performance. The process of implementing a performance management system must be seen as a learning process, where there is a conscious buy-in to incremental improvement of the way the system works in order to fulfil the objectives of the system and address the emerging challenges from a constantly changing environment.